



SUMITOMO MITSUI TRUST HOLDINGS

# Integrated Report 2023

—Annual Report—

**SuMi TRUST**  
SUMITOMO MITSUI TRUST HOLDINGS

## Reason for Existence ("Purpose")

# Creating new value with the power of trusts and let prosperous future for our clients and society bloom

## Management Principles ("Mission")

- (1) Swiftly provide comprehensive solutions to our clients by fully utilizing the significant expertise and comprehensive capabilities.
- (2) 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.
- (3) Strive to fulfill all shareholder expectations by creating distinct values through fusing the various functions featuring the trust bank group.
- (4) 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, 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 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

**Contribution to Society**  
—Dedication and Development

**Realization of  
Organizational Capability**  
—Trust and Creativity

**Establishment of Individuality**  
—Self-help and Self-discipline

Strict Compliance with Applicable Laws and Regulations

Resolute Stance against Antisocial Forces

1900s  
Birth of modern  
trust system

1950s  
Birth of loan  
trusts

1960s  
Birth of pension  
trusts

1980s  
Birth of land trusts

1990s  
Birth of asset  
securitization  
type trusts

2000s  
Amendments  
to the Trust Act  
and the Trust  
Business Act

Sumitomo Mitsui Trust Holdings

## Integrated Report 2023

- 2 Trust
- 4 Top message
- 12 Purpose and value creation story
- 14 Materiality

### Theme 1 Aiming to be a value creating company

- 20 Value creation process
- 22 Our history and review of the previous Medium-Term Management Plan
- 24 Outline of the Medium-Term Management Plan (FY2023 - FY2025)
- 26 Engaging in value creating businesses
- 30 Digital strategy
- 32 Sustainability
- 40 Financial highlights and non-financial highlights

### Theme 2 Initiatives to enhance corporate value and management base

- 44 Message from Head of Finance and Treasury
- 48 Human resource strategy
- 57 Our initiatives to reduce strategic shareholdings
- 58 Corporate governance
- 64 Our Directors and Executive Officers and composition of the Board of Directors of our Group's core subsidiaries
- 68 Risk management
- 73 Human rights
- 74 Security
- 75 Internal auditing
- 76 Compliance
- 78 Client-oriented initiatives
- 82 Initiatives aimed at enhancing and sophisticating operational quality
- 83 Initiatives for financial facilitation
- 84 Communication with stakeholders

### Theme 3 Messages from subsidiary management

- 88 Messages from subsidiary management

### Theme 4 Business strategy

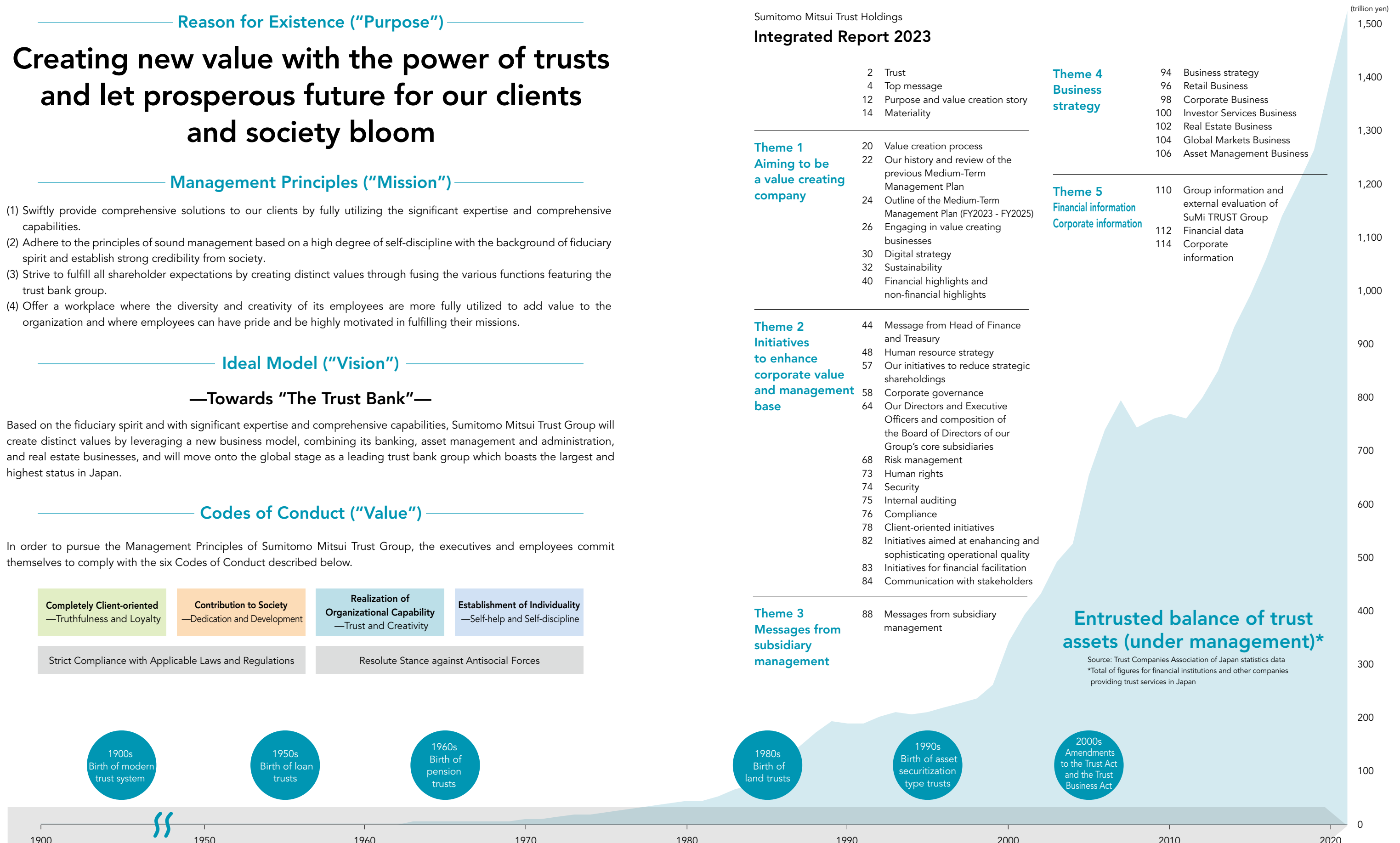
- 94 Business strategy
- 96 Retail Business
- 98 Corporate Business
- 100 Investor Services Business
- 102 Real Estate Business
- 104 Global Markets Business
- 106 Asset Management Business

### Theme 5 Financial information Corporate information

- 110 Group information and external evaluation of SuMi TRUST Group
- 112 Financial data
- 114 Corporate information

## Entrusted balance of trust assets (under management)\*

Source: Trust Companies Association of Japan statistics data  
\*Total of figures for financial institutions and other companies providing trust services in Japan



# Trust

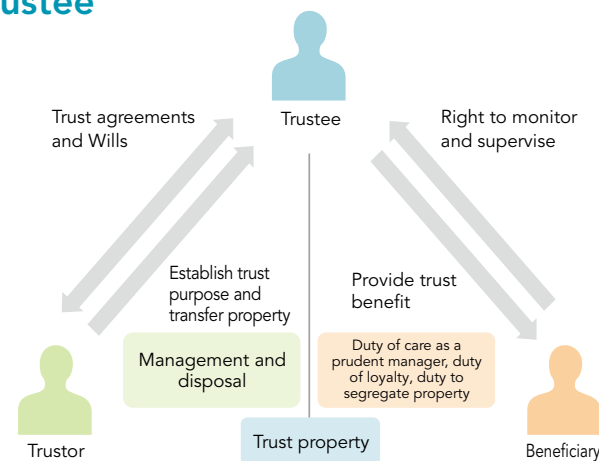
## — Property management system based on trust

### 1 Legal support and expertise of the trustee

Trust is a legally established property management system.

The person who holds property (trustor) transfers property to a trusted person (trustee), and the trustee manages and disposes of property for the beneficiary in accordance with the purpose of the trust.

The first significance of entrusting important property to others is the use of the trust's unique functions to manage property for the purpose they wish to realize and to enable beneficiaries to enjoy the benefits. In addition, there is an expectation that the trustee's conduct will be disciplined with the support of the law and that the trustee's expertise regarding the property will be expected.



### 2 Establishment of the trust system in Japan — Discipline of trust

It has been 100 years since trust was legislated in Japan. Before this legislation, there were many companies that in reality performed high-interest lending, and that called themselves trust companies. In 1922, the Trust Act and the Trust Business Act were enacted in order to crack down on these issues and create a system of trust, and the companies that called themselves trust companies were eliminated and liquidated. Trust have been positioned in the financial system, leading to the modern trust system.



Trust spread from Britain and the United States as an excellent mechanism for entrusting property to a trusted person for proper management, but it also had weaknesses. One is a risk of abuse by the person entrusted with property (trustee). Therefore, instead of having exclusive authority to manage and dispose of property, trustees are obligated to act exclusively in the interests of beneficiaries and to handle property with care as a good manager. This discipline for trustees has been organized as a "fiduciary relationship." A trust system has also been introduced in Japan, and the "fiduciary relationship" is the basis of this system. Trust was enacted into law as a system for administering and managing assets based on cordial trust in trustees and have a history of development to date.



### Q&A on trust

#### Q. How do you set up trust?

**A.** A trust may be entered into by contract, will, or declaration of intention (self-trust). Most general trust products of trust banks are set up based on trust agreements.

#### Q. Who owns trust property?

**A.** When any property is placed in trust, the ownership is legally transferred to the trustee and formally belongs to the trustee. However, the trustee manages and disposes of the trust property in accordance with the trust purpose that reflects the trustor wishes. The purpose of the trust is often set up for the beneficiary, and the trustee manages the property exclusively for the benefit of the beneficiary. Therefore, in effect, the trust property belongs to the beneficiary.



#### Q. What happens to trust when the beneficiary dies?

**A.** Some trusts terminate when the beneficiary dies, while others continue without termination. This depends on provisions such as trust agreements. When the trust is terminated, the trust property is delivered to the beneficiaries or vested right holders. In cases where a trust continues, the rights as beneficiaries (beneficiary rights) may be inherited, or the person designated in the trust agreement may become the next beneficiary.

#### Q. What happens to trust property if trustee goes bankrupt (dies)?

**A.** Even if the trustee goes bankrupt, creditors of the trustee's own property cannot seize the trust property, and the trust property will be preserved. When the trustee dies, the administration of the trust property is passed to the new trustee.

#### Q. What trusts are around us?

**A.** These include investment trusts (asset management products), pension trusts (employee welfare and asset formation), real estate trusts (commercial facilities are trust assets, or there are trusts for investment purposes that invest in real estate), trusts for making donations and gifts, trusts that transfer assets across generations such as marriage and childcare support trusts and tuition fund endowment trusts and other trusts.

#### Q. What property can we trust?

**A.** Any properties that can be transferred separately from the trustor property and whose monetary value can be estimated can be the subject of trust. For example, in addition to money, securities, monetary claims and real estate, the possibility of using trust for movables, intangible assets and other assets is expanding. Expectations for products and services that take advantage of the flexibility of trust in response to diversifying client needs and increasing complexity of social issues are rising even further.





# Paving the Way for the Next

## 100 Years with the Power of Trust

We have launched a new Medium-Term Management Plan, returning to the founding principle of creating a sound and prosperous future as our goal. To pursue SuMi TRUST Group’s “Purpose,” we shall continue to work with a strong and renewed awareness of our mission and fulfill our roles and functions as a trust group.

### Mission as a trust group

Around 100 years ago, numerous trust companies were founded against the backdrop of the strong industrial financing needs for modernization and the economic boom brought on by World War I. In 1921, there were 488 such companies. On the other hand, under the banner of the “trust business,” many of them engaged in ambiguous activities that were far from the trust business. The Trust Act and the Trust Business Act were enacted in 1922 to correct confusion in the trust industry and to develop a sound trust system.

With a belief that trust companies have a mission of serving the community and must have solid creditworthiness for asset administration to respond to clients’ expectations, the Mitsui Trust Company, Limited was established in 1924 as Japan’s first trust company pursuant to the Trust Business Act, followed by the founding of Sumitomo Trust Co., Ltd. in 1925. This is the origin of SuMi TRUST Group.

Today, to realize a green society, a huge amount of funds is needed, estimated at 150 trillion yen in the public and private sectors in Japan over the next ten years. I observe that there are parallels between the current environment, in which social issues need to be resolved and transition is made to strive for a prosperous future, with the world when the Group was founded. I believe that this is a time when “the Power of Trust” is needed.

The new Medium-Term Management Plan launched this fiscal year has been formulated with a strong and renewed awareness of our mission as a trust group and

① See page 2

② Referenced from “Clean Energy Strategy”, Ministry of Economy, Trade and Industry

③ See page 24

SUMITOMO MITSUI TRUST HOLDINGS



Toru Takakura

Director, President  
Sumitomo Mitsui  
Trust Holdings, Inc.



the roles and functions we serve, returning to the founding principle of the Group with the aim of creating a sound and prosperous future. Based on a long relationship of trust with our clients, we shall utilize “the Power of Trust” to solve social issues and pass on a sustainable and prosperous society to the next generation, while enhancing our corporate value. And also at the same time, we are committed to paving the way for the next 100 years to enhance the well-being of our stakeholders.

At present, the environment surrounding us is becoming increasingly uncertain, with rising global inflation as seen in soaring food and energy prices triggered by the post-pandemic economic recovery and the Ukraine crisis, and growing anxiety about the financial system due to the failure of U.S. and European financial institutions.

These events remind me of the financial crisis in Japan in the 1990s. Globalization is far more advanced than it was then, and how Japan will be affected in the adjustment process of unprecedented monetary easing is unpredictable. We recognize that the financial institutions that survived at that time were supported by a strong client base, accumulated capital and vigilant cash flow management. We are committed to resolving each of these issues, all of which could lead to critical management decisions, with solid business operations and a robust management system.



## Review of the previous Medium-Term Management Plan (FY2020–2022)

In the previous Medium-Term Management Plan, under our Purpose, the balanced creation of both social value and economic value was placed at the very core of our management philosophy. Also, our top priority was to realize a “virtuous circulation of funds, assets and capital” that brings the fruits of enhanced corporate value to households, and we strived diligently to achieve sustainable and stable development of the Japanese economy and companies, foster sound capital markets, and enhance the well-being of our clients and society.

Specifically, we announced a policy, in principle, of not holding any strategic shareholdings as a conventional stable shareholder. At the same time, by leveraging the capital created by the reduction of strategic shareholdings, we announced we would invest a cumulative total of 500 billion yen in impact equity investments by fiscal 2030 to help solve social issues, and to raise investors’ demand of 2 trillion yen using our own funds as a catalyst. In addition, we promoted initiatives for the Group’s own sustainable growth by creating a virtuous circulation of funds starting from ourselves, such as forming a business alliance with the Apollo Group, renowned for its world-leading track records in private asset management.

In terms of business performance, we achieved the target of 190 billion yen in net

income attributable to owners of the parent for the final fiscal year of the Medium-Term Management Plan (fiscal 2022), a record high since integration in 2011. In addition, assets under management and assets under custody have more than doubled since the time of the integration, and we have confidence that we have achieved growth that is expected of a trust group.

## Thoughts on the new Medium-Term Management Plan (FY2023–2025)

The new Medium-Term Management Plan sets forth its concept as “Paving the Way for the Next 100 Years with the Power of Trust.” We aim to realize our vision under the Group’s Purpose. Here are my five thoughts on the new Medium-Term Management Plan.

### [The Aspiration]

- **Be a fiduciary that is trusted by stakeholders**
- **Contribute to enhancing the well-being of all people, including future generations**
- **Serve as a social infrastructure, creating a virtuous circulation of funds, assets and capital**

### (1) Expand AUF to help solve social issues and create and expand markets

Our Group shall pursue the best interests of its clients as a fiduciary which is believed in and entrusted by clients and accomplishes the wishes of clients. This is the source of “the Power of Trust,” and we will fulfill our responsibilities. We will further refine our expertise and provide valuable solutions that exceed clients’ expectations, taking advantage of our long-term businesses based on a relationship of trust with our clients, thereby helping to enhance the well-being of our clients and society.

We have defined AUF (Assets Under Fiduciary) as the balance (indicator) that indicates the scale of initiatives by the Group that contribute to solving social issues and creating and expanding markets. We shall expand the AUF balance, which stood at 480 trillion yen at the end of fiscal 2022, to 800 trillion yen in fiscal 2030, focusing on asset management and asset administration businesses. AUF based on long relationship of trust with clients will result in lower capital costs. As an impact on society, AUF can contribute to solving social issues and creating a prosperous future. Through AUF, a quantitative indicator, I hope to achieve balanced creation of both social value and economic value.

### (2) Achieve ROE of 10% or above by FY2030

In March, the Tokyo Stock Exchange presented listed companies with “Action on Cost of Capital-Conscious Management and Other Requests.” We understand this as a call to increase capital profitability through such measures as making investments to achieve growth, strengthening business portfolio and appropriate allocation of management resources, and to encourage companies to achieve sustainable growth and medium-to long-term enhancement of corporate value while responding to the expectations of stakeholders.

④ See page 22

⑤ See page 57

⑥ See page 29

⑦ See page 24

We aim to achieve ROE of at least 10% and 300 billion yen in net income attributable to owners of the parent by fiscal 2030 and shall make steady progress toward achieving PBR of at least 1.0x (market capitalization of at least 3 trillion yen) as early as possible. In addition, we will contribute to ensuring that PBR exceeds 1.0x not only for ourselves but also for many listed companies in Japan through the realization of a virtuous circulation of funds, assets and capital.

We have revised the policy of shareholder returns and decided to introduce a formula of progressive dividend per share, aiming for a consolidated dividend payout ratio of 40% or above. We will steadily return the fruits of the growth, obtained through our sustainable rise in earnings, to shareholders over the medium-to long-term.

**(3) Contribute to the transformation of social structures and the acceleration of technological innovation, and create a green society**

I see sustainability issues, represented by climate change, as a crisis of well-being. From this standpoint, I believe that we need to squarely face conflict and disparities, such as international friction and social division, and work hard to find a balanced solution. I would like to contribute to social structural change and the acceleration of technological innovation without overlooking the needs and concerns of minorities and socially vulnerable people.

Levels of well-being crisis are not uniform. For example, island countries facing the rise of sea-levels, areas exposed to desertification, and areas prone to hurricanes and typhoons have different degrees of risk depending on the countries and regions.

In light of the situation in Japan, for example, there is still plenty of room in various parts of the country for renewable energy development, and this is becoming increasingly important for decarbonization. Taking into account the fact that there is less need for long-distance power transmission, we believe that the benefits of a local-production-for-local-consumption economy are significant from the perspective of overall energy efficiency.

Rich natural resources remain in the countryside. Although there are many community-specific social issues, such as a shortage of workers in forestry management and maintenance, as well as inheritance issues, we believe there are solutions, like building a supply chain from production to sales in each region and introducing renewable energy, including heat supply and small hydropower generation, that can utilize forest resources. Pertinent management and use of forests will not only fulfill the important role of forests such as preventing landslides and other disasters and increasing carbon dioxide absorption, but also lead to the circulation of local resources within the local economy.

We believe that the “transformation of social structures,” in which industries are distributed across Japan and the population is dispersed, can be one of the solutions to enhance the well-being of the entire nation. In addition, in order to accelerate our response to the current energy crisis and industrial revitalization, it is essential to accelerate technological innovation. In order to achieve this, there are demands in the public and private sectors for incubation investment in green tech from the demonstration phase to commercialization, as well as investment of huge amounts of funds for energy and social infrastructure transitions.

⑧ See page 32



Huge investments can only be made with government, bank and institutional investors’ funds deployed in collaboration with the financial assets of individuals, which are estimated to be around 2,000 trillion yen. By fiscal 2030, we will provide 15 trillion yen of sustainable finance, funded not only by its own balance sheet but also by investors’ funds.

Investment is essential to realize a green society but it cannot be sustainable unless there are appropriate returns (fruits) delivered corresponding to the risks taken by businesses and investors. We shall provide an investment environment that encourages investment in assets from which high return can be expected in the future, including private assets related to the creation of a green society. And we will democratize and socialize investment, in which anyone can take the benefits of valuable investment for granted, and vitalize dormant funds.

However, such goals are difficult to achieve by us alone. We will build a network with leading players who agree with our vision and co-create even greater value through collaboration and cooperation. We will connect Japanese investors, including individuals, to global investment chain by such measures as reducing the size of private asset investments, which are expected to yield high returns.

The realization of a “green society,” a global common understanding, is a challenging theme. We recognize that, in order to support our clients’ technological innovation with “the Power of Trust”, a profound knowledge of technology is also necessary for us. We are expanding the staffing and activities of the team of experts in a wide range of fields, including hydrogen, storage batteries and chemistry. We are determined to pave the way to a prosperous future with the power of solutions originating from innovative technologies as well as investments.

**(4) “FINANCIAL WELL-BEING” in the age of 100-year life**

Well-being, in which there is a growing interest these days, refers to “the state of being fulfilled physically, mentally and socially.” If we aim to ensure well-being, it’s important not only to have money but also to be able to manage it, which leads to a sense of happiness and fulfillment. “FINANCIAL WELL-BEING” is the state of being able to remove anxiety about money and deal with it in a healthy manner in order to have peace of mind and live a healthy life.

Everyone has their own way of achieving happiness. There are many ways to spend, save, increase, and leave money. There are two aspects to spending money:

⑨ See page 28

⑩ See page 29

⑪ See page 39

⑫ See page 27

“consumption” and “investment.” If we spend money only for “consumption” in daily life, we will end up going through a repetition of earning and consuming. When thinking of our entire life, if we develop an investment perspective in our life plan, such as “receiving long-term returns” and “using our money to benefit society,” we will be able to take the initiative in our life plan and opens new possibilities for enjoyment. Investment can take the form of not only building assets but also investing in learning that will enhance our ability.

Individual assets in Japan amount to 3,000 trillion yen. Out of this total, 2,000 trillion yen is financial assets and 1,000 trillion yen is real estate. Among the financial assets, 1,000 trillion yen is cash and deposits. The trend from savings to asset formation is gaining momentum across the country. We expect investment needs and funds to expand as a result of supporting measures such as the Doubling Asset-based Income Plan and income increases due to raising wages. In addition, with an eye on the age of 100-year life, there is a growing movement in the working generation toward building assets in their early life stage. Among the financial assets, 1,000 trillion yen not held as cash and deposits is invested in securities and other products, but with greater longevity of the population, the amount of money needed for living is increasing, and vague anxieties about the future are growing, including dealing with dementia. In addition, it is true that many people who experience inheritance in real estate are concerned about the smooth transfer of assets between generations.

We will take advantage of the knowledge gained in pension and real estate operations to increase opportunities for individual clients and corporate employees to invest safely and securely from a long-term perspective with a comprehensive view of future cash flows and assets and liabilities. We will also harness the flexible product design aspects of trust regarding the risks specific to longevity and help people to attain a prosperous “second, post-retirement life”. We aim to enhance our clients’ FINANCIAL WELL-BEING, starting with their own asset formation and development of an environment in which such assets are inherited by the next generation with a sense of security.

**(5) Bolster human capital and Diversity Equity and Inclusion (DE&I) for future adaptability**

In the spirit of fiduciary duty, we will foster an organizational culture to implement client-oriented business operations and aim to be a company in which employees, who can exercise principle-based ownership by thinking by themselves, making their own judgment and acting on their own, can play a very active role throughout the company.

In 2018, I declared that “I am the manager of my life” in the “IkuBoss Declaration,” a declaration of an organization that supports employees and enable diverse work styles and a good work-life balance. We will create an environment that encourages a circulation of well-being, in which each and every employee develops an independent career and works hard together as a professional, and each employee’s activities contribute to enhancing the well-being of clients and society, which in turn leads to job satisfaction for employees.

In addition, we believe it is important to foster a corporate culture of inclusion of all in a fair and just (equity) manner, including employees with diverse attributes and backgrounds. We will recognize the differences among diverse employees and

provide support corresponding to the competencies and abilities of each individual, without overlooking consideration for minorities.

With regard to the promotion of women’s active participation, SuMi TRUST Bank aims to increase the ratio of female employees in management positions (section managers, team leaders, and above) to at least 20% by October 2024. In terms of corporate governance, the Board of Directors of major subsidiaries consists of members including female and external directors with international backgrounds, but we will make further efforts for diversification.

**Toward the next 100 years**

Next year, in 2024, SuMi TRUST Group will celebrate its 100th anniversary since its incorporation. Since our founding, guided by our fiduciary spirit and with “the Power of Trust,” we have consistently maintained a “pioneering” attitude, by boldly tackling “challenges” to create new value in response to the needs of clients and the demands of society in each era, and by contributing to the development of our country.

In the years ahead, Japan will face a number of social issues that will require huge investments and a long time to resolve, such as “realizing a green society” and “FINANCIAL WELL-BEING in the age of 100-year life,” which embody my thoughts. Such social issues will be big challenges for corporate and individual clients, but addressing these time-consuming and costly challenges is where we can demonstrate its strengths.

By leveraging the strengths of our Group which has contact points with a wide variety of clients and markets and a business foundation based on long-term relationship of trust with our clients in a wide range of areas, we shall endeavor to make a significant contribution to the virtuous circulation of funds and expansion of investment in Japan. With “the Power of Trust,” we are determined to take strong and steady steps toward the next 100 years so that we can achieve ROE of 10% or above and PBR of 1.0x as early as possible, and even exceed these benchmarks.

I would sincerely appreciate your continued support and understanding.

July 2023



Director, President  
Sumitomo Mitsui Trust Holdings, Inc.

14 See page 52

15 See page 66

16 See our website  
Founding Prospectus  
[https://www.smth.jp/about\\_us/profile/chronicle/prospectus](https://www.smth.jp/about_us/profile/chronicle/prospectus)  
(Japanese text only)

13 See page 48





## SuMi TRUST Group's "Purpose"

Creating new value with the power of trusts and let prosperous future for our clients and society bloom

### Achieving our "Purpose" with the power of trusts

The "power of trust" mentioned in our Purpose is a wide-ranging concept—it refers to the numerous functions of our trust schemes, our significant expertise and comprehensive capabilities, and even the basic principle of fiduciary duty.

#### Ability conversion function Leveraging our high level of expertise to manage and administer assets



#### Asset conversion function Flexible alteration of asset composition and quantity



#### Time conversion function Transcending time to ensure client wishes are fulfilled in the future



### New value created through business

[Businesses that harness the power of trust to solve social issues]

#### Value provided to stakeholders (three economic entities)

SuMi TRUST Group draws on its wide array of trust functions to deliver high-value-added products and services to clients based on the keyword of "circulation" to address the social issues that confront individuals, corporations and investors.

#### Themes to be addressed proactively as social issues

##### Individuals

Asset administration and asset formation  
in Japan's aging society

##### Corporations

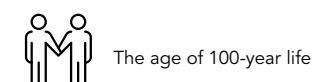
Sustained growth of the Japanese  
economy and corporations  
(addressing both financial and  
non-financial issues)

##### Investors

Diverse range of investment opportunities  
and development of the investment chain

#### Three value creating businesses to create new value

With a view to the kind of society and vision for the Group we hope to achieve by 2030, we identified the following three value creating businesses to encourage a virtuous circulation: (1) the age of 100-year life; (2) ESG/Sustainable management; and (3) regional ecosystems and the global investment chain (Networking).



The age of 100-year life



ESG/Sustainable  
management



Regional ecosystems and the  
global investment chain  
(Networking)

### Blooming of a bright future

"Prosperity and happiness for all = Improvements in well-being"

Materiality

1 Definition of materiality and history

In light of the balanced creation of both social value and economic value,we identify the medium- to long-term high-priority issues (i.e., items of materiality) and they are set at the Board of Directors, taking matters like changes in economic and social conditions and requests from stakeholders into account.

We identified 14 items of materiality for the first time in fiscal 2015 and revised them to 17 items of materiality in fiscal 2019. However, the economic and social conditions have changed significantly over the past three years, including increasing social demand to address climate change, the spread of COVID-19 and the emergence of geopolitical conflicts. In order to achieve the balanced creation of both social value and economic value in a sustained manner amid these major changes in a short period of time, it is necessary to identify materiality in a way that ensures completeness

regarding events that may occur in the medium to long term. On the other hand, in order to enhance the effectiveness of materiality by applying it to management systems, such as management strategies and risk management, and by spreading it to employees, we recognized that the number of 17 items was large, and that it was necessary to better match the Group’s unique strengths and issues in terms of management strategies, risk management, and other areas.

Based on this recognition of issues, in preparation for the formulation of a new Medium-Term Management Plan beginning in fiscal 2023, we have narrowed down the number of items in order to improve completeness, reflect them in our management strategy and risk management system, and improve their effectiveness in reaching employees. We have also revised our materiality to enhance their suitability for the Group’s unique strengths and issues.

2 Revision in FY2022

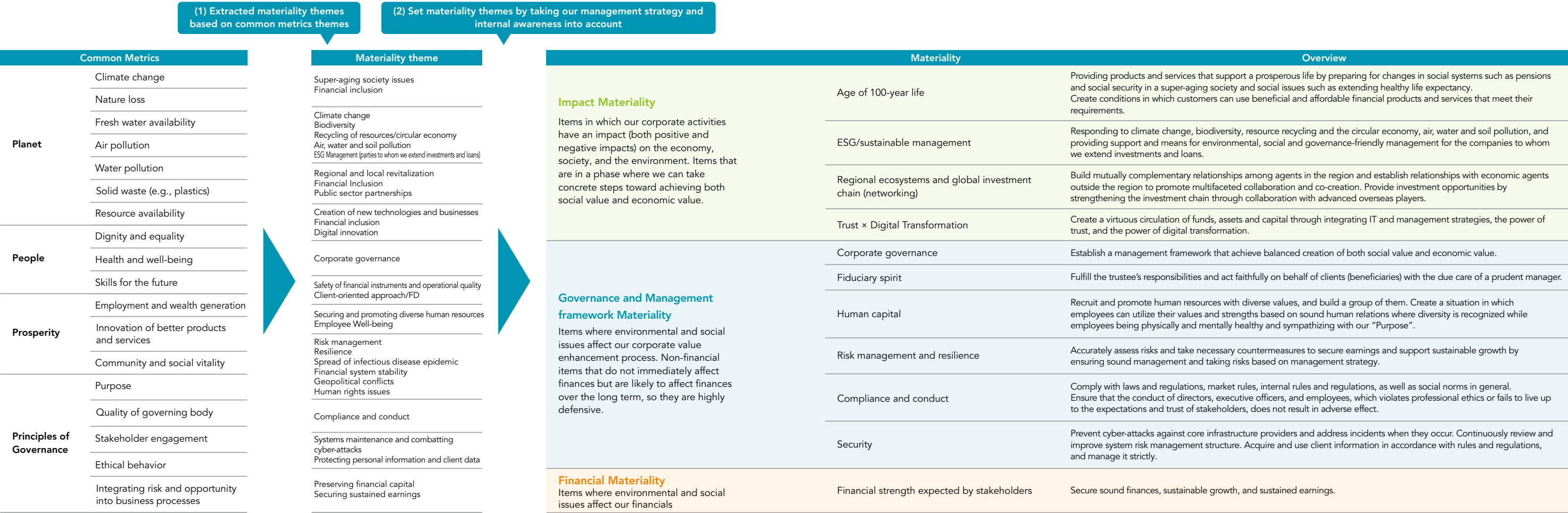
In the review of materiality in fiscal 2022, we reviewed 17 items that had previously been identified as materiality based on 18 issues classified into the common metrics of Planet, People, Prosperity, and Governance. And we identified 27 Materiality Themes, based on the common indicators (“common metrics”) in the “Toward Common Metrics and Consistent Reporting of Sustainable Value Creation” compiled mainly by the world's four largest accounting firms.

This materiality theme was organized from our Purpose and management strategy themes into items related to the society and values that we want to realize. After discussions with the Executive Committee, various advisory committees, and top management, the Board of Directors resolved to identify 11 materiality items in three categories, with completeness and uniqueness of the Company.

Under the Group’s Purpose, as for the businesses that harness the power of trust to solve social issues, we aim to provide value to stakeholders in three areas of value creation that promote a virtuous circulation, with the key phrase “virtuous circulation of funds, assets and capital.”

By reflecting this in the identification of materiality, among the impact items of materiality of the new materiality, “age of 100-year life,” “ESG/sustainable management,” and “Regional ecosystems and the global investment chain (Networking)” are aligned with the three areas of value creation.

Identifying materiality from common metrics





### 3 Reflecting in the value creation process (materiality management)

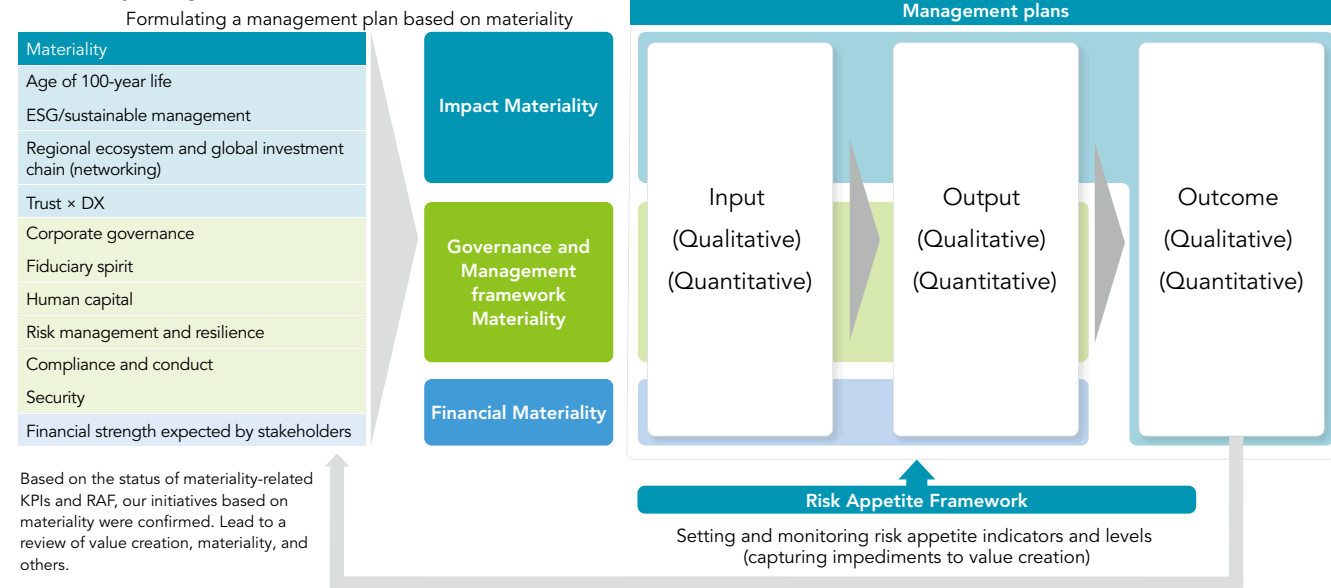
By incorporating materiality as a common concept in various management systems, such as management strategies, internal controls, and Risk Appetite Framework (RAF) that implement our value creation process, and by increasing the interconnectedness of each function, we can further improve our value creation capabilities. We have formulated a Medium-Term Management Plan for fiscal 2023 and beyond based on newly identified materiality. In the future, we will confirm the status of the measures and KPIs set out in the Medium-Term Management Plan from a materiality perspective, report them to the Sustainability Committee, an advisory body to the Executive Committee, and utilize them in communication with stakeholders to create a virtuous circulation in the value creation process.

In addition, in order to incorporate the perspectives of stakeholders into management based on such materiality,

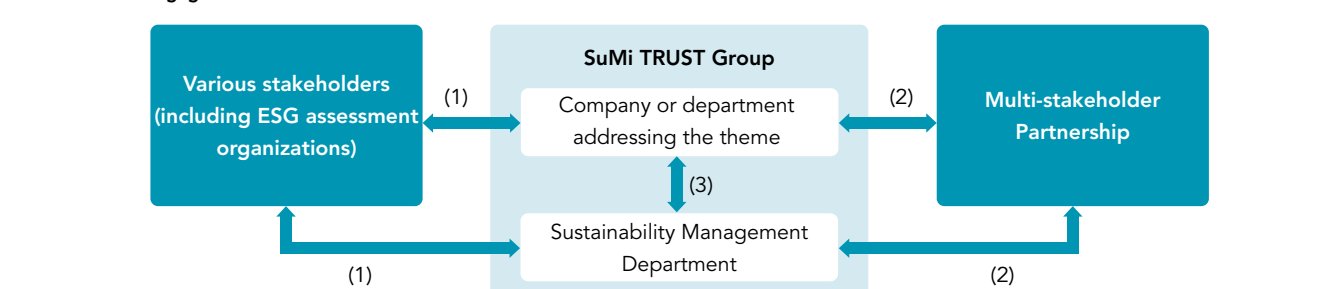
we have implemented an “internal engagement” system described below, and the status of the internal engagement is reported to the Board of Directors as materiality-related matters after discussion by the executive side, including the Sustainability Committee and the Executive Committee.

Based on the concept of “dynamic materiality,” in which social conditions and values change and these changes affect corporate value, we will examine the necessity of reviewing materiality in accordance with the situation at the Sustainability Committee based on the aforementioned confirmation and report and internal engagement. At that time, the Risk Committee responds to questions from the Board of Directors about matters concerning materiality, deliberates on the appropriateness and other aspects of such matters from a professional point of view, and then reports its findings to the Board of Directors.

#### Materiality Management



#### Stakeholder engagement



The Group's stakeholder engagement is divided into three approaches: (1) direct engagement by relevant departments at each company of the Group according to the theme, (2) direct participation in domestic and international initiatives, and (3) internal engagement by the Sustainability Management Department with relevant departments at each company of the Group based on dialogue with its own stakeholders and information gathering from ESG assessment organizations. These approaches are used to diversify dialogue channels and enhance the quality and quantity of inputs.

### 4 Internal engagement

#### (1) Basic philosophy

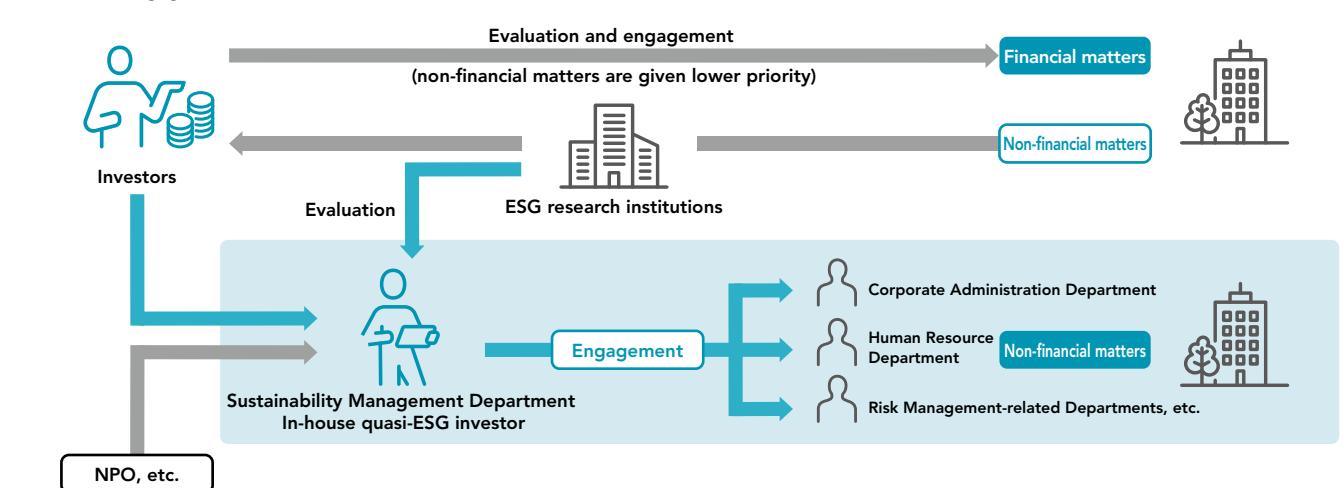
Our Sustainability Management Department engages in dialogue with relevant departments with respect to non-financial materiality items in the finance sector that ESG investors are most interested in and for which the Group's initiatives may face challenges in order to improve our approaches and enhance information disclosure. We refer to this initiative as internal engagement and consider it as a check and balance function based on an external perspective on day-to-day operations, different from the supervisory function of the Board of Directors from a management perspective.

The main purpose of internal engagement is to improve the internal management system of the executive side, but the overall activities are reported to the Board of Directors and issues are shared.

#### (2) Internal engagement process

The Sustainability Management Department selects topics for internal engagement mainly based on items pointed out by ESG assessment organizations, dialogue with domestic and overseas ESG investors, standards for voting advisory companies, communication with NGOs (letters and dialogue), and high-profile issues related to corporate governance codes, ESG, and SDGs. The theme for fiscal 2022 was reported to the Executive Committee in November 2022, and related executives recognized the issues. The results of the ongoing efforts of the Sustainability Management Department together with related departments were reported at the Board of Directors' meeting in March 2023 as a recognition of issues in materiality management. We recognize the opinions raised by supervisory bodies and executive bodies as issues for fiscal 2023.

#### Internal Engagement



#### FY2022 Achievements and challenges (Example)

Theme	Remarks from investors and evaluation agencies	Achievements in FY2022	Challenges for FY2023
Corporate governance	Ensuring the independence, diversity and expertise of the Board of Directors	Disclosed breakdown of “creation” of external directors in the skills matrix	Improving the skills matrix, addressing continued demands of investors for disclosures
	Advancement of executive compensation disclosure	Earned a certain degree of recognition from investors for disclosing the integrated report	Addressing demands of investors for ESG-related indicators including KPIs
Human capital	Review of easy-to-understand information disclosure	Reviewed three indicators disclosed in the financial statement	Supplementary explanation in the integrated report Group-based data
Human capital Human rights	Disclosure and elimination of the gender wage gap	Reviewed matters for disclosing the financial statement	Supplementary explanation on disparities (Initiative Policy)
	Strengthening of human rights due diligence and system development, including monitoring of human rights compliance by third parties	Revised human rights policy, identified key human rights risks Hold the Human Rights Due Diligence Liaison Committee meeting and reviewed human rights awareness training programs	Begin monitoring human rights compliance of parties to whom we extend investments and loans Human rights awareness training program
Climate change and investment and loan policies	Making investment and loan portfolio carbon neutral and continuing to enhance policies for specific sectors	Incorporated carbon neutrality initiatives into investment portfolio Enhanced TCFD Report Upgraded CDP rating (from C to B) Advanced policies for specific sectors	Continue compliance with NZBA and NZAMI Continue advancing policies for specific sectors



# Theme1

Aiming to be a value creating company

- 20 Value creation process
- 22 Our history and review of the previous Medium-Term Management Plan
- 24 Outline of the Medium-Term Management Plan (FY2023 - FY2025)
- 26 Engaging in value creating businesses
- 30 Digital strategy
- 32 Sustainability
- 40 Financial highlights and non-financial highlights





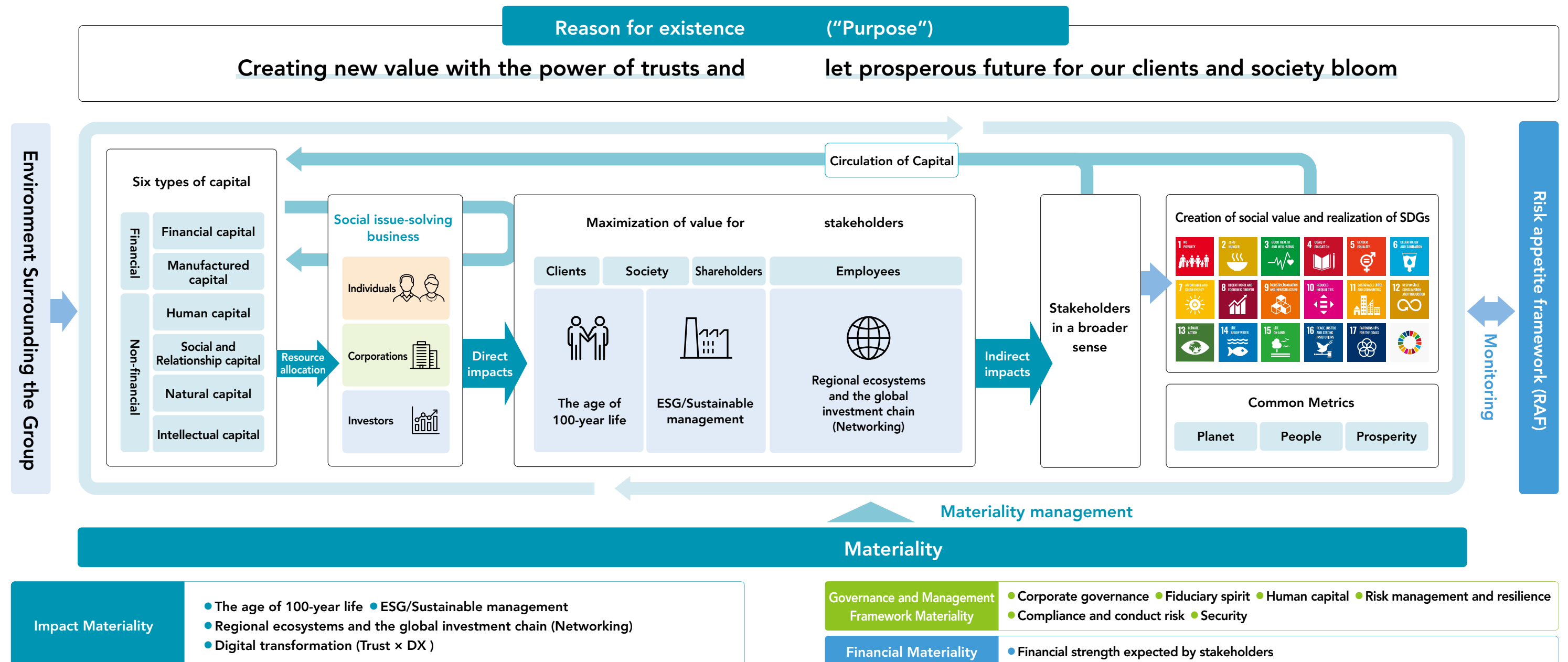
## Value creation process

To achieve the balanced creation of both social value and economic value, we need to organically combine the process of creating a positive impact while maximizing stakeholder value based on our “Purpose” with the process of sustainably strengthening our own financial and non-financial management foundation (six types of capital). Additionally, we must establish a system to appropriately manage these processes at the management level. We call this system “value creation process.”

SuMi TRUST Group has identified high-priority issues (materiality) that affect our value creation process over the medium to long term, and we have classified them into three categories: (1) impact materiality—issues that are conducive to the creation of social value from social-issue-solving business; (2) governance and management framework materiality—issues that have an impact on the core elements of our value creation; and (3) financial materiality—issues that directly affect our financial performance. We implement materiality management so as to appropriately control the impacts of these issues within the constructs of a risk appetite framework (RAF).

In some cases, social value is created by our Group’s corporate activities, but in many cases, it is created through the chain of effects from one stakeholder to the next. Our Group’s social-issue-solving business consists of activities that contribute to the realization of SDGs and ultimately create positive impacts and minimize negative impacts on the economy (Prosperity), society (People), and the environment (Planet).

With a view to the kind of society we hope to achieve in fiscal 2030, we have identified three key value creating businesses to encourage a virtuous circulation. Through the creation of positive impacts in the Group’s many businesses, we intend to actively contribute to the realization of such a society.



## Our history and review of the previous Medium-Term Management Plan

### Our history

SuMi TRUST Group has strengthened its business portfolio by creating new value in line with the changing times through its strengths in crossing and integrating across business segments and by business alliance with and investing in top players.

We will continue to aim to achieve sustainable and stable growth by promoting a business model unique to a trust group, focusing on the asset management and asset administration businesses.

#### Balanced creation of both social value and economic value

- Establishment of UBS SuMi TRUST Wealth Management (2021)
- Establishment of Trust Base (2021)
- Announcement of a new policy that SuMi TRUST Group shall not hold any "strategic shareholdings as a conventional stable shareholder" (2021)

#### Second founding

- Transition to "Company with Three Committees" (2017)
- Integration of trust banks specializing in asset administration (2018)
- Split and integration of asset management functions (2018)



### Review of the previous Medium-Term Management Plan

Under the reason for existence ("Purpose"), the notion of "balanced creation of both social value and economic value" has been placed at the core of our management.

We made it our top priority to realize the "virtuous circulation of funds, assets and capital" that brings the fruits of enhanced corporate value to households, and worked diligently to achieve stable and sustainable development of Japanese economy and companies, foster sound capital markets and enhance the well-being of our clients and society.

#### Three basic strategies and key results

Strengthening our business portfolio	Capital strategy	Sophistication of business quality
<b>(1) Strengthen business foundation</b> <ul style="list-style-type: none"> <li>• Promote the Group's original financial intermediary business</li> <li>• Complement functions by partnering with and investing in external partners</li> </ul> <b>(2) Establish new areas of growth</b> <ul style="list-style-type: none"> <li>• Reorganized businesses of SuMi TRUST Bank</li> </ul> <b>(3) Promote strategic resource mix</b> <ul style="list-style-type: none"> <li>• Established Trust Base to accelerate DX promotion</li> </ul>	<ul style="list-style-type: none"> <li>• Confirm capital adequacy and shift to capital utilization phase</li> <li>• Announced initiatives to reduce strategic shareholdings to zero to accelerate investments that contribute to market expansion</li> <li>• Replace assets to improve profitability and payability</li> </ul>	<ul style="list-style-type: none"> <li>• Return to business process and quality improvement and strengthen risk governance</li> <li>• Build a framework for improving service quality</li> </ul>

#### Main KPIs

In the final fiscal year of Medium-Term Management Plan (fiscal 2022), net income attributable to owners of the parent reached the target of 190 billion yen, the highest profit since the management integration in 2011.

	Return on equity	Net Business Profit before credit cost	Net income* <sup>1</sup>	Overhead Ratio (OHR)	Common equity tier 1 capital ratio* <sup>2</sup>	Fee Income Ratio	Dividend Payout Ratio
Target	Around 7%	¥310.0 bn	¥190.0 bn	Lower 60% range	Lower 10% range	Mid-50% range	Around 40%
FY2022 result	6.93%	¥324.6 bn	¥191.0 bn	60.1%	9.5%	55.1%	40.2%

\*1 Net income attributable to owners of the parent \*2 Based on finalized Basel III base



Establishment of a new management structure



Collaboration with UBS Group



Business alliance with the Apollo Group



## Outline of the Medium-Term Management Plan (FY2023–2025)

### Concept and Aspiration



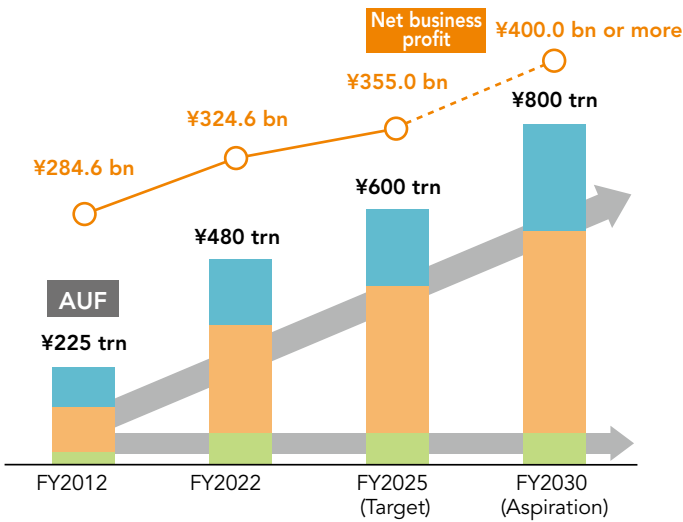
Paving the Way for the Next 100 Years, with the “Power of Trust”

— Trusted by stakeholders as a fiduciary,  
contributing to enhancing the well-being of all people —

With the environment surrounding us changing rapidly, we have formulated a new Medium-Term Management Plan based on our Purpose, going back to the roots of our founding of creating a sound and prosperous future, and strongly reaffirming our mission as a trust group, as well as the roles and functions we fulfill in society.

**AUF** (Assets Under Fiduciary)

Indicator of the scale of our initiatives to contribute to solving social issues and creating and expanding markets



**AUM**

Assets under management

+

**AUC  
&  
AUA**

Assets under custody/  
administration

+

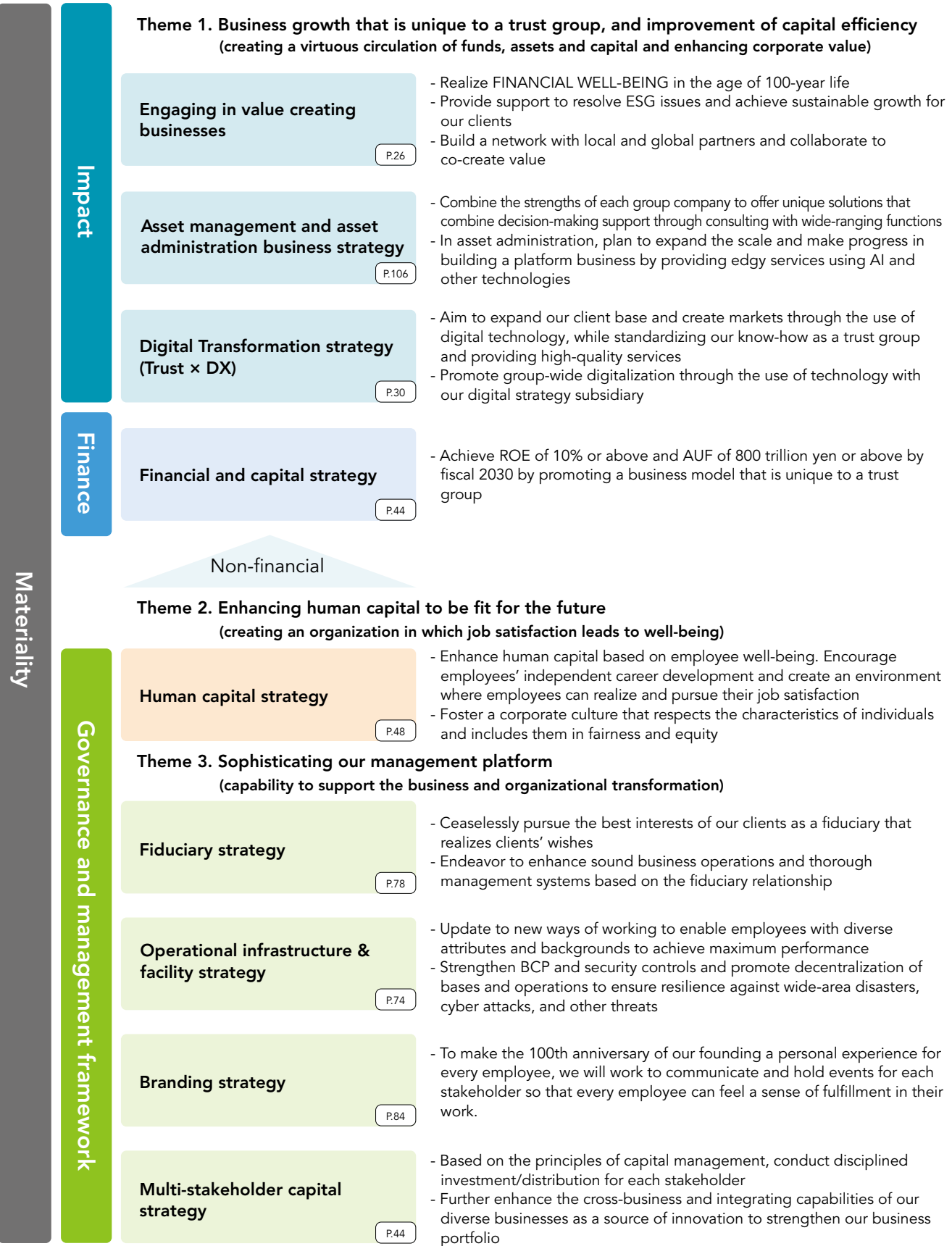
**B/S**

Our own balance sheet

### Key Financial Indicators

Indicator	FY2022 (Actual)	FY2023 (Forecast)	FY2025 (Target)	FY2030 (Aspiration)
Substantial gross business profit	¥814.1 bn	¥850.0 bn	¥920.0 bn	¥1 trn or above
Net business profit before credit cost	¥324.6 bn	¥320.0 bn	¥355.0 bn	¥400.0 bn or above
Net Income Attributable to Owners of the Parent	¥191.0 bn	¥200.0 bn (first 200 billion yen level)	¥240.0 bn	¥300.0 bn or above
Fee Income Ratio	55%	Mid-50% range	Mid-50% range	60% or above
Overhead Ratio (OHR)	60%	Lower 60% range	Lower 60% range	Upper 50% range
Return on equity	6.93%	Lower 7% range	8% or above	10% or above
Common equity tier 1 capital ratio*	9.5%	Mid-9% range	Around 9.5–10%	Stably maintained above 10%

\*Based on finalized Basel III base

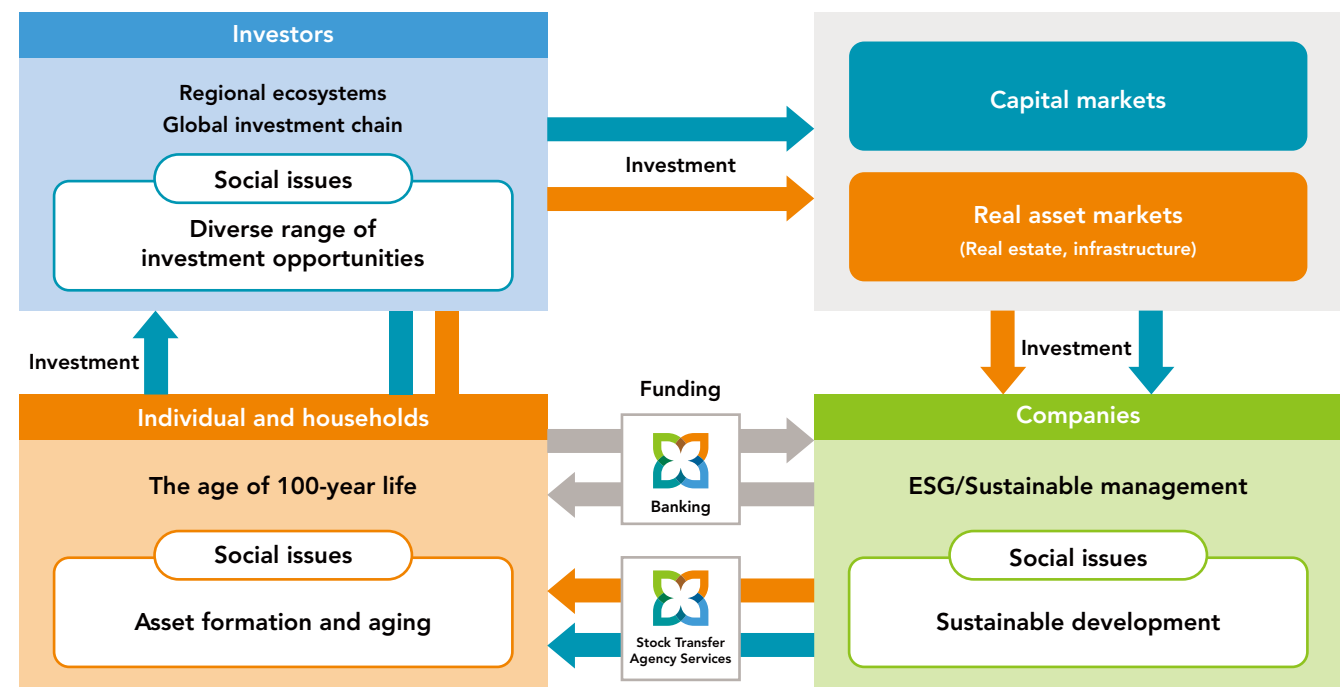




# Engaging in value creating businesses

Japan's financial and social issues is that Japanese individual assets which are estimated to amount to 3,000 trillion yen and corporate internal reserves remain stagnant. SuMi TRUST Holdings aims to achieve "growth through a virtuous circulation," in which investors invest in promising businesses, the fruit of which lead to asset formation of individuals, and companies promote new investment and additional employment expansion as a result of improved business performance.

The age of 100-year life and the realization of a decarbonized society provide opportunities to promote a virtuous circulation. We are involved in every market where funds, assets and capital move, and recognize that we can play a role as social infrastructure that promotes a virtuous circulation by utilizing broad-ranging trust functions. By solving such social issue, we will promote a virtuous circulation and contribute to the creation of a prosperous and bright future.



## The age of 100-year life

### Social issues

- Preparation of various assets
- "Time" and "means" to secure what is needed
- Professional support to supplement self-help

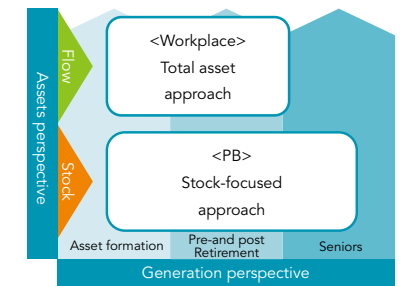


In the age of 100-year life, each individual has his/her own definition of happiness. There are also various ways to save, increase, spend and bequeath money. We will develop capabilities to steadily provide consulting services to address social issues in the age of 100-year life, and provide total consulting and broad-ranging banking, trust and real estate solutions that consider the future of each individual in order to contribute to the realization of "FINANCIAL WELL-BEING of our clients and society."

## Our strengths

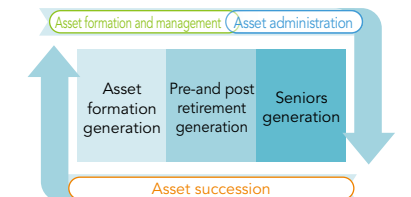
### (1) Total consulting

Our approach is to propose solutions to each generation's challenge in the age of 100-year life by taking the views of clients, their asset details and family structure into consideration. In addition, we will further evolve the total consulting model by combining the approach of considering the desired future state of assets with future cash flows such as salaries and pensions taken into account, and the approach of focusing on the unique needs of high-net-worth clients such as inheritance and business succession.



### (2) Providing products and services unique to a trust group

We will enhance the provision of products and services that are unique to a trust group by addressing social issues in the age of 100-year life from the angles of "asset formation and management," "asset administration" and "asset succession." We will continue to provide clients with peace of mind and security by developing financial products that solve social issues and expanding businesses that focus on the healthiness, circularity and convertibility of housing.

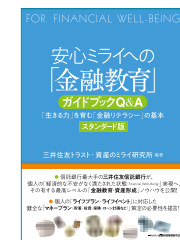


## Focus Financial Inclusion

Financial inclusion is advocated for all members of society to have equal access to financial services. We are establishing a system that is capable of appropriately delivering services to anyone in need.



Symposium for residents of Shinagawa City, Tokyo



Financial Education Guidebook Q&A for Enhanced Financial Literacy

### Case (1): Initiatives for the elderly people

SuMi TRUST Bank has been working to practice financial inclusion by developing products using the trust system, offering trustee support services for civil trusts, and holding symposiums for the elderly to promote adult guardianship system based on cooperation with local communities under industry-government-academia partnership.

### Case (2): Initiatives for financial education

Sumitomo Mitsui Trust Financial Education Institute prepared financial education learning materials for the high school home economics curriculum, and has been providing financial education classes free of charge through its nationwide network of branch offices since March 2022. We offer financial education learning materials.



Learn more about the work of Sumitomo Mitsui Trust Financial Education Institute by visiting its website at: <https://mirai.smb.jp>





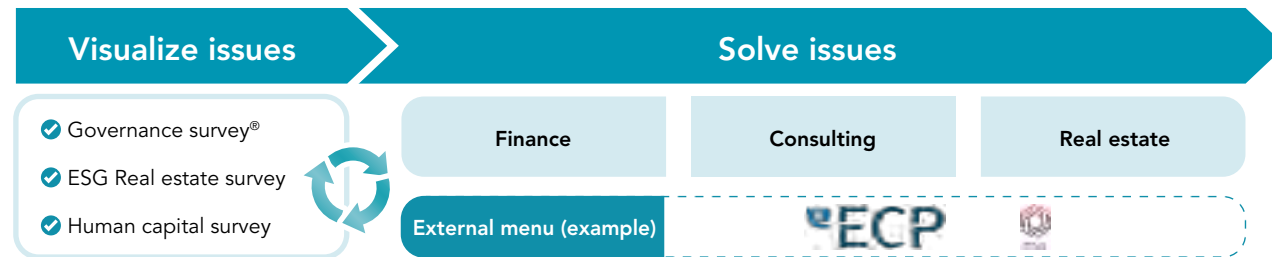
## ESG/Sustainable management

### Social issues

- Sustainable growth of corporate clients



The environment surrounding corporate clients is changing dramatically. We will contribute to enhancing corporate value and solving social issues by providing a variety of solutions through sustainability value chain, which enables us to demonstrate our strengths in responding to the challenges faced by our corporate clients, such as the transition to decarbonization, enhancing human capital management and sophisticating corporate governance. We will also take the lead in investment and play an essential role in facilitating dialogue between corporates and investors to promote social and market growth and establish a leading position in the ESG domain.



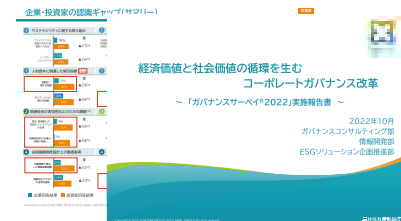
## Our strengths

### (1) Surveys and discussions with managements

Governance survey<sup>®</sup> is one of the largest surveys\* on corporate governance in Japan. It was participated in by 1,879 companies in fiscal 2022.

It is used as a tool to visualize challenges faced by corporate clients and recognize gaps between institutional investor expectations and corporates. There are an increasing number of cases where the survey has led to consulting services such as a review of organization expansion of opportunities for dialogue with domestic and overseas investors, and introduction of compensation framework.

\*Researched by SuMi TRUST Bank



### (2) Real estate

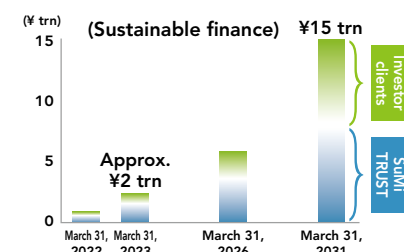
Utilizing our experience in the development and operation of buildings, condominiums and many other real estate properties, we provide advice on environmental real estate, such as the cost of the entire life cycle of buildings, the introduction of energy-saving systems, consideration of landscapes and ecosystems and building longevity.



© Shigeo Ogawa Studio

### (3) Financing

Initiatives for decarbonization and transition are accelerating in Japan and overseas, increasing demands for funds from corporate clients. SuMi TRUST Bank increased the long-term target for sustainable finance by fiscal 2030 to 15 trillion yen from 10 trillion yen in April 2023. We will contribute to sustainable management of corporate clients in financing by using our proprietary account together with investors' funds.

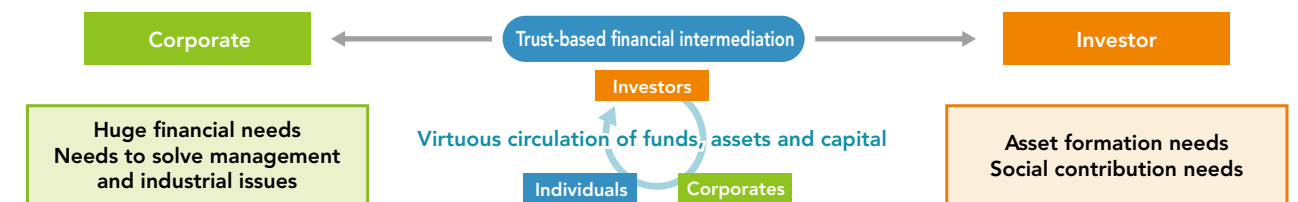


## Regional ecosystems Global investment chain

- Social issues
- Diverse investment opportunities



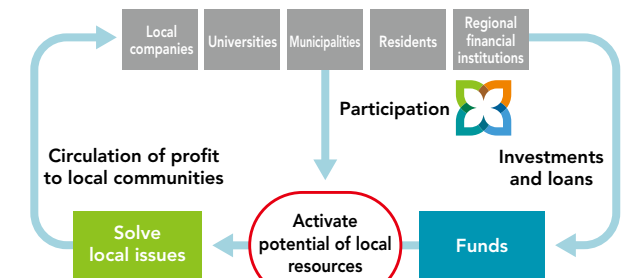
Focusing on our contact points with a variety of economic entities and the financial infrastructure functions of trust, we will co-create value that cannot be achieved alone through cooperation and collaboration with external partners. Further, we will create markets and investment opportunities unique to us by connecting huge domestic and international demands for funds and investment, particularly in the social issue domains, to solve social issues and realize a virtuous circulation of funds, assets and capital.



## Our strengths

### (1) Regional ecosystems

Leveraging our position with extensive expertise and contact points with a variety of economic entities, we will create investment opportunities that contribute to business development and regional benefits for solving regional issues.



### (2) Global investment chain

Through networking with global players who have complementary relationships with SuMi TRUST Group, we will provide Japanese investors with global investment opportunities and create new businesses with investors by utilizing advanced know-how.

	Asset management	Asset administration	Sales	Investor clients
Traditional assets			SMTAM	nikko am
Private assets	APOLLO			ECP

### Focus~ Working with global players

APOLLO

#### Case (1): Business alliance with the Apollo Group (July 2022)

Asset manager based in New York, U.S., with the world's leading track record in the management of alternative assets. Through this partnership, we aim to accumulate knowledge and strengthen our ability to provide solutions by leveraging advanced know-how and networks.

ECP

#### Case (2): Business alliance with Energy Capital Partners (ECP) (January 2023)

One of the largest companies in the United States in terms of total power generation capacity of investee companies combined and renewable energy generation capacity. Through this partnership, we aim to expand and enhance transition solutions for domestic corporate clients by leveraging knowledge and investment know-how in the domains of power, energy and environmental infrastructure.



# Digital strategy

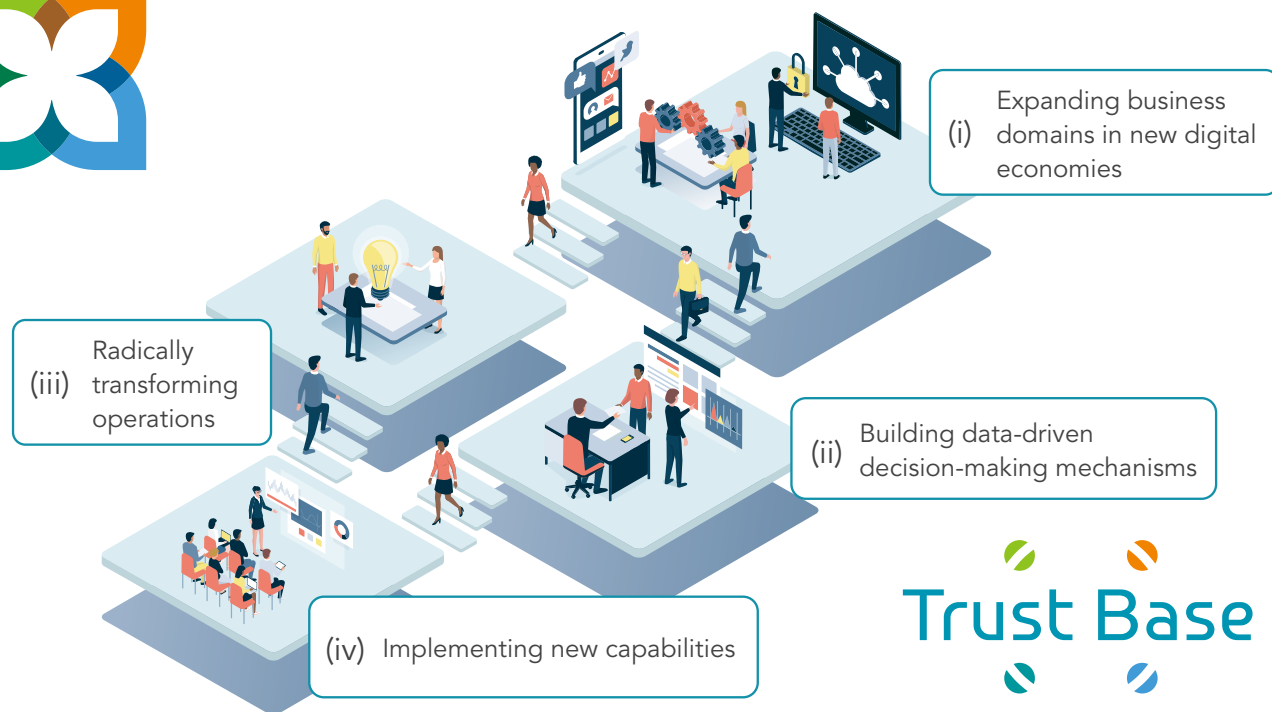
## 1 Digital strategy

During the period of the previous digital strategy (fiscal 2020 to fiscal 2022) we laid the foundation for DX and established “Digital” as a trust group.

Starting from fiscal 2023, we will promote reforms under the new digital strategy, with our vision that “in 2030 each of us will use technology to expand our own individual potential, develop new trust businesses and streamline operations in line with changing times, and create social and economic value.”

The new digital strategy identifies four key initiatives to respond to the changing behavior of society and clients brought about by technological advancement. We will

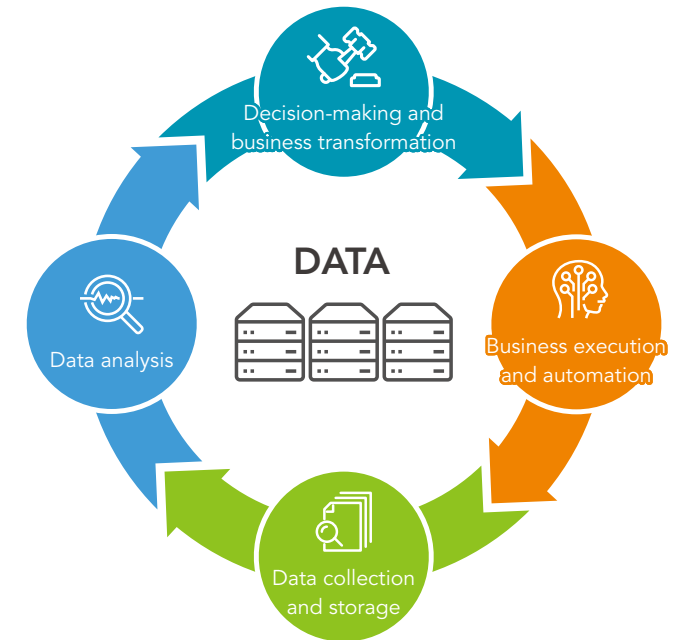
promote DX for the entire Group by (i) expanding our business domains in new digital economies with an eye on the development of virtual worlds such as Web3 and token economies, (ii) building data-driven decision-making mechanisms that utilize a large and diverse set of data held by us, (iii) radically transforming operations to provide products and services quickly and flexibly and to promote client experience reform, and (iv) implementing new capabilities with Trust Base, a digital strategic company established as a subsidiary that co-creates with a variety of external partners and supports the realization of DX across the Group as a starting point.



## 2 Data science initiatives

We have a broad range of business domains, including banking, real estate, pension and stock transfer agency services, and holds a large volume and wide variety of data generated in each transaction. We have been focusing on data science initiatives to appropriately capture the diversifying needs of our clients and to develop and provide optimal products and services.

We are promoting use cases from both offensive (sales) and defensive (internal management) aspects by striving to enhancing data utilization capabilities. We are doing this by expanding the scope of target data domains such as numerical and language data, as well as domains for analysis technology, and also by leveraging advanced technologies such as generative AI. In addition, while we will continue to automate business operations, we will also focus on building data analysis infrastructure that automatically collects and stores data, and building a data-driven cycle that connects the results of data analysis created to decision-making.



## 3 Digital asset initiatives

With the expansion of Web3 and virtual worlds, the boundary between real and digital becomes blurrier, and the digital twin world, in which people move between both worlds without realizing it, becomes a reality. With the prospect of the development of digital economies centered on tokens, the needs for secure administration and investment of new digital assets in addition to real assets have been growing.

In order to become a trust group that administers and manages all kinds of real and digital assets, we have been promoting specific initiatives such as commercialization of Security Token Offering (STO) and crypto asset custody.

In the STO domain, we are building up an ST issuance track record mainly in real estate, investing in joint infrastructure with other companies and developing operational design that is combined with blockchain technology with an eye on automating financial functions through the development of distributed ledger technology.

In addition, in order to acquire and accumulate know-how in the crypto asset domain, where asset administration needs are rapidly expanding, we have been preparing to launch custody operations by investing in and dispatching personnel to a new company (JADAT).

### Taking on challenges for new possibilities for trust in the area of digital assets



**Yusuke Ikeno** Digital Transformation Department (Trust Base)

After having joined SuMi TRUST in 2010 and worked in corporate sales in Osaka, I engaged in product development and investment operations in Global Market Business. I spent three years from 2019 as a researcher at Georgetown University in Washington DC, the United States, where I researched blockchains under the guidance of Professor Shin'ichiro Matsuo.

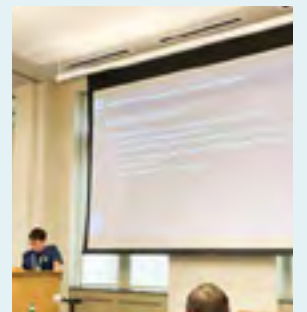
After working on research activities with James Angel, a professor at the University's Business School, and others under the theme of “Desired Sound Decentralized Finance (DeFi),” a paper on the soundness of stablecoins

was accepted at the conference.\*

Currently, I engage in the digital asset business such as STO and crypto assets in Digital Transformation Department. I also work on a demonstration project for Web3 and token economies, which I hope will lead to the development of new trust businesses.

\* Coordination of Decentralized Finance 2022 (CoDecFin 2022)

Research report session at the University of Notre Dame





# Sustainability

The world faces a wide range of environmental and social problems, including global warming, biodiversity loss, poverty, human rights violations and growing health problems. For companies, the decline in social sustainability that results from the intensification of these problems will lead to deterioration of business foundations in the long run. In order for companies to sustain growth towards the future, they must proactively contribute to the creation of a sustainable society by engaging with a sense of ownership in

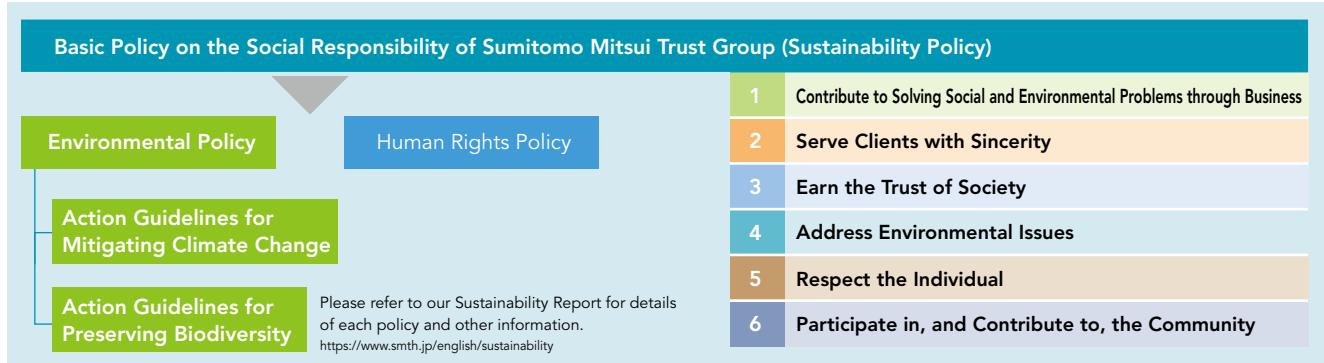
solving problems. At the Group, we recognize that it is our social responsibility not only to practice sound management based on a high degree of self-discipline with the background of fiduciary spirit but also to actively contribute to the building of a sustainable society. We pay due consideration to the impact of our business activities on society and provide unique value through our core business to solve social and environmental problems faced by our clients and other stakeholders.

## 1 Sustainability promotion system

### (1) Sustainability Policy

The Board of Directors of SuMi TRUST Holdings has established and publicized “Basic Policy on the Social

Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy)” and the Group’s action policy and specific action guidelines related to this Policy.



#### Revision of the Human Rights Policy

The Group established its Human Rights Policy in December 2013 to ensure that all corporate activities respect individual human rights, diverse values and eliminate discrimination. The revision was made in February 2023 in light of the recent increase in the importance of respect and international demands for human rights issues, as well as changes in human rights issues required of financial institutions.

#### Human Rights Policy: Key points for revision

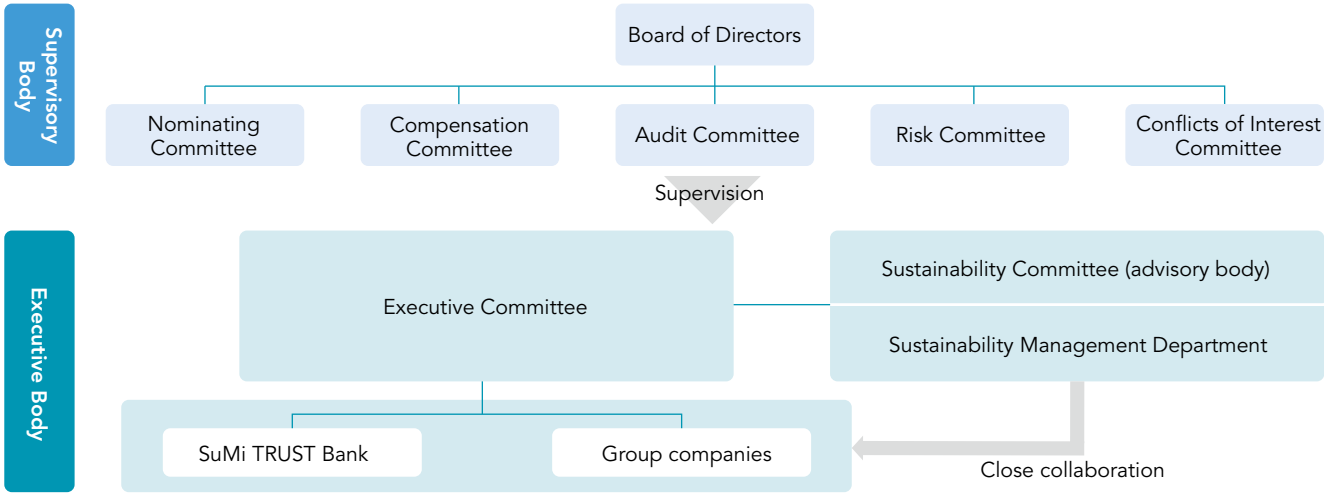
- The Group revised its human rights policy and reviewed the human rights due diligence system to identify negative impacts on human rights for each client and supplier after reviewing the relationship between the Group’s business activities and its responses to human rights issues, and enhance the effectiveness of initiatives for preventing and mitigating negative impacts on human rights (human rights due diligence).
- In light of the nature of recent human rights issues, we identified the Group’s key human rights risks in areas with significant risk.
- In addressing human rights issues, we believe it is important for directors, officers, and employees to have a better understanding of human rights issues and have an ownership when tackling. Accordingly, we overhauled the content of our human rights education training program that we continuously used until then, and began offering a new program.

### (2) Organizational structure

In accordance with the Group's Sustainability Policy, the Executive Committee, which is an executive body, discusses and decides on various measures for promoting sustainability. The Board of Directors has a supervisory role in this process. The Board of Directors receives reports from the Risk Committee and decides on issues (materiality) that have a serious impact on a balanced creation of both social and economic value, as well as operational framework. The Executive Committee makes decisions on the sustainability initiatives of Group companies from the perspective of a balanced creation of both social and economic value.

In fiscal 2023, the Sustainability Committee is established in the Company and SuMi TRUST Bank as an advisory body to the Executive Committee, which is a part of the

reorganization of the Executive Committee. The Committee is chaired by the Officer in charge of the Sustainability Management Department and its members include the Officers in charge of the Corporate Planning Department, the Human Resources Department, and the the IR Department (the Officer in charge of the IR Department is only at SuMi TRUST Holdings), and deliberates on matters related to sustainability. Through deliberation by the Committee and submission to the Executive Committee, we will clarify the universe of issues related to sustainability and strengthen the structure to systematically carry out a series of initiatives, including issue recognition, policy formulation, response implementation, and disclosure.



### (3) Risk management related to sustainability

#### (i) Sustainability-related risks in integrated risk management

In integrated risk management, we periodically identify risks faced by our subsidiaries, group affiliates, and other entities and specifies risks to be managed. In this context, we see risks that are particularly important as “material risks” and classify them into risk drivers, risk categories and

then manage the material risk inventory. As materiality, important issues in terms of both risks and opportunities are identified comprehensively. However, we revise the materiality framework in light of relevant material risks and systematically recognize sustainability-related risks through materiality.

#### (ii) Establishment of a framework for sustainability-related risk management

As part of our sustainability-related initiatives, in fiscal 2022 we developed a system for responding to climate change, revised our human rights policy, and identified important human rights risks. We also developed a system for sustainability-related risk management, including human rights and other environmental and social risk management, based on the framework for climate change related risk management.

Specifically, in April 2023 we established a dedicated sustainability-related risk team within the Risk Management Department of SuMi TRUST Bank to examine the details of our business activities to implement risk management flows such as due diligence utilizing external data on sustainability-related risks. The management flow is scheduled to start in fiscal 2023 for certain businesses, such as credit services, and will be upgraded thereafter in light of the consolidation of business operations and other matters.



## 2 Climate change response

The Company discloses information on its response to climate change in accordance with the TCFD recommendations. Of the four elements (Governance, Strategy, Risk

### (1) Strategy

#### (i) Approach to climate change

Climate change is one of the most serious environmental problems that threaten global economic and social sustainability and is identified in our materiality as ESG/sustainable management including climate change. Under the Group’s common action principles, the Action guidelines for Mitigating Climate Change, we will appropriately recognize the risks and opportunities posed by climate change and work to minimize negative impacts and maximize positive impacts through the diverse businesses of the trust bank group.

Specifically, we define climate-change-related risks as physical damage (physical risks) to social infrastructure and nature caused by climate change and extreme weather events over the medium- to long- term, as well as the rapid transition to a low-carbon society (transition

Management, and Metrics and Targets) that are recommended for disclosure in the TCFD, governance is already mentioned, and the other three elements are as follows.

risks) caused by climate-change-related policy changes, changes in financial market preferences and social norms, technological innovation, and other events. We strive to control GHG emissions from our own business activities and to manage and monitor the risks of disciplined investments and loans based on sector policies and other factors. At the same time, we will create new investment opportunities, such as investments and loans to promote the utilization of solar and wind power generation the establishment of a renewable energy business based on local production and consumption, and other opportunities. By investing ourselves, we also hope to attract investment, thereby contributing to the circulation of funds among individuals (households), companies, and investors.

#### (ii) Scenario analysis initiatives to date at SuMi TRUST Bank

The Group has conducted scenario analyses to understand the impact of physical and transition risks on its port-

folio of investments and loans over time. SuMi TRUST Bank’s past analysis results are summarized below.

Risk type	Sector	Main analysis results
Transition risk (FY2020)	Electric power sector	If a power company does not invest in renewable energy power generation, its credit rating will deteriorate by two to three notches on average
Physical risk (FY2020)	Mortgage loans	Total credit costs increased by 7.0 billion yen from 2019
Transition risk (FY2021)	Shipping sector	Recognized significant differences in financial impact due to assumed scenarios such as increased costs due to the shift to alternative fuels and carbon prices. Exchanged opinions with investment and loan clients
Physical risk (first half of 2022)	Real estate sector (Non-recourse loan)	The impact on credit ratings is limited. Awareness of issues related to potential risks, such as refining estimates of estimated damage in urban areas, underground infrastructure damage, and its long-term impacts
Transition risk (second half of 2022)	All domestic sectors (all domestic corporate borrowers)	Changes in total credit costs have a minor financial impact. Total credit costs increased up to 13.5 billion yen
Physical risk (second half of 2022)	Real estate sector (J-REIT)	The impact is minimal. Total credit costs increased by up to 20 million yen

#### (iii) Plan for scenario analysis in fiscal 2023

SuMi TRUST Bank’s credit portfolio is characterized by its large exposure to asset finance backed by real estate, projects, ships, aircraft and other tangible assets, as well as large enterprises. The importance of physical risk analysis and credit portfolio management is expected to increase in

the future, as asset finance generally involves long financing periods and many assets are susceptible to the effects of the natural environment and climate change. In particular, project finance relies on cash flows from natural resources, such as solar and wind power, and we believe it is necessary

to analyze and manage the impact of climate change over time.

SuMi TRUST Bank plans to analyze climate change risks in project financing by conducting long-term simulations of sediment disaster risk and equipment damage caused by snow cover (acute risk), as well as changes in snow cover

and solar radiation (chronic risk) for solar power generation projects. Specifically, we plan to conduct time-series simulations for each of the IPCC RCP 2.6 (2°C scenario) and RCP 8.5 (4°C scenario) for each region and individual site, and analyze what changes in creditworthiness will occur, based on the risk analysis in the table below.

	Physical risk type		
Project type	Acute		Chronic
	Damage to facilities	Facility inactivity	Changes in resources and management resources Lower utilization
Solar power	Sediment disaster	Sediment disaster Snow cover	Changes in solar radiation due to unfavorable weather conditions Lower availability due to snow cover
Wind power	Sediment disaster	Strong winds such as typhoons	Changes in wind conditions

#### (iv) Recognition of opportunity

As the social and industrial structures begin to change drastically toward the realization of a decarbonized society, large amounts of capital will be required for technological development and capital investment. According to an estimate by the Japanese government, there will be a demand for funds of 150 trillion yen in Japan alone by 2030. The Group aims to contribute to the realization of a decarbonized society by supporting the improvement of corporate value by responding to the financing needs of these companies and realizing a virtuous circulation of

funds, assets and capital that brings rewards to individuals, households, and institutional investors. In order to realize this virtuous circulation in a sound manner, we believe that it is important to actively provide impact assessments to visualize the process of creating social impact, such as carbon neutrality and to not only support the decision-making and impact management of companies engaged in capital investment but also to fulfill accountability to investors who supply funds.

#### (v) Transition plan for carbon neutrality

The Group has joined the Net-Zero Banking Alliance (NZBA), a banking industry alliance that aims to achieve net-zero GHG emissions in its portfolio of investments and loans, in order to make steady progress as a financial institution. We will formulate interim reduction targets for GHG emissions in our investment and loan portfolio and publicize them gradually. In fiscal 2022, we formulated and announced interim reduction targets for the electric power sector and the oil and gas (upstream) sector. By September 2024, we expect to complete the formulation and publication of the 2030 interim elimination targets for key sectors.

In July 2021, Sumitomo Mitsui Trust Asset Management, a Group asset management company, joined NZAMI (Net Zero Asset Managers initiative) and in November of the same year, Nikko Asset Management also joined. NZAMI is an initiative of asset management companies aiming

to achieve net zero GHG emissions from their investment portfolios, and set interim reduction targets for 2030 in fiscal 2022. Sumitomo Mitsui Trust Asset Management and Nikko Asset Management will continue to work on engagement, exercise voting rights, and develop and provide investment products to address climate change issues.

We aim to reduce our own group GHG emissions to net zero by 2030. In fiscal 2022, 100% of the electricity used by SuMi TRUST Bank and Sumitomo Mitsui Trust Panasonic Finance (SMTPFC) at their domestic sites was derived from renewable energy. To achieve these goals, we will promote efforts toward carbon neutrality in cooperation with international initiatives. See the TCFD Report for a description of the various initiatives.

TCFD Report 2022/2023  
<https://www.smth.jp/english/-/media/th/english/sustainability/report/2022/TCFD-E-all.pdf>

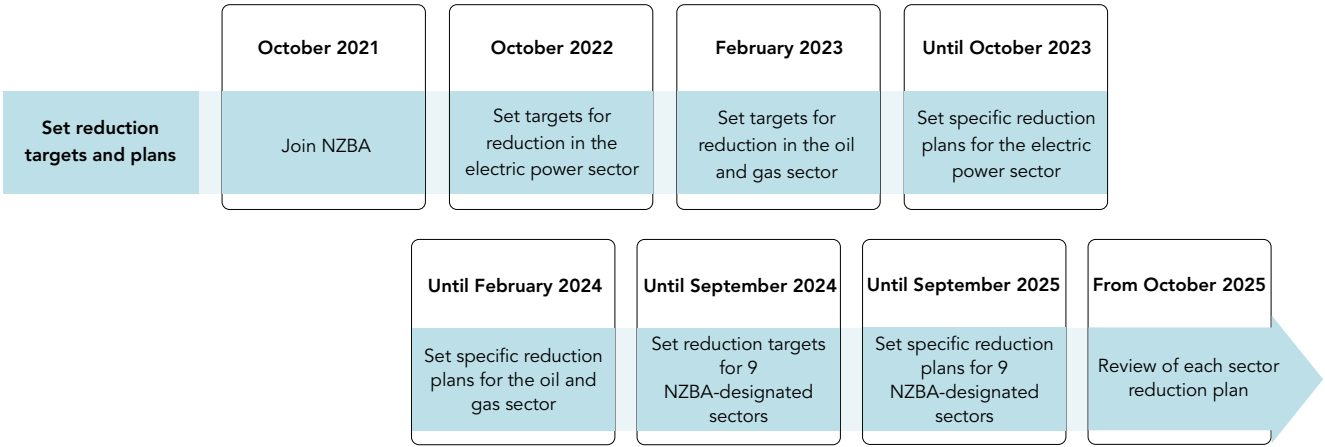


■ Roadmap for carbon neutrality

	FY2020	FY2021	FY2022	FY2030	FY2040	FY2050
① Net zero GHG emissions (NZBA) of investment and loan portfolios						Net zero
Electric power (Emission intensity, g-CO <sub>2</sub> eq/kWh)	249			138 to 173		
Oil and gas (Emission reduction rate, MtCO <sub>2</sub> e)	5.7			-13% to -31%		
Other high carbon intensive sectors*1			Sequentially set by September 2024 (Currently considering steel, automotives, real estate, and shipping)			
② Net zero GHG emissions (NZAMI) of the investment portfolio						Net zero
Sumitomo Mitsui Trust Asset Management				50% of investment assets*2: Reduce emissions intensity by half compared with 2019		
Nikko Asset Management				43% of investment assets*3: Reduce emissions intensity by half compared with 2019		
③ Cumulative amount of sustainable finance initiatives*4				Cumulative total of 15 trillion yen		
④ Outstanding loans for coal-fired power generation						
Project lending				Halved from March 2020	Zero	
Corporate lending (new and expanded)					Zero	
⑤ Net zero GHG emissions of our Group			Trust bank and SMTPFC domestic sites completed the conversion to renewable energy	Net zero		
⑥ Strengthening the risk management system						
Scenario analysis						
Transition risk	Electric power sector	Shipping sector	• Simple analysis of power per sector • Detailed analysis of individual electric power, and oil and gas companies	Sequentially expand the target sectors for detailed analysis		
Physical risk	Mortgage loans		• Domestic real estate finance	Start of analysis of domestic project finance and gradual expansion		
GHG emissions from investment and loan portfolios		Initial estimation	• Gradually develop and update measurement methods	Continuous review and upgrading		
Portfolio management (sector policy revision)		Prohibition and caution Clarification of transactions	• Partial ban on loans for coal-fired power generation • Clarification of transition support	Continuous review and upgrading		

- \*1 High carbon intensive sectors are the nine sectors that the NZBA Guidelines specify as priority to be targeted: Agriculture, aluminum, cement, coal, commercial and residential real estate, steel, oil and gas, power generation, and transportation
- \*2 The target is 43 trillion yen, or 50% of the 85 trillion yen in assets under management as of the end of June 2021. Excluded assets under management include assets for which no calculation method for GHG emissions has been established at present, such as sovereign bonds, and will be considered to be added as assets under management starting with those that can be calculated in the future.
- \*3 Target assets of approximately 13 trillion yen, or 43% of 31 trillion yen of assets under management as of the end of December 2021
- \*4 Sustainable finance is a general term for businesses that contribute to solving environmental and social issues and finance services to customers based on international standards such as the Green Bond Principles and the Social Bond Principles. In response to greater and greater financing needs related to the environment and climate change, the target amount of initiatives was changed to a total of 15 trillion yen from FY2023 (including 2.5 trillion yen through impact equity).

■ NZBA initiatives



■ NZAMI initiatives

	Sumitomo Mitsui Trust Asset Management	Nikko Asset Management
Features	Large-scale passive-active strategies entrusted by public and corporate pensions. Developing Asia's premier climate change engagement activities	Strengths in unique equity strategies and ETFs in Japan, Asia and Global. Focus on incorporating decarbonization-related factors into the investment decision process
2030 Intermediate Targets	Targeting 50% of assets under management*5 of approximately ¥85 trillion, halving its carbon footprint from 2019 levels [May 2022]	Targeting 43% of assets under management*6 of approximately ¥31 trillion, halving its carbon footprint from 2019 levels [November 2022]
Initiatives after participation in NZAMI	<b>Activities as a core member of NZAMI</b> - Participated in the Advisory Group consisting of six of the NZAMI member organizations [March 2022] - Policy to actively make recommendations on the creation of an international framework on behalf of Japan and Asia	<b>Selection of priority engagement targets</b> - Review climate-related targets of investee companies, conduct ongoing dialogue with selected target companies for priority engagement - In addition, new climate-change-related standards were introduced for the voting rights guidelines [April 2022]
Features of engagement and operational methods	<b>Lead Climate Action 100+*7 activities</b> - Head of collaborative engagement with Asian companies (lead manager) - Participated in the Steering Committee, the only asset manager in Japan	<b>Strengthen analysis of investee companies' climate responses</b> - Add climate-change-related business opportunity/risk assessment items to the investment attractiveness assessment framework - In addition to using them for investment decisions and engagement, use them to develop investment products in response to environmental and climate change

\*5 End of June 2021 \*6 End of December 2021

\*7 One of the international initiatives by asset owners and asset manager around the world. Implemented the joint engagement with companies with high greenhouse gas emissions

(2) Risk management

(i) Positioning of climate-change-related risks

We consider climate-change-related risks to be “top risks” in the management of material risks, and set and manage risk appetite indicators and integrate them into the risk appetite framework. In fiscal 2022, the emission intensity of assets under management of group companies, Sumitomo Mitsui Trust Asset Management and Nikko Asset Manage-

ment were added to the monitoring index.

In addition, we have defined climate change as a “risk driver” that affects each risk category cross-sectionally and have established climate-change-specific risk management policies for each risk category as follows.

■ Climate change-specific risk management policy

	Climate change-specific risk management policy	Risk horizon*8
Credit risk	Client monitoring for climate change ( Credit partners' GHG emissions, stranded assets, wind and flood risk monitoring, etc.)	Short, medium, and long term
Market risk	Monitoring the risk of a decline in the price of securities issued by investee companies due to their success or failure in addressing climate change	Short/medium term
Operational risk	Business processing risk (outsourcing)	Continuity of outsourced work due to storm and flood damage at the contractor
	Event risk (storm and flood damages)	Addressing the adverse impact of increased wind and flood damage caused by climate change on the Group's properties
	Compliance risk	Compliance with climate-change-related regulations
	Conduct risk	Addressing the adverse impact on clients, markets, financial infrastructure and society due to the failure of the Group's actions on climate change to meet the expectations and trust of all stakeholders
Enterprise Risk Management	Addressing the negative impacts on the Group and its stakeholders due to the failure to implement (realize) SuMi TRUST Group Carbon Neutral Commitment	Short, medium, and long term

\*8 Short term: 1 year or less, Medium term: More than 1 year to less than 10 years, Long term: 10 years or more

(ii) Heat map of climate change transition risks by sector

We have developed a sector heat map to identify the sectors that are important in managing the transition risks associated with climate change. This heat map is divided into four categories, Very High, High, Middle, and Low, in order from the sectors that are assessed as having a high transition risk, taking GHG emissions, emission intensity and other factors into account.

In addition, from the sectors with the largest exposures, we have classified them into three levels: Large, Medium, and Small. By taking this heat map into consideration, we will identify strategically important sectors and set and manage GHG emission reduction targets and otherwise set sector policies. We will continuously review sector assessments in line with changes in the environment, such as policies, technologies, markets, and other factors related to climate change.

Sector heat map risk rank	Exposure rank			
		Small	Medium	Large
	Very High	Coal	Steel	Electric Utilities Oil and gas
	High	Cement	Chemicals Automobiles and Components Passenger Air Transportation	Maritime Transportation
	Middle	Metals and mining (excluding steel and aluminum) Aluminum		Capital goods
	Low	Air Freight Agriculture Building materials (excluding cement)	Paper and forest products Packaged food and meat Beverages Trucking services	Rail Transportation Real estate Management and Development

(iii) Policies for specific sectors

Based on the perspective that investments and loans that have a large negative impact on society need to be prohibited, curtailed, or carefully engaged in, SuMi TRUST Bank has established “policies for specific sectors” and regularly reviews them at the Executive Committee and others. In

addition, in the process of making decisions on investment and loan activities, we pay due attention to sector policies.

For details, please refer to page 35 of the December 2022 TCFD Report.

(3) Mertics and targets

Based on its basic strategy and risk management policy, the Group has selected and monitored the following

indexes for use in assessing climate-change-related risks and opportunities.

Indicator	Target
GHG emissions of our company group, Scope 1, Scope 2	2030: Net zero
GHG emissions from investment and loan portfolios	2050: Net zero
Electric power sector	2030: 138 to 173 g-CO <sub>2</sub> eq/kWh
Oil and gas (upstream) sector	13% to 31% reduction from FY2020
GHG emissions of the investment portfolio	
Sumitomo Mitsui Trust Asset Management	2050: Net zero 2030: Targeting 50% of assets under management <sup>*1</sup> , reduce emissions intensity by half from 2019
Nikko Asset Management	2050: Net zero 2030: Targeting 43% of assets under management <sup>*2</sup> , reduce emissions intensity by half from 2019
Cumulative amount of sustainable finance initiatives	Cumulative amount of initiatives for FY2021–FY2030: 15 trillion yen
Outstanding loans for coal-fired power generation	FY2040: Zero

<sup>\*1</sup> Targeting approximately 43 trillion yen, or 50% of 85 trillion yen in assets under management as of the end of June 30, 2021

<sup>\*2</sup> Targeting approximately 13 trillion yen, or 43% of 31 trillion yen in assets under management as of the end of December 31, 2021

3 Initiatives of Technology-Based Finance

The Group promotes sustainable business that adds scientific knowledge and impact evaluation to asset management, asset administration, and banking, and leverages its strengths in contact with many market participants (investors, companies, individuals, and households) to create a virtuous circulation of funds, assets and capital.

In April 2021, SuMi TRUST Bank established the Technology-based Finance (TBF) Team as an organization that strives for solutions to various issues such as energy, the environment, and resources from a technology perspective. The team consists of researchers and experts from various fields such as hydrogen, rechargeable batteries, electric power, organic chemistry, inorganic chemistry, machinery, agriculture, and cities.

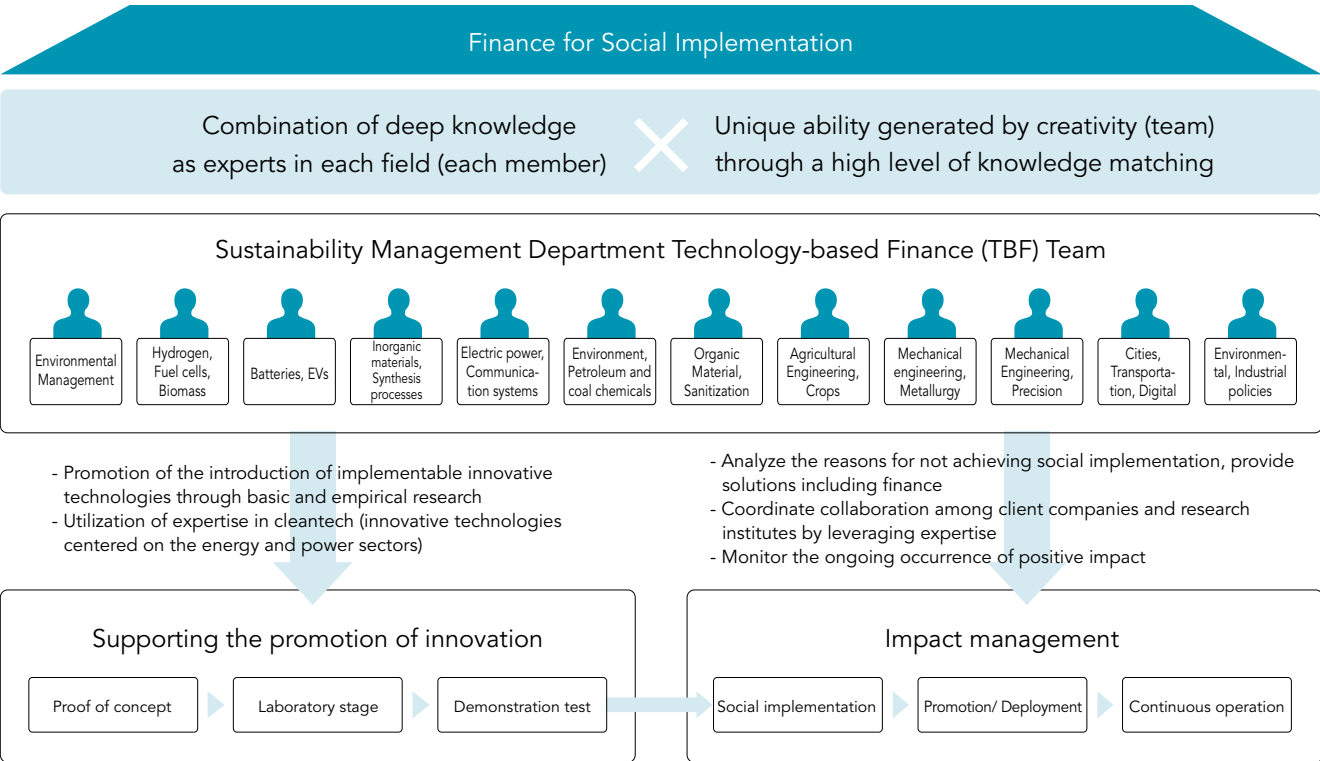
The TBF team aims to help solve social issues by incorporating technical knowledge into the impact assessment process and promoting the social implementation of innovative technologies to increase positive impact and reduce negative impact. In order to solve issues such as climate change, resource circulation, and biodiversity, it is necessary to make the best use of existing technologies and aim for social implementation of innovative technologies through research and

development. For that purpose, we need to understand the latest technologies, deepen our dialogue with customers, and approach finance from a scientific perspective. This led to the establishment of the TBF team.

The integration of technology, policy, and finance is important for the social implementation of technology. The TBF team is engaged in various stakeholder collaborations in addition to technology-based impact investment and loan initiatives and the creation of impact businesses. The scope of the TBF team’s involvement is expanding, including joint research with universities and companies, exchanges with academia, policy recommendations for ministries and agencies, the establishment of demonstration projects and model projects in cooperation with the policies of each ministry and agency, regional support through ESG regional finance, and the development of financial schemes with municipalities and local banks.

We intend to help solve social issues through technological innovation and the social implementation of technology, and to promote a virtuous circulation of funds, assets and capital through the creation of new businesses, the expansion of business opportunities, and other measures.

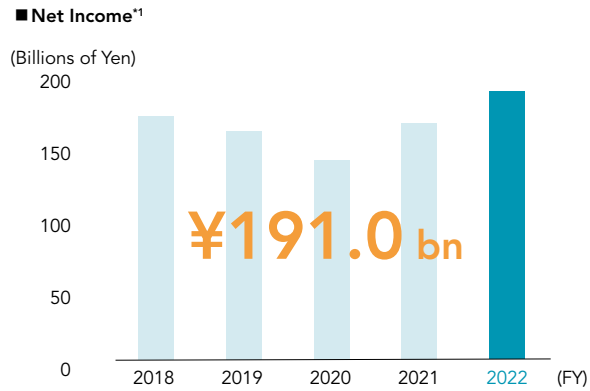
■ Initiatives of Technology-Based Finance (TBF)



<sup>\*</sup>Please refer to our Sustainability Report 2022/2023 for details on individual initiatives.

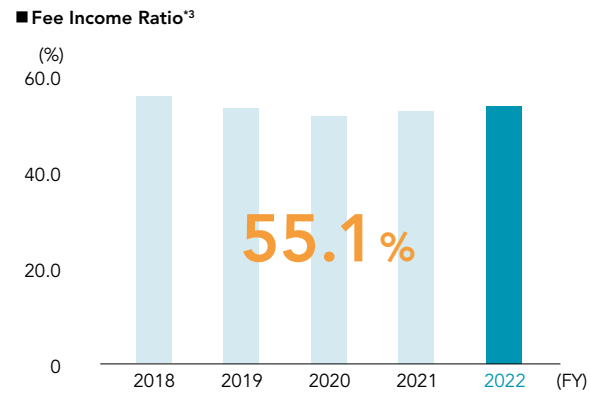
# Financial highlights and non-financial highlights

## Financial highlights



\*1 Net Income Attributable to Owners of the Parent

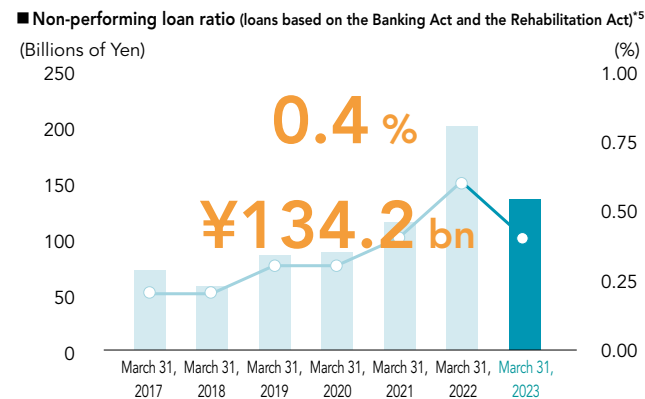
In addition to strong performance in client-related fee businesses, we saw a significant improvement in credit costs and unrealized gains/losses from stocks compared with the previous fiscal year, resulting in increased profit and business performance exceeding the forecast announced in November 2022.



■ Fee Income Ratio

\*3 Net fees and commissions and related profit divided by gross business profit

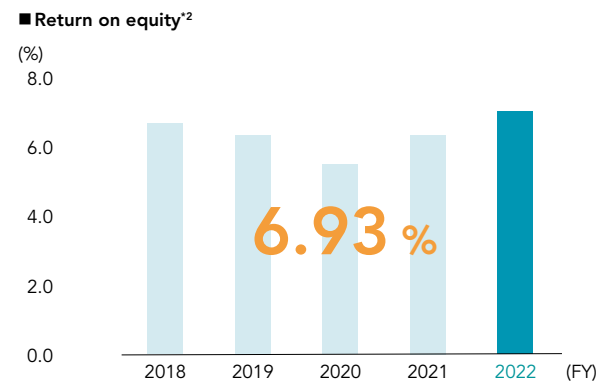
Strong performance in client fee income business such as real estate brokerage fees and corporate credit related fees propelled fee income ratio.



■ Loans based on the Banking Act and the Rehabilitation Act (left)  
— Non-performing loan ratio (right)

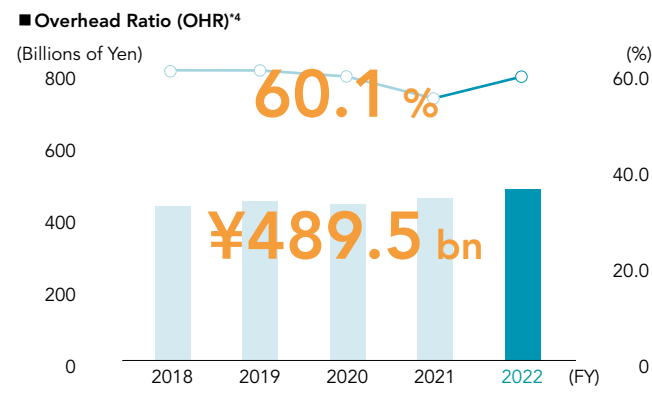
\*5 SuMi TRUST Bank (non-consolidated)

The non-performing loan ratio as of March 31, 2023, was still at a sound level of 0.4% versus total exposure of 32 trillion yen.



\*2 See page 114 for the calculation method

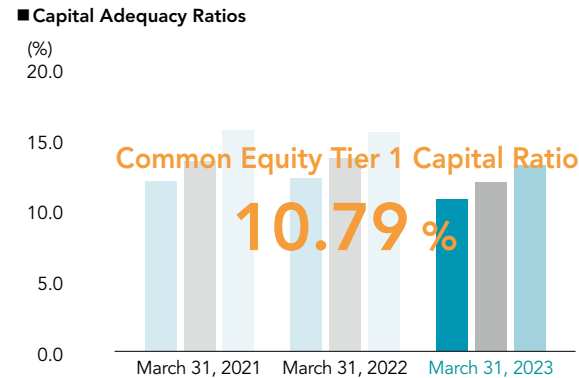
The rise in ROE is due to higher net income attributable to owners of the parent.



■ Substantial general and administrative expenses (left)  
— Overhead ratio (right)

\*4 General and administrative expenses divided by gross business profit

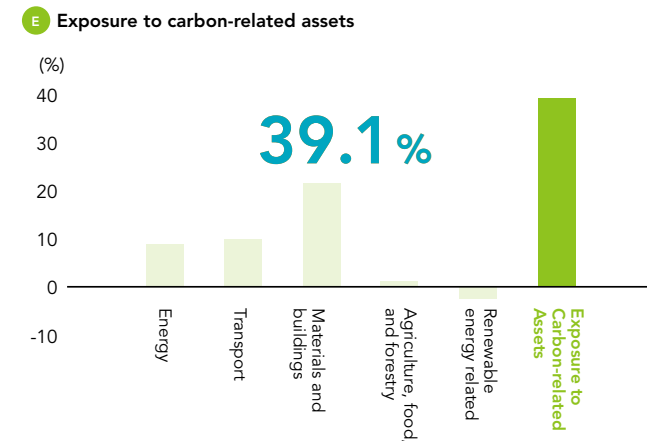
The overhead ratio rose as a result of a decline in gross business profit due to unfavorable market conditions that prevailed in the previous fiscal year and an increase in human capital investment and IT system-related expenses.



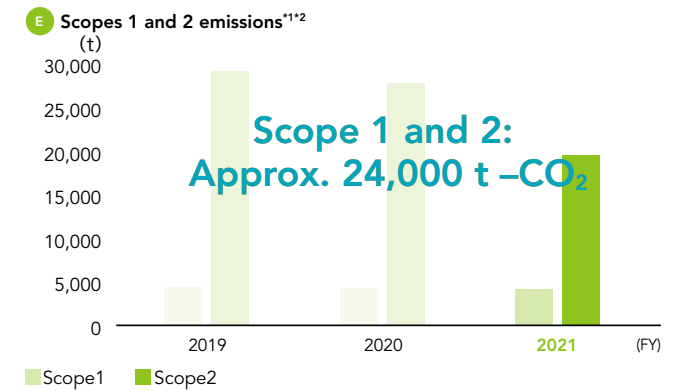
■ Common Equity Tier 1 Capital Ratio ■ Tier 1 Capital Ratio ■ Total Capital Ratio

All are sufficiently above capital adequacy requirements of banking regulations.

## Non-financial highlights

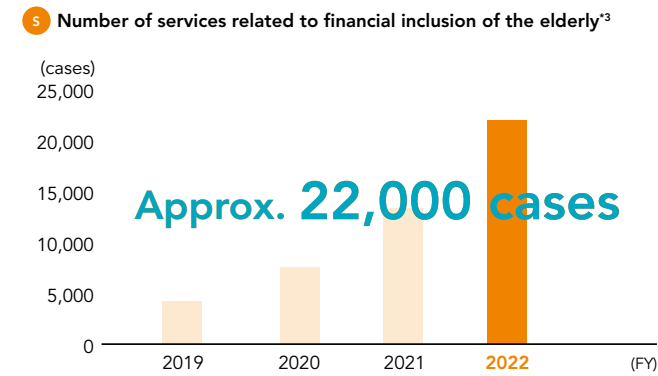


At the end of March 31, 2022, the exposure to carbon-related assets was 14.6 trillion yen, or 39.1% of the total credit exposure to all sectors.



\*1 Domestic and overseas bases of Sumitomo Mitsui Trust Holdings and its Group consolidated subsidiaries (excluding equity method affiliates)

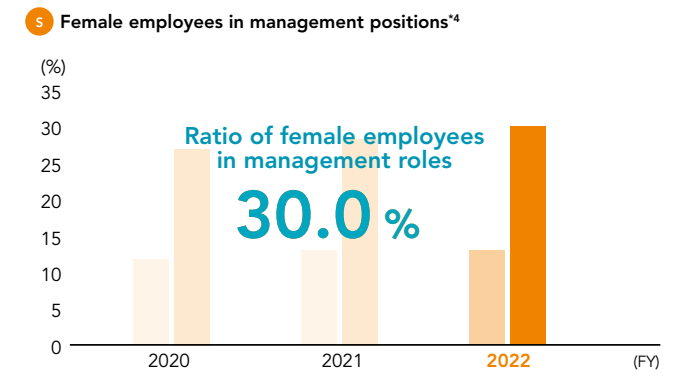
\*2 Domestic bases of SuMi TRUST Bank are calculated in accordance with the Act on Rationalizing Energy Use.



\*3 SuMi TRUST Bank

Products covered by: 100-Year Life Solution Trust (100-Year Passport), (100-Year Passport Plus), civil trust support service (trust account)

We are expanding the handling of services that support asset administration and asset management in accordance with customers' circumstances even after they have reached the point at which their ability to judge declines.

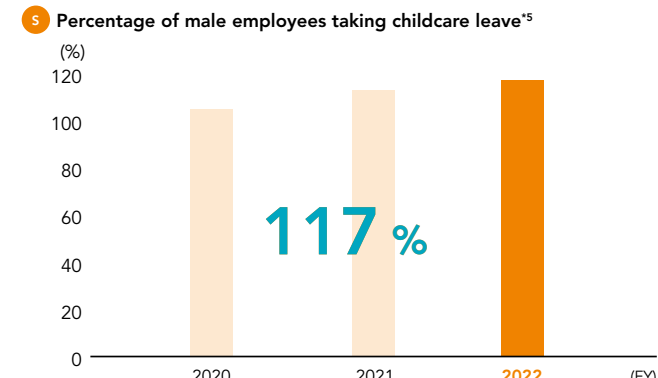


■ Ratio of female employees in management positions (section managers, team leaders and above)

■ Ratio of female employees in management roles

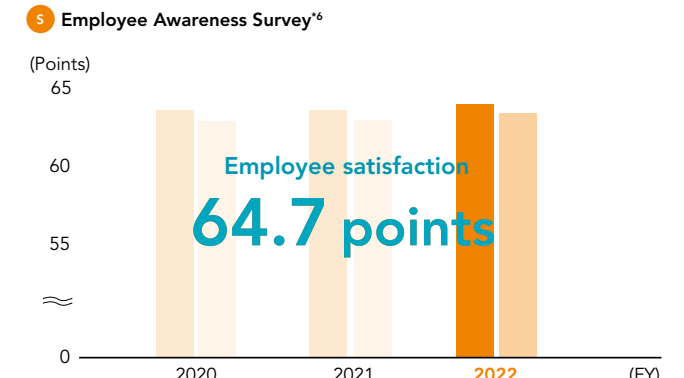
\*4 SuMi TRUST Bank

Since April 2020, SuMi TRUST Bank has been implementing the action plan it developed to achieve a higher rate of female employees in management positions, accelerating its efforts to empower women in the workplace so that more female employees will be involved in its decision-making process.



\*5 SuMi TRUST Bank

In FY2022, SuMi TRUST Bank launched a Baby Care Leave System designed to allow male employees to take extended childcare leave pre- and post-birth.



■ Satisfaction level ■ Vitality level

\*6 SuMi TRUST Bank

Positive scores (60 points) are maintained for both satisfaction and vitality—SuMi TRUST Bank's standards for measuring employee engagement.



# Theme2

## Initiatives to enhance corporate value and management base

- 44 Message from Head of Finance and Treasury
- 48 Human resource strategy
- 57 Our initiative to reduce strategic shareholdings
- 58 Corporate governance
- 64 Our Directors and Executive Officers and composition of  
the Board of Directors of our Group's core subsidiaries
- 68 Risk management
- 73 Human rights
- 74 Security
- 75 Internal auditing
- 76 Compliance
- 78 Client-oriented initiatives
- 82 Initiatives aimed at enhancing and sophisticating operational quality
- 83 Initiatives for financial facilitation
- 84 Communication with stakeholders



# Message from Head of Finance and Treasury



**Masakatsu Sato**

SuMi TRUST Holdings  
Managing Executive Officer

## 1 Inauguration greeting/Environmental awareness

It is my great privilege to be appointed as the Head of Finance and Treasury, commencing from this fiscal year.

Developments in liquidity and unstable credit conditions in financial markets, such as bank failures in the United States and the consolidation of financial institutions in Europe, have made this year's forecast uncertain. Amid growing opacity and uncertainty, we recognize the need for early and proactive financial responses. Looking at capital markets, there is an increasing demand for management that is conscious of capital cost and ROE, as evidenced by revisions to the Corporate Governance Code, market

restructuring by the Tokyo Stock Exchange, and its request for improvements from low-PBR companies. There are also growing expectations for sustainable growth in a manner that pays consideration to various stakeholders; more specifically, expectations for the promotion of investment in non-financial capital such as human capital and IT systems and the enhancement of information disclosure. In this environment, we will focus on optimizing our financial stability and profitability and shall strive to develop and execute financial and capital policies to maximize the value for each stakeholder, in order to maximize corporate value.

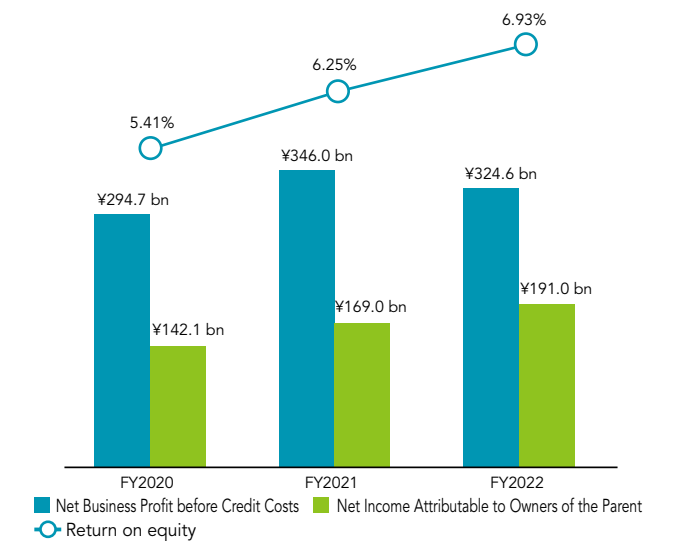
		(Billions of Yen)	FY2021 result	FY2022 result	Change from previous year	FY2023 forecast
Profit indicators	Net Business Profit before Credit Costs		346.0	324.6	(21.4)	320.0
	Net Income Attributable to Owners of the Parent		169.0	191.0	+21.9	200.0
Profitability indicators	Fee Income Ratio		54.0%	55.1%	+1.1%	Mid-50% range
	Overhead Ratio (OHR)		57.1%	60.1%	+3.0%	Lower 60% range
Financial indicators	Return on equity <sup>*1</sup>		6.25%	6.93%	+0.68%	Lower 7% range
	Common Equity Tier 1 capital ratio <sup>*2</sup>		9.9%	9.5%	(0.4%)	Mid-9% range

<sup>\*1</sup> {Net income attributable to owners of the parent / (FY-start total equity + FY-end total equity) ÷ 2} × 100

<sup>\*2</sup> Based on finalized Basel III base

## 2 Review of the previous Medium-Term Management Plan (FY2020–2022)

Looking back at the previous Medium-Term Management Plan period, it was three years marked by major changes, such as the spread of COVID-19 and accompanying rapid growth of digitalization. At SuMi TRUST Holdings, the fee income business drove growth, and net business profit in the final year of the Medium-Term Management Plan amounted to 324.6 billion yen, exceeding the initial plan by about 35 billion yen. We believe it reflects a steady improvement in our profitability. We also achieved our targets for net income attributable to owners of the parent and ROE. With regard to the utilization of capital during this period, we made organic investments in human capital to achieve sustainable growth (increasing output and enhancing sales internally) as well as inorganic investments (business growth from acquisitions or opening new stores) including the establishment of a joint venture with UBS Group, and repurchased shares worth approximately 50 billion yen over the three years. As for shareholder returns, we increased the consolidated dividend payout ratio to 40% as planned, and raised the dividend per share by 60 yen.

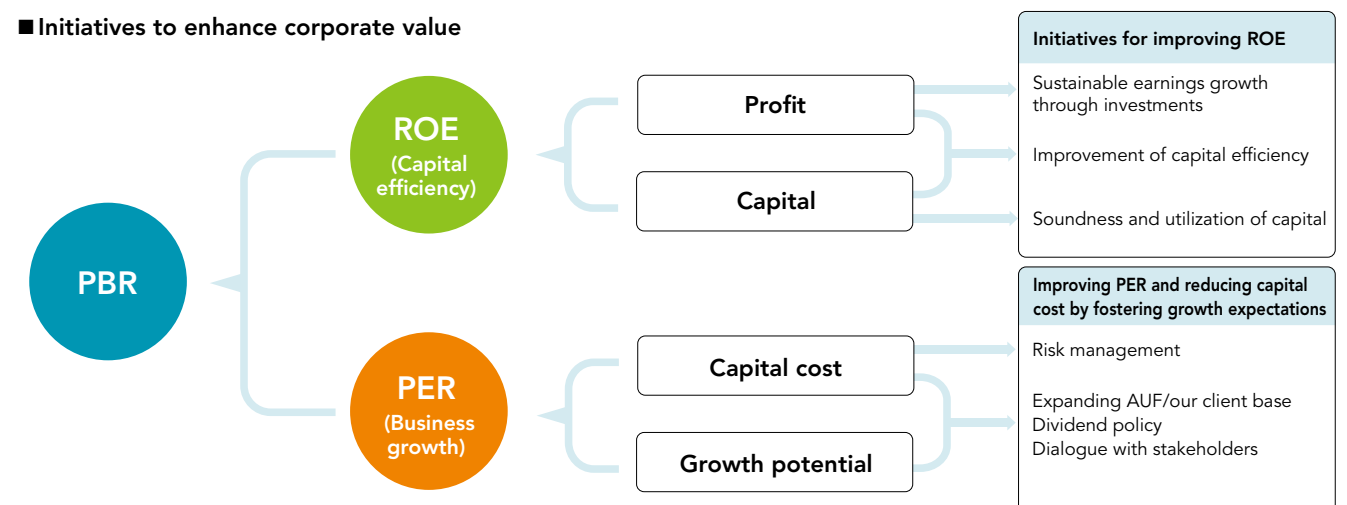


## 3 Initiatives for enhancing corporate value under the new Medium-Term Management Plan (FY2023–2025)

In formulating the new Medium-Term Management Plan, we defined SuMi TRUST Vision 2030 for the financial aspect as achieving ROE of 10% or higher, and set the goal of achieving PBR of at least 1.0x at an early stage. Toward the realization of SuMi TRUST Vision, during the period of the new Medium-Term Management Plan (fiscal 2023 to fiscal 2025), we will focus on two key points: (i) achieving the target ROE of 8% or higher and demonstrating steady growth in our performance, and (ii) fostering growth expectations by raising the probability of further improvement in ROE. We will

also continue to implement appropriate risk management and contribute to the enhancement of corporate value. The diagram below illustrates our initiatives to achieve PBR of at least 1.0x. As PBR is a combination of ROE and PER, the key is how we could improve each of them. By promoting a capital-light business model unique to a trust group, we aim to improve ROE and increase PER by actively investing in non-financial capital that will have a positive impact on our future financial capital.

### ■ Initiatives to enhance corporate value





(1) Initiatives for improving ROE

(i) Sustainable earnings growth through investments

Continued investment in human capital and IT systems from the past enabled us to improve profitability during the period of the previous Medium-Term Management Plan. We will continue to expand human capital investments that contribute to enhanced employee motivation, such as reskilling and equity incentive plans, in addition to increases in base remuneration.

(ii) Improvement of capital efficiency

We will improve capital efficiency by transforming the quality of assets, not their size. More specifically, we aim to improve the profitability of our investment and loan portfolios through asset replacements, while controlling asset balances and risk-weighted assets at a relatively stable level.

(iii) Soundness and utilization of capital

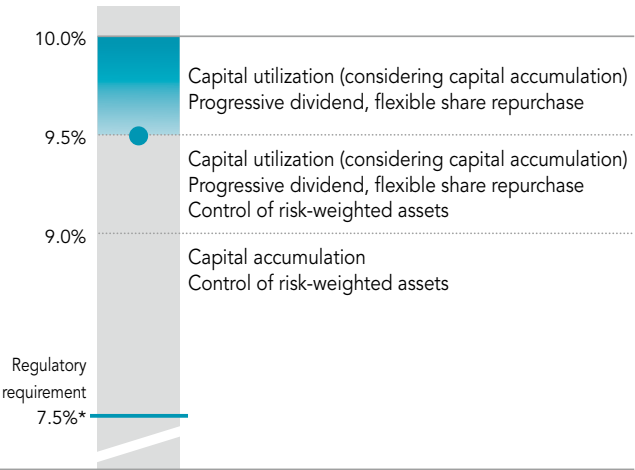
We recognize that ensuring the soundness of capital is a key premise for investment in future growth and sustainable shareholder returns. We will maintain common equity tier 1 capital ratio at an appropriate level, with renewed focus on financial discipline for the control of risk-weighted assets and capital utilization. More specifically, we will enhance the effectiveness of management through periodic monitoring, in addition to reducing strategic shareholdings and appropriate divestment of assets.

We will also make IT investment worth 400 billion yen (cash flow basis) over the next three years to not only improve productivity, but also provide clients with improved convenience and services in order to further deepen business relationships. By stepping up these investments, we aim to enhance our future financial value.

In addition, by expanding the use of assets that are “driven by investors’ needs,” such as private assets, and collaborative equity investments with Investor Services Business and Corporate Business, we aim to create and expand these markets, thereby achieving stable and sustainable growth in fee income.

Also, as a way to utilize financial capital, we will promote investment for growth that contributes to the expansion of the trust group’s businesses, such as in the areas of asset management and asset administration, and investment in solutions for social issues, including impact equity. We will also flexibly repurchase shares taking other investment opportunities and the status of capital into consideration.

■ Capital management perspective (balance between adequacy and efficiency)



\*Common Equity Tier 1 capital ratio: Based on finalized Basel III base. Including valuation difference on AFS

■ Target of CET1 ratio\*

Basic policy
Stably maintained above 10%
Regulatory requirement of 7.5%; Financial buffer of 2.0%, and Management buffer of 0.5%
Financial capital utilization
✓ Investment for growth (expand the trust group’s businesses)
✓ Investment in solutions for social issues
✓ Share repurchase

(2) Improving PER and reducing capital cost by fostering growth expectations

(i) Expanding AUF/our client base

We aim to foster growth expectations and reduce capital cost by expanding AUF/our client base.

At SuMi TRUST Holdings, we have adopted the new KPI of Assets Under Fiduciary (AUF) as an indicator of the scale of our initiatives to contribute to solving social issues and creating and expanding markets .Through the expansion of AUF, we aim to achieve stable business growth centered on fee income. Products and

services related to inheritance for individual clients and pension products for corporate clients, which are unique to a trust group, are the source of our stable growth based on long-term relationships of trust. In the future, we will allocate management resources to expand our client base among the asset formation generation and start-up companies with which business relationships can be expected to be maintained over a longer term, thereby achieving stable growth.

(ii) Risk management

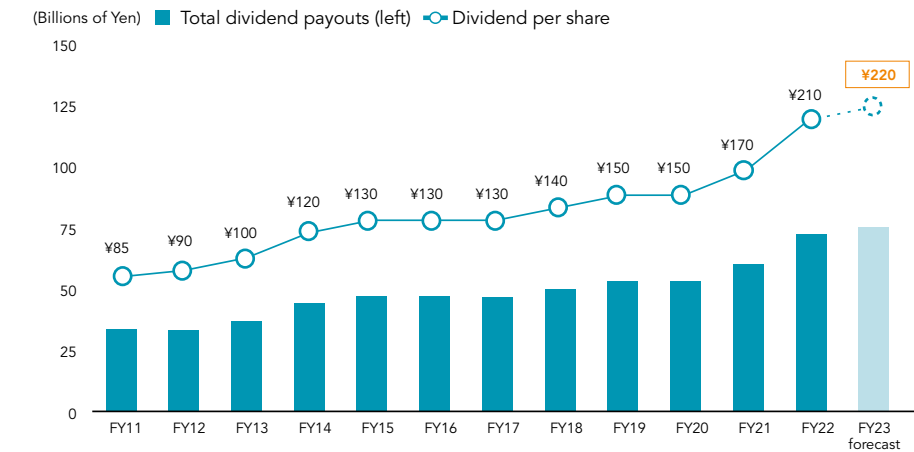
We aim to reduce capital cost by appropriately addressing various risks inherent to us, such as market risk and credit risk, leading to our business and financial downside resilience. More specifically, with regards to the share price risk associated with strategic shareholdings, we will maintain

constant dialogue with our clients to reduce such risk, and also utilize hedging transactions to manage the impact of share price fluctuations on capital. We will also oversee credit risk by proactively preparing for the future through special provisions in fiscal 2023 as well.

(iii) Dividend policy

We have been striving to strengthen shareholder returns, positioning stable return of profit to shareholders and enhancement of returns as one of our important management policies. We have recently modified our shareholder return policy, in alignment with our intention to steadily return the fruit of our growth over the medium to long-term.

We have introduced a progressive dividend management policy for dividend per share, and the consolidated dividend payout ratio will be set at 40% or above. We will continue to promote initiatives to balance financial soundness and stable profit growth while being mindful of both short-term and medium- to long-term time horizons.



(iv) Dialogue with stakeholders

In addition to steadily advancing the above initiatives, we believe that providing information to investors through proactive disclosure, including the enhancement of disclosure contents, will help to foster growth expectations and reduce capital cost. In addition, we will further accelerate our efforts

to enhance corporate value by invigorating dialogue with stakeholders through easy-to-understand communication, sharing information in a timely manner with the Board of Directors about opinions received through dialogue, and reflecting them in our management strategies.





# Human resource strategy

## Human resource strategy and enhancing well-being

Non-financial capital, particularly human capital, is an important part of realizing SuMi TRUST Group’s Purpose, promoting a virtuous circulation of funds, assets and capital through initiatives that address social issues, and achieving growth through creation of new markets. Employees are an important source of value creation (as human capital), and play an essential role in creating both social value and economic value. By investing in human capital and enhancing well-being of our employees, we are able to create value for our clients and society, which leads to improved well-being for every member of society. This results in societal growth and improved corporate value for our Group, and we believe that this allows us to build a “virtuous circulation” that raises well-being for every employee through improved motivation, pride and sense of fulfillment.

### Virtuous circulation of creating value centering on well-being



The starting point of value creation is employee well-being, and SuMi TRUST Group has defined well-being as the condition in which employees: 1. are of healthy mind and body; 2. identify with our Purpose; 3. build healthy relationships that respect diversity; and 4. realize and pursue wellness in their own work by utilizing their own values and strengths. We will enhance the value of our human capital by pursuing better employee well-being.

Well-being for our employees

1. Be of healthy mind and body; 2. identify with our Purpose; 3. build healthy relationships that respect diversity; and 4. realize and pursue wellness in their own work by utilizing their own values and strengths.

### Strengthening human capital starting with employee well-being



## 1 Health management (physical and mental health)

Physical and mental health is the foundation of well-being and the driving force for creating added value. At SuMi TRUST Group, we are spurring a variety of initiatives to create an organization where employees can feel healthy and happy and work with vitality. Our Company has been highly recognized over past six consecutive years since 2018 for its initiatives to enhance physical and mental health among all of its employees with the “White 500 designation for organizations promoting outstanding health and productivity management,” which is the award being organized by Ministry of Economy, Trade and Industry.

### (1) Optimizing work styles

Our Group has established a “Taskforce for work style reform,” directly led by the President, and enacted the Declaration for evolving work style. In order to materialize diverse work styles and an ideal work-life balance, we are working to improve productivity and reduce overtime by continuously investing into IT and transforming business work flow. We are also promoting flexible working styles by enabling employees to choose staggered work hours and telecommuting on their discretion. SuMi TRUST Bank is striving in further optimization of work style through initiatives such as the introduction 11-hour work interval, encouraging employees to actively plan to take leave, and expediting work efficiency with general managers implementing the concept of “Creating a Highly Productive Workplace,” to its workplace.

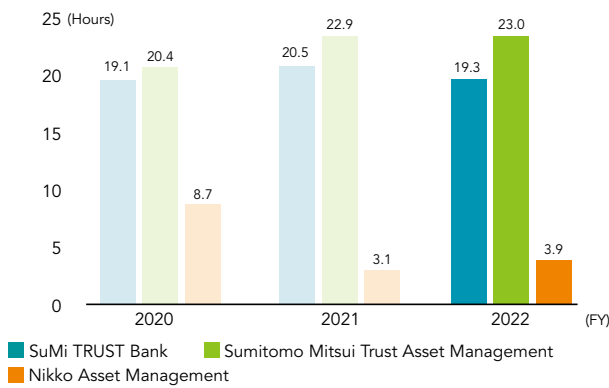
### Declaration for evolving work style

SuMi TRUST Group declares "creating workplace where diversity and creativity that each employee has are collectively elevated to add value of the organization and each employee can work pursuing their dream, pride being satisfied" as a commitment from top management and has been striving in achieving following goals.

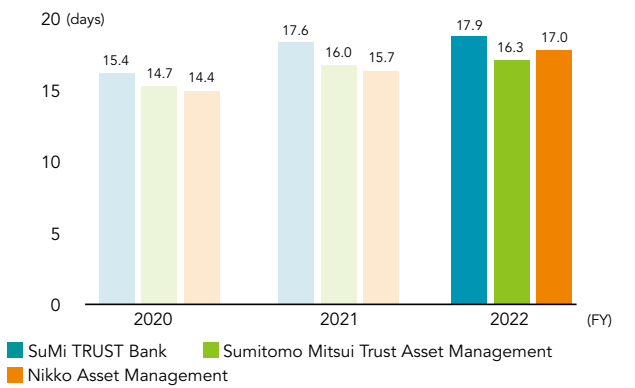
1. Materialization of diverse work styles and work-life balance
2. Rigorous management for work hours and programs to embed health awareness to keep each employee physically and mentally healthy
3. Provision of fair opportunities to allow each employees to capture its own growth being highly motivated

The group will be keeping its unique position that is ultimately contributing to society by providing holistic solutions based on its wider range of products as a Trust Bank, which is collectively created by each employees who are actively working.

### ■ Overtime working hours (the time that exceeds legal working time per month)



### ■ Average number of paid leave days taken annually (number of days)



### (2) Health management

To immerse importance of physical and mental health at workplace, our Group conducts awareness programs, and has appointed an industrial doctor at each office to provide meticulous healthcare guidance for employees to enhance their personal health. In addition to mandatory annual medical checkup , SuMi TRUST Bank has deployed a health management system that enables the Bank to provide employees with customized healthcare advice, resulting in more than 70% of employees accepting the advice for re-examination. In the area of mental health of employees, we are striving to improve the work environment by understanding the condition of our employees through job stress questionnaire and measurement of presenteeism and

absenteeism. We also strive to maintain employees’ mental health by hosting mindfulness seminars and other policies. We will continuously emphasize and pursue employees’ health management, which is more suitable for the age of 100-year life, committing to its further enhancement.

### ■ Job stress questionnaire (SuMi TRUST Group)

	FY2020	FY2021	FY2022
Overall health risk	96	95	93
Percentage of employees with high stress levels	11.1%	10.5%	10.3%

Overall health risk: Standard score = 100, lower scores denote more favorable levels.

## 2 Enhancing engagement (identifying with our Purpose)

SuMiTRUST Group aims to enhance its human capital and employee engagement by having employees empathize with our Purpose “Creating new value with the power of trusts and let prosperous future for our clients and society bloom” and consequently strive in resolving management challenges as well as social missions.

### (1) To instill the significance our Purpose

Our Group is working to instill our Purpose throughout the company, and in fiscal 2021, SuMi TRUST Bank held the President’s Caravan Event (approximately 12,000 employees participated in total of 26 sessions) where the Bank’s President directly conveyed his thoughts behind our Purpose and exchanged opinions to enhance mutual understanding. In addition, several interactive online sessions with the President were held for all senior managers and team leaders to bolster their understanding of our Purpose and our company strategy based on our Purpose.

### (2) A culture that fosters motivation and job satisfaction

Our Group is working to foster company culture in which all employees are encouraged to pursue their challenges and grow, and encourage two-way communication, in particular between management and employees, so as to provide opportunities to work with a sense of purpose. At SuMi TRUST Bank, general managers host lectures in which they share their own experiences and the things they have learned, and the Bank has also introduced one-on-one coaching programs to improve communication skills among management, as a part of our initiative to foster an open work environment which assures psychological safety. In addition, the Bank has introduced employee awareness survey and pulse surveys to objectively assess the degree of penetration of company policies, the work environment, and the level of engagement that enables top management and general managers to actively monitor the latest conditions and proactively take necessary actions. The level of satisfaction and vitality, which function as an indicator to evaluate the quality of employee engagement, exceeded the baseline score of 60. In fiscal 2022, the score reached the highest level since integration, and the score of sympathy for our Purpose has also improved. Through aforementioned initiatives, the number of voluntary resignations at SuMi TRUST Bank has remained low.

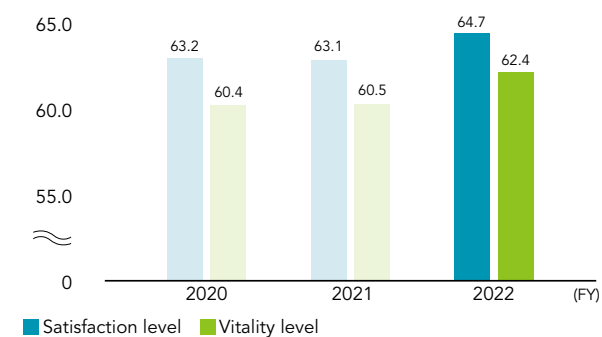
■ Number of voluntary resignations in indefinite-term employees (FY2022)

	Number of voluntary resignations	Turnover rate
SuMi TRUST Bank	379	3.8%
Sumitomo Mitsui Trust Asset Management	23	5.2%
Nikko Asset Management	21	3.9%

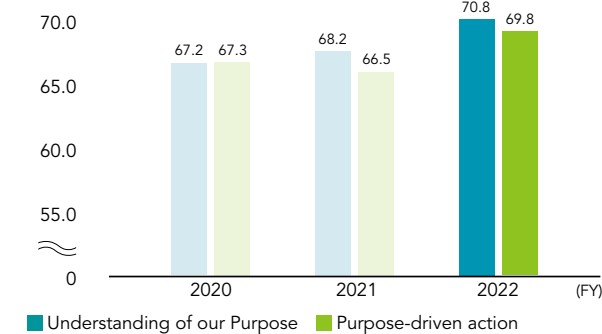
### (3) Promoting well-being

In April 2021, our Group has newly appointed an executive officer in charge of well-being. We have been promoting in-house and external well-being activities through participation in several collaborative industry-government-academia sessions such as “Well-being Initiative” hosted by Nikkei Inc. For in-house promotion of well-being, the executive officer directly approached employees and actively discussed about the importance of well-being through series of caravan events that were held in fiscal 2021 (approximately 10,000 total employees participated in total of 34 sessions) to enhance the company’s culture of well-being. For external promotion of well-being, we are actively working on variety of activities such as the announcement at the event with regard to “International Day of Happiness,” on 20 March 2023, and contribution to the “Well-being Action!” hosted by The Asahi Shimbun Newspaper as a sponsor and so forth.

#### ■ Employee awareness survey (Satisfaction and vitality) (SuMi TRUST Bank)



#### ■ Employee awareness survey (Sympathy for our Purpose) (SuMi TRUST Bank)



## Providing employees with "FINANCIAL WELL-BEING"

SuMi TRUST Group is striving to contribute to FINANCIAL WELL-BEING<sup>\*1</sup>, one of the ways in which we are working to build a prosperous future that is the goal of our Purpose, and aim to become the best partner in the age of 100-year life. As we strive towards achieving our Purpose, we consider FINANCIAL WELL-BEING to be a part of value creation ultimately contributing to the well-being of our clients as well as society and we offer every client appropriate options that is tailored to realize happiness over the time horizon of a 100-year lifetime.

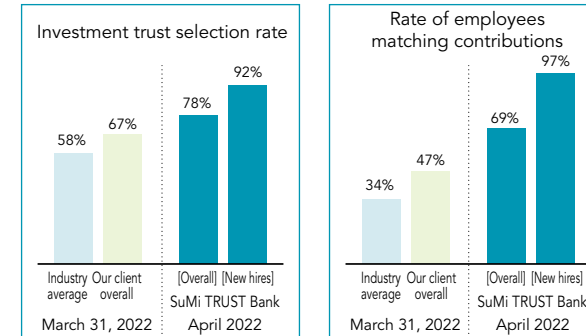
SuMi TRUST Bank assists employees’ asset formation by providing with know-hows that SuMi TRUST Bank has accumulated through its businesses to help them gain their own FINANCIAL WELL-BEING, so that employees may concentrate on value creation. Regarding defined contribution pension trusts, more than 70% of employees selected investment trusts, and approximately 70% of employees also have access to a matching contribution scheme. New employees who joined SuMi TRUST Bank in 2022 were offered the opportunity to take part in educational programs that harnessed the know-how of the Sumitomo Mitsui Trust Financial Education Institute, the Pension Division, and Sumitomo Mitsui Trust Life Partners (a Group company), which resulted in more than 90% of them to choose investment trusts as their investment and utilize matching contribution system in the defined pension plan.

In addition, in fiscal 2022, the RS Trust<sup>\*2</sup> was introduced for all employees as a new equity incentive plan in order to help employees align their interest with the company and pursue medium- to long-term growth together. In April 2023, more than 10,000 employees received shares. Moreover, the financial incentive of the Shareholding Association was increased to 20% from 8% in fiscal 2022, and the annual contribution to the program increased 2.5 times as a result. By age group, the growth rate of young and mid-career people in their 20s and 30s is significant. The purpose of this system is to share the management philosophy of our Purpose with employees and to promote awareness of medium- to long-term growth. We believe that this system will lead to resolving of social issues and pave the way for the growth of our Group. From July to August 2022, we provided asset-building education for all employees based on the investment education program that we have accumulated through our pension business and for workplace businesses. After taking the course, many employees expressed their positive opinions, such as “It helped help understand possible future life events,” and “It helped relieve some anxiety about money.” We will continue to promote better financial literacy and autonomous asset formation.

<sup>\*1</sup> FINANCIAL WELL-BEING is “refers to when an individual has prepared the money and assets they may need for contingencies and for the future, allowing them to have peace of mind.”

<sup>\*2</sup> A stock compensation plan for employees that combines the advantages of trust-type equity compensation plan and restricted stocks (RS: Restricted Stock)

#### ■ Utilization of corporate defined contribution pension trusts (SuMi TRUST Bank)



Published in The Nihon Keizai Shimbun, March 2022



Published in The Nihon Keizai Shimbun, July 2022

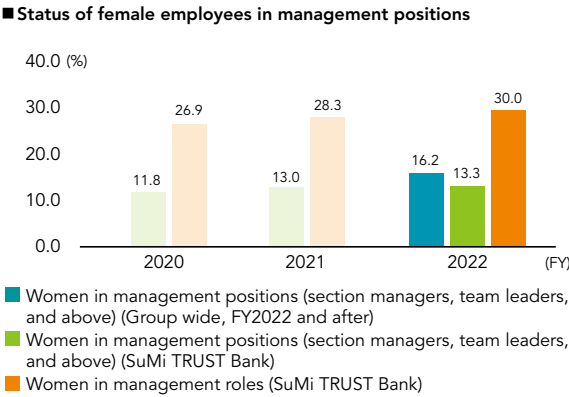
## 3 Fortifying organizational strength (build healthy relationships that respect diversity)

As a trust group with the strengths of its wide array of functions and diversified business portfolio, our Group has placed emphasis on “utilizing the diversity and creativity of its employees for company management.” The concept of diversity, equity and inclusion under the doctrine of fair and equitable treatment is enshrined in our management principles (mission) so that employees with diverse attributes and backgrounds can add value to the organization.



(1) Initiatives for active participation and advancement of women

SuMi TRUST Group has set KPIs in favour of the Keidanren “Here We Go Year 2030 30%,” project, under which companies aim to have women account for 30% or more in management roles by the year 2030, and we have established KPIs that will increase the ratio of women in management positions (section managers, team leaders and above) to 20% or more by the end of March 2025. In addition, as a part of its general business owner action plan to promote the active participation and advancement of women, SuMi TRUST Bank has formulated a plan which aims to have 20% or more of women in management positions (section managers, team leaders, and above) (and 30% by 2030), and 30% or more of women in management roles (and 34% by 2030) by the end of October 2024, thereby accelerating the planned initiatives. In addition to rank-based training sessions and for all employees and female leaders, in fiscal 2021 we introduced an Executive support program, in which company’s executives directly support the career development of female employees who are responsible for management duties. In fiscal 2022, 60 female employees participated.



(2) Promoting active participation with diverse human resources

Our Group believes that securing human resources with a diverse experience and skills is essential for maintaining and developing the broad and deep business unique to a trust group and is promoting various measures to achieve this objective.

(i) Empowering mid-career hires

Our Group actively hires mid-career employees. At SuMi TRUST Bank, 22% of all employees and 21% of those above the management level (as of March 2023) are mid-career employees. In recent years, to establish growth areas, the Bank has adopted strategies such as recruiting PhDs in science and engineering to establish technology-based finance teams with the aim to create positive impact toward a sustainable society.

■ Number of mid-career hires in each fiscal year

	FY2020	FY2021	FY2022	
				*1
SuMi TRUST Bank	118	139	247	22%
Sumitomo Mitsui Trust Asset Management	25	56	45	10%
Nikko Asset Management	50	24	30	89%

\*1 Percentage of mid-career hires to all employees at the end of each fiscal year

(ii) Initiatives on supporting work-life balance

In April 2021, SuMi TRUST Bank extended its retirement age to 65 years old as a part of the effort to create a working environment that allows employees to work actively and make employees’ professional lives thriving in response to the age of 100 year life. The bank is also striving to expand company’s program to make work-life balance more ideal and create work culture that allows employees to develop their preferred professional careers and personal lives not hindered by life events. As a part of this initiative, the Bank has introduced a new paternity-leave program that enables male employees to take long term childcare leave before and after childbirth. The Bank consistently helps employees strike a good balance between work and private life and materialize what they want to achieve through their professional lives.

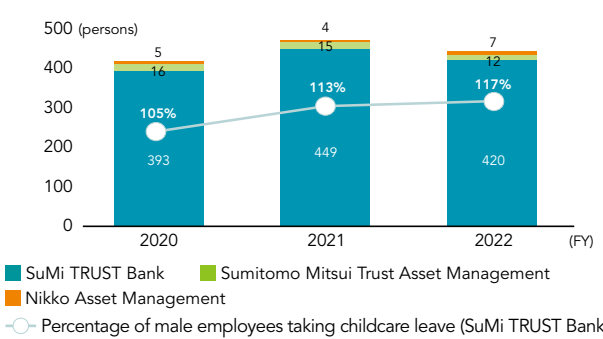
■ Expanding systems to support work-life balance (SuMi TRUST Bank)

Fiscal Year	Issue	Measure
FY2016	Relocation due to spouse job transfer	Established new system for workplace reassignments
FY2017	Accompanying spouse on overseas transfer	Established new system for employees to take leave to accompany spouses on overseas transfers
FY2019	Balancing cancer treatment and work	Established cancer treatment leave
FY2021	Balancing between fertility treatments and work	Established the Fertility Counselling Office
FY2022	Commencing childcare leave for male employees	Established new childcare leave

■ Number of employees using systems to optimize work-life balance

	FY2020	FY2021	FY2022
Number of employees taking nursing care leave	180	244	284
Number of employees taking cancer treatment leave	31	50	50
Number of employees requesting for workplace relocation	201	255	310
Number of employees taking leave to accompany spouses on overseas transfers	14	21	17

■ Number of employees taking childcare leave



(iii) Promoting the success of persons with disability

SuMi TRUST Group aims to create a working environment where all employees, regardless of their disability, can work with sense of fulfilment as members of the workplace. At SuMi TRUST Bank, employees with disabilities work at 104 departments (as of end of March 2023) where they have contact with clients or perform administrative tasks in head-office. In fiscal 2022, the Bank established an organization within the Human Resources Department to promote the active participation of people with disabilities. In addition to employees with physical disabilities, the Bank also supports employees with intellectual and mental (developmental) disabilities. As of June 1, 2023, the employment rate of people with disabilities was 2.3%.

(iv) Empowerment of employees of many nationalities

Employees of many nationalities play active roles in our Group, and the number in management positions is increasing every year. SuMi TRUST Bank conducts training aimed at giving a better understanding of our Group and its operations and strengthen its human network. The Bank also promotes personnel exchanges through long-term overseas business trips and posting.

■ Status of foreign national employees (as of March 31, 2023)

	Number of foreign national employees (Japan)	Number of local employees hired at overseas offices	Percentage of management positions filled at overseas offices*
SuMi TRUST Bank	77	734	70%
Sumitomo Mitsui Trust Asset Management	3	13	50%
Nikko Asset Management	49	307	97%

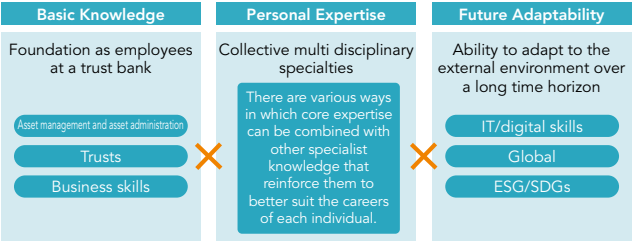
\*2 Percentage of management positions at overseas offices filled by local staff.

4 Bolstering human resources (utilizing one’s own values and strengths)

SuMi TRUST Group aspires to be the “No. 1 financial group for human resource development,” which enables diverse human resources to flourish. Based on the Human Resource Development Policy established in April 2018, we have implemented various measures aimed at enhancing human capital.

(1) Independent, career-oriented personnel

In its human resource development efforts, our Group has defined independent, career-oriented personnel as “personnel with fundamental knowledge of trust who can combine multiple areas of expertise, independently assess their area of focus and integrate their specialty as they shape their own careers.” Our Group is committed to nurturing such personnel through our career development efforts. Today, social systems are becoming increasingly interdependent and complex, requiring multifaceted responses to solve problems for clients and society. We will nurture personnel capable of adapting to the future by harnessing the comprehensive abilities that is created from merging expertise gained over a career with the fundamental skills possessed by individuals.



(i) A fair personnel evaluation system involving participation of the appraisee

Employees discuss with their supervisors to set specific task objectives, and at the end of the fiscal year, they engage in discussions with their supervisors to review the outcome of the tasks and the process for achieving them, to ensure a high level of satisfaction regarding their appraisal. In fiscal 2019, we extended the evaluation cycle from six months to one year to facilitate the implementation of medium- to long-term initiatives. In addition, in fiscal 2022, in order to support autonomous career development, we have established a system whereby the organization and employees define medium- to long-term goals, and then set medium- to long-term targets together with annual targets and tasks.



SuMi TRUST Group Human Resources Development Policy

SuMi TRUST Group will be striving in enhancing work environment as well as human resource capital by enabling each employee to create its own professional career, who will bolster our future based on human resource development policy consisting “TRUST”.

- Talent** ..... Make talent that each employee has prosper
- Respect** ..... Respect each other
- Uniqueness** ..... Develop professionals who help differentiate
- Support** ..... Mutually learn and support
- Try** ..... Appreciate daily small challenges

SuMi TRUST Group aims to be the trust banking group to be highly sought after by society through employees who are trained based on “fiduciary spirit as Trust bank” by providing unique value to its clients, thus ultimately contributing to form sustainable society, and creating and maximizing social and financial value.

(ii) The foundations of a trust group

Many SuMi TRUST Bank employees have qualifications as Real estate transaction specialists, Securities Analysts and other certifications that are closely related to trust businesses. The employees enhance their expertise and comprehensive capabilities unique to a trust bank by gaining practical experience through their job assignments. In addition, the Bank has highly specialized employees with qualifications as pension actuaries, real estate appraisers and other specialized qualifications, all of whom contribute to increasing the number of professionals in the Group.

■ Number of personnel with certain qualifications (SuMi TRUST Bank)

Real estate transaction specialist	6,522
Securities Analyst	813
Real estate transaction agent & securities analyst	614
Financial planner - 1st Grade	706
Pension actuary	46
Real estate appraiser/assistant appraiser	188
In-house lawyer	37
CPA	10
Licensed tax accountant	10
Labor and social security attorney	40
PhD	12

(iii) Strategic human resource assignment and multiple specialties

Our Group aims to maximize the potential of employees through strategic job positioning. SuMi TRUST Bank has established a development program for younger employees, in which employees gain experience in multiple businesses within five years of joining the company, so that they can determine their own aptitude for the business through their work experience, and a work challenge system (applicants assigned to specific business areas based on their application) for new hires with the aim to promote the autonomous career development of employees. In addition, the Bank holds business briefing sessions (544 participants in fiscal 2022) as an opportunity for employees to learn more about each business and have an opportunity to consider their own future career development, after which job openings are posted. Approximately one third of applicants is engaged in a business or department of their choice. The Bank launched its in-house side job system in fiscal 2021, with the aim of integrating human resources and know-how in a way that transcends traditional operational boundaries, promoting skill development and innovation through having employees engage in the work of their choosing once a week.

■ Career development support (SuMi TRUST Bank)

	FY2020	FY2021	FY2022
Number of internal job posting system applicants	339	359	377
Percentage of employees who qualified through the job posting system	32%	27%	33%
Average age of applicants	32.6	30.8	31.6

■ Examples of in-house side job project (SuMi TRUST Bank)

Project	Details
Well-being Promotion	Plans internal and external promotion of well-being (event planning, internal and external social activities and information dissemination)
Life Plan Consulting	Offers life plan consulting services for occupational clients (an online portal, strategic planning for the asset formation generation)
My Future Project	Administrative staff at Corporate Business challenge other departments in their own area of business
RPA Building	Produces RPA (UiPath) and promotes automation
Sustainability	Planning and developing measures for sustainability work at Group companies
Raising my value	Being exposed to front line businesses to achieve individual vision in the future
Corporate Communications	Partake in research and promotion activities to build company's brand

(iv) Ability to change with the times

SuMi TRUST Bank has focused on re-skilling by training and expanding its support for obtaining essential qualifications to strengthen its employees' skillset of IT/digital-related technologies required to bolster the trust businesses. In April 2023, the Bank defined specific KPIs for digital talent development as an important human resource development agenda. In addition to IT/digital skills, the Bank has initiatives to realize the FINANCIAL WELL-BEING of employees and education on ESG/SDGs by offering high-quality investment educational know-how honed through its work in the pension business, consulting for occupational clients and other businesses, while aiming to create human resources who can thrive and evolve in accordance with the current trends.

(2) Enhancing investment in human resource development

In order to realize the career aspirations of each employee, SuMi TRUST Group provides opportunities for employees to choose and learn according to their career aspirations at SuMiTRUST University (in-house college) in addition to group training to improve their operational and other skills. In fiscal 2022, we also launched a learning management system called "University+," which aims to create new value through seminars in which employees who have no interaction in the ordinary course of business gather to discuss and study common themes and also have opportunities to exchange opinions with an aim to stimulate each other's perspective.

■ Investment in HR development (Training cost per person, FY2022)

SuMi TRUST Bank	Sumitomo Mitsui Trust Asset Management	Nikko Asset Management
115,000 yen	78,000 yen	115,000 yen

■ Transition of training activities(SuMi TRUST Bank)

	FY2020	FY2021	FY2022
Total number of trainees	10,059	14,050	16,781
Training hours	6,548	6,680	6,759

Aiming to be a value creating company

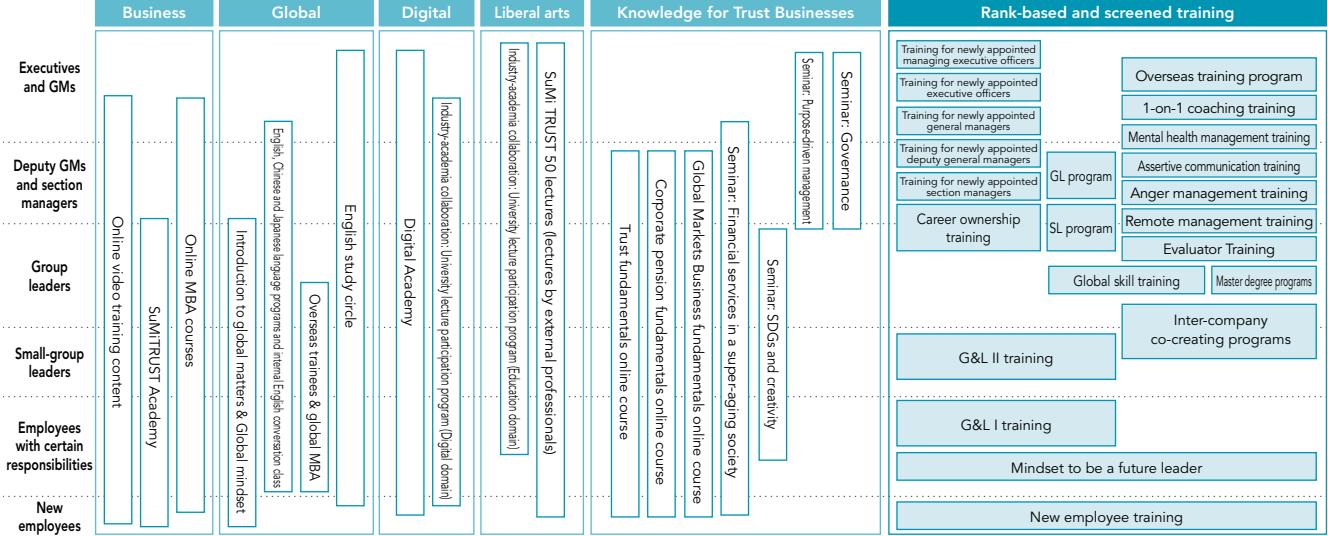
Enhance Corporate Value and Management Base

Messages from subsidiary management

Business Strategy

Financial information  
Corporate information

■ Concept Image of SuMiTRUST University



(3) An organization of specialists (human resource portfolio)

SuMi TRUST Bank identifies critical talent groups who are essential to advance our Group's business model through assessments related to the visualization of our human resource portfolio. The Bank will strengthen the portfolio through independent career development, accumulation of work experience, and further reinforcement of our investment in human resource development.

(i) Specialized professionals (designation of fellows)

Employees with significant contributions to corporate earnings and value-added activities through their advanced expertise are certified as fellows. Previously, SuMi TRUST Bank recognized fellows from senior personnel who had been evaluated highly for the experience they had cultivated over the years, such as finance consultants and other front-line personnel, as well as middle/back-office personnel. However, from fiscal 2022, the Bank has expanded the scope of certification to a broader range of age groups as the Bank strives to expand its pool of specialized professionals.

(ii) Senior management personnel (next-generation leaders)

In collaboration with universities in Japan and overseas, we hold training for selected personnel each year, such as GL training (Global & General Leader training: For deputy general managers) and SL training (Strategic Leader training: For senior managers). For the participants of these programs, we promote the development of the next generation of leaders by offering opportunities to put their learning into practice through promotion, reassignment and other means.

(iii) Global business personnel

This initiative is aimed at developing talent to drive our global business. In addition to expanding its pool of potential global talent through linguistic training, we are implementing programs such as overseas posting for employees without prior overseas experience and strategic assignment to global businesses in Japan. In addition, for the next generation of management personnel who have developed their careers predominantly in Japan, we have designed a selective training program for short-term assignments to top overseas business schools, with a focus on fostering a management perspective based on global standards.

(iv) Management personnel

In addition to training as management personnel, we are working to bolster its management capabilities through rank-based training sessions. In order to enhance the skills necessary for the advancement of organizational management, we are actively working to its strengthen management personnel pool through training to enhance team-building and communication skills, such as team management training utilizing 1-on-1 and assertive communication training.

■ Current human resource portfolio (SuMi TRUST Bank)

	FY2021	FY2022
Specialized professionals (number of certified fellows)	172	320
Senior management personnel (number of selected training participants)	393	419
Globally capable personnel	610	650



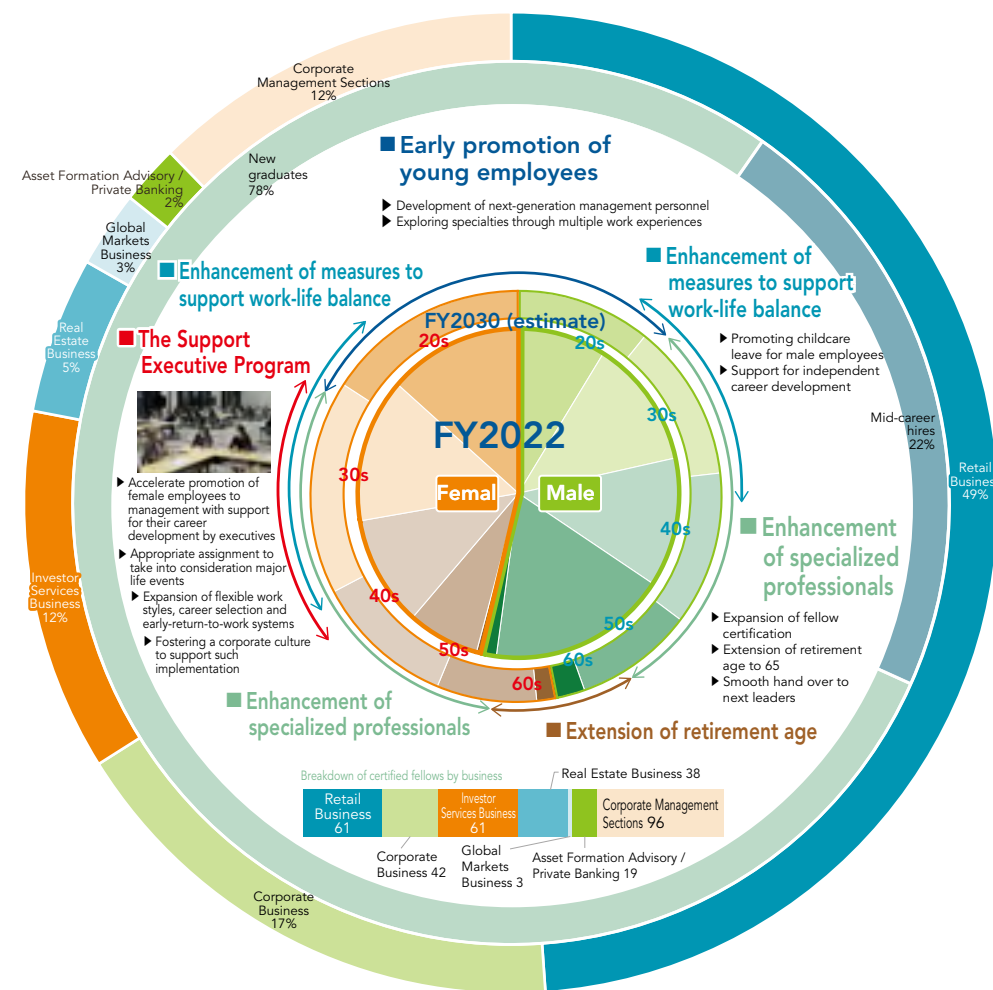
## Aiming to be an organization that is actively participated in by diverse human resources to create new value

Based on a fiduciary spirit, leveraging its significant expertise and comprehensive capabilities, SuMi TRUST Group is a trust group that creates unique value through a new business model that integrates diverse businesses. Our Group's initiatives are the very history of trust in Japan. SuMi TRUST Group has embraced a history of challenge and pioneering, in which it has tackled the challenges faced by clients and society in each era, utilizing the functions of trust, and taking on a series of challenges to provide solutions. With a wide range of business areas, the characteristic that defines our Group is that highly specialized human resources in each business area demonstrate their strengths, enhance each other's abilities, and work together to realize value creation. In respect of the individuality of our diverse human resources and to enable each employee to

maximize their abilities, our Group is working to create an organization that creates new value by taking the circumstances of each employee into consideration.

SuMi TRUST Bank is implementing concrete measures, with an eye on future changes in the age distribution of its employees, an increase in the ratio of women and other changes in its talent pool. The Bank is accelerating its efforts to create a rewarding organization in which all employees work actively and create new value. Going forward, we will continue to support the autonomous career choices of each employee under the principle of fair and equitable treatment and placement, and will continue to strengthen its investment in human capital while promoting changes to its personnel system and operations that aligns with the future so that diverse employees can excel in diverse roles.

■ Composition of employees by business, hiring and age and Key measures in SuMi TRUST Bank (FY2022)



\*The composition of employees in fiscal 2030 reflects the retirement projections of employees based on their upcoming retirement and the past turnover rates, as well as plans for new graduates and mid-career hires.

## Our initiatives to reduce strategic shareholdings

### Reduction of strategic shareholdings to zero (announced in May 2021)

We shall not hold any "strategic shareholdings as a conventional stable shareholder."

## 1 Demonstration of the Board of Directors supervisory function regarding reduction of strategic shareholdings

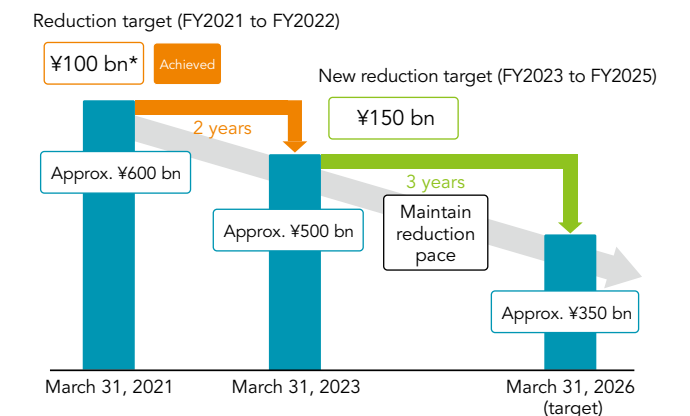
The Board of Directors monitors the status of reduction of strategic shareholdings on a continuing basis. In addition, the voting rights guidelines and system are determined based on a report from the Conflicts of Interest Committee from a professional perspective, to take the medium- to long-term value enhancement of corporates and impact on various stakeholders of SuMi TRUST Group into account in light of social responsibilities as a trust group. As for the status of exercising voting rights, it has been confirmed that we have achieved a certain level of engagement effect in our initiatives to emphasize dialogue with issuing companies. We will continue to make deliberations based on reports received from the execution departments, and strengthen monitoring by also taking into consideration the stakeholder's perspective.

## 2 Reduction achieved over the two years and new plans

During the two years from fiscal 2021 to fiscal 2022, we made steady progress and achieved our reduction target of 100 billion yen. Reduction of 100.6 billion yen was achieved (excluding the increase in acquisition cost due to sold and repurchased shares in fiscal 2020). Further, as a future reduction plan starting from this fiscal year, we have set a reduction target of 150 billion yen on a cumulative basis for three years from fiscal 2023 to fiscal 2025.

We will engage in constant dialogue to ensure ongoing and long-term relationships of trust with our clients, and continue to work toward reducing strategic shareholdings to zero.

■ Balance of strategic shareholdings (acquisition cost basis)



\*Achieved 100.6 billion yen reduction, excluding sold and repurchased shares in the fourth quarter of FY2020

### Policy on exercising voting rights for strategic shareholdings

SuMi TRUST Holdings and SuMi TRUST Bank, our core subsidiary, aim to enhance the medium- to long-term enterprise value of corporate clients that issue strategic shareholdings (hereinafter "issuing companies") and will therefore exercise voting rights for shares held whilst also taking the improvement in medium- to long-term value for SuMi TRUST Group's shareholders, depositors and other various stakeholders into account.

Through sufficient dialogue with issuing companies, we will take into consideration the business environment and other factors that each issuing company faces and exercise voting rights while respecting its management identity and course of action.

In exercising voting rights, we will make our decision to vote for or against each agenda item based on the separately established guidelines for the exercise of voting rights while taking the following perspectives into account.

- (1) Our decisions will take heed of not only ostensible or formal criteria, but also the characteristics of the issuing company and the attributes peculiar to its industry and business operating environment.
- (2) Our decisions will be based on not only the given fiscal year, but also a longer time span and future outlook.
- (3) Our decisions will account for not just financial data, but also non-financial factors, such as corporate governance and how the issuing company creates social value.

If there is a possibility of a conflict of interest in the exercise of voting rights for strategic shareholdings, we will take appropriate action in accordance with our separately established Management Policy Concerning Conflicts of Interest.

### Results of exercising voting rights

Exercised voting rights based on the newly disclosed guidelines, starting from annual general meetings in June 2022  
The ratio of dissenting votes to companies' proposals was 0.7%(number of companies) and 0.2%(number of proposals)

Corporate governance

SuMi TRUST Group is enhancing its corporate governance structure in line with its business model. In addition to the statutory committees of a company with Three Committees, we have also established a Risk Committee and Conflicts of Interest Committee, both of which function as advisory bodies to the Board of Directors. We also strive to enhance management transparency by appointing an external director as Chairman of the Board of Directors.

1 Message from Chairman of the Board of Directors



As Chairman of the Board of Directors

It has been six years since SuMi TRUST Holdings transitioned to an entity with Three Committees and I assumed the position of Chairman of the Board of Directors. The Company is a financial holding company that includes Sumitomo Mitsui TRUST Bank, Sumitomo Mitsui Trust Asset Management, Nikko Asset Management and other companies. In order to uphold a robust management foundation based on a high degree of self-discipline guided by our fiduciary spirit and to gain the unwavering trust of society, our Board of Directors are committed to enhancing and refining corporate governance with the objective of improving SuMi TRUST Group’s sustainable growth and medium- to long-term corporate value enhancement\*1.

Isao Matsushita

External Director, Chairman of the Board of Directors, Chairman of the Nominating Committee

The most important role of the Board of Directors is to establish fundamental management policies and strategic direction for the company and to oversee overall management. While encouraging active discussion from directors and ensuring thorough deliberations including dissenting opinions, I believe that it is the role

expected of the Chairman to make the most of the knowledge of external directors, gather opinions while having an outside perspective, and lead the way to appropriate decision-making. The following is a summary of the priority topics discussed at the Board of Directors meeting in fiscal 2022, the efforts to improve the effectiveness of the supervisory body and other information.

\*1 Please refer to the following link for the basic policy and approach to corporate governance. [https://www.smth.jp/english/about\\_us/management/governance](https://www.smth.jp/english/about_us/management/governance)

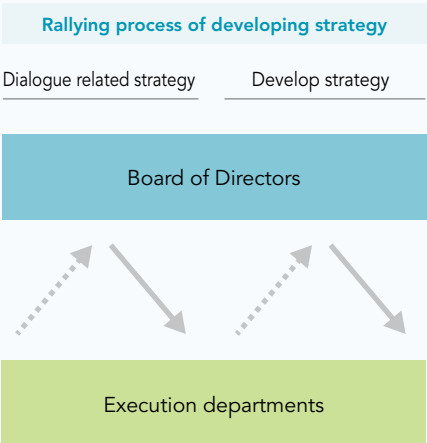
Discussion by the Board of Directors for the formulation of the Medium-Term Management Plan (FY2023–2025)

In May this year, we announced our new Medium-Term Management Plan (“New Medium-Term Plan”). The Medium-Term Management Plan was formulated for the second time after the change in institutional design, and from the viewpoint of utilizing the knowledge of external directors and other information, the Board of Directors deliberated on the overall policy. Meanwhile, the Executive side deliberated on proposals based on the opinions of the Board of Directors, and the Board of Directors discussed the proposals with the results of the

deliberation in mind. The deliberation on strategic planning was deepened through a collaborative discussion process between the Board of Directors and the execution departments. During the deliberations, we set management themes\*2 and held a series of open-ended discussions. New Medium-Term Plan embodies the 3-year plan from fiscal 2023 through backcasting, while taking Aspiration by fiscal 2030 into account. We feel that we have formulated a plan that is consistent with our long-term vision and that is effective in practice.

Deliberations on the New Medium-Term Management Plan by the Board of Directors

Year/Month	Deliberations
2021	Jul./Oct. ● Business portfolio analysis as part of the value creation process <span>Management theme</span>
	Nov. ● Important management issues for each business (Reference: Board of Directors of SuMi TRUST Bank) <span>SuMi TRUST Vision 2030</span> <span>TB Topic</span>
	Dec. ● Status of business portfolio analysis and reorganization based on the analysis <span>Management theme</span>
2022	Jul. ● Profitability analysis
	Aug./Oct. ● Discussion on planning next Midium-term Management Plan <span>Management theme</span>
	Dec. ● Direction of next Midium-term Management Plan of SuMiTRUST Group
2023	Jan. ● Direction of asset management business strategy as a group <span>Management theme</span>
	Feb. ● Management areas for value creation (Reference: Board of Directors of SuMi TRUST Bank) <span>TB Topic</span>
	Mar. ● SuMiTRUST Group Medium-term Management Plan



\*2 The external directors of SuMi TRUST Bank also participate in discussions on management themes as Board meeting observers, not for the purpose of reaching conclusions, but rather to discuss important management issues and themes from a medium- to long-term perspective freely and openly, so that their viewpoints and opinions are capitalized on for management. In addition, agenda on important management issues at the board of directors of SuMi TRUST Bank that are deliberated together with our external directors are set as “TB Topics.”

Discussion at the Board of Directors on Purpose and Sustainability

SuMi TRUST Holdings’ Board of Directors deliberates on Purpose and sustainability from a variety of aspects, including the identification of high-priority management issues (materiality) to realize the reason for existence (Purpose), the establishment of internal management systems and compensation framework to support the determination and implementation of management policies, and disclosure for dialogue with stakeholders.

Discussion at the Board of Directors on Purpose and sustainability

Year/Month	Deliberations	Year/Month	Deliberations	Perspectives for sustainability
2022	Mar. Policy on sustainability <span>Management theme</span> <span>Management policies</span>	2023 Jan.	Revision of the Human Rights Policy Joint framework of materiality management and risk management <span>Management policies</span> <span>Internal management system</span>	
	May. Penetration of Purpose <span>Purpose</span>		Feb. Management areas for value creation (Reference: Board of Directors of SuMi TRUST Bank) <span>TB Topic</span> <span>Management policies</span>	
	Jun. (Compensation Committee) Review method for reflecting ESG performance in executive remuneration <span>Compensation system</span>	Mar.	Sustainability Policy <span>Management policies</span>	
	Sep. Enhance the risk management framework of human rights <span>Internal management system</span>	Apr.	Policy for addressing climate change Integrated Report <span>Management policies</span> <span>Disclosure</span>	
	Oct. Developing climate change policies and the risk management framework <span>Management policies</span>	May.	Sustainability Report <span>Disclosure</span>	
	Nov./Dec. Review of materiality <span>Management theme</span> <span>Materiality</span>			

Improving the effectiveness of the Board of Directors

The role of a corporation is being redefined as an entity that builds prosperity under the framework of a habitable planet and a sound society. Hence, after deliberating on the future vision of the Board of Directors, our Board of Directors has confirmed that it is oriented toward a Board of Directors\*3 that fulfills its fiduciary duty to our diverse stakeholders. The diagram below is a functional exercise framework that organizes the goals for achieving the future vision of the Board of Directors and the roles, functions, systems and execution to achieve them. At SuMi TRUST Group, an effective Board of Directors is defined as “Board of Directors that strives for

sustainable improvement to realize its vision.” The Group conducts annual evaluations of the effectiveness of the Board of Directors (“Evaluation of the Board of Directors”) and other methods to verify that the ideal state is achieved, and implementation of a PDCA cycle for further enhancement.



\*3 We define this as the “the Board of Directors of stakeholderism.”

Future vision of the Board

Framework for the Board to Fulfill its Functions		Category	Future vision of the Board “the Board of Directors of stakeholderism”
	(i) Goals	(i) Goals	<ul style="list-style-type: none"><li>Realizing “Purpose”</li><li>Fair capital allocation to stakeholders (capital agenda)</li><li>Sustainability as a corporation ⇒ Gaining the trust of all stakeholders as a fiduciary</li></ul>
	(ii) Output	(ii) Output	<ul style="list-style-type: none"><li>Improving the quality of important decision-making</li><li>Important decision-making (determination of basic management policies) Purpose, materiality, value creation process / policy on establishing desirable stakeholder relationships / medium- to long-term management strategies / basic policy on internal management</li><li>Supervising execution of important business matter</li></ul>
	(iii) System	(iii) System	<ul style="list-style-type: none"><li>Organizational structure to enhance the quality of important decision-making and monitoring function</li><li>Stakeholder-oriented mindset and skills for addressing materiality</li></ul>
	(iv) Input	(iv) Input	<ul style="list-style-type: none"><li>Autonomous management</li><li>Accountability for the Board*4</li></ul> <p>*4. Accountability Status of business activities and value creation / Status of business portfolios and capital distribution / Status of internal management / Status of the establishment of desirable stakeholder relationships</p>

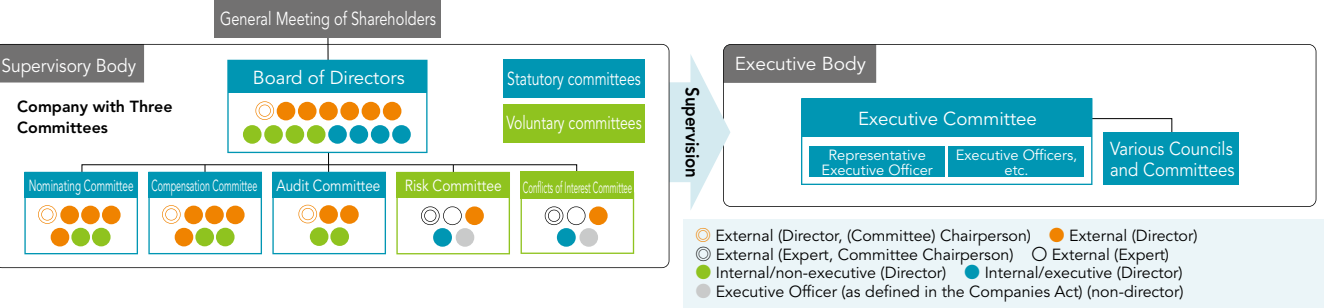
The Company is a financial group with a trust bank at its core, and as one of the largest trustees of trust assets in Japan, I feel that it conducts business of a very public nature. As Chairman of the Board of Directors, I will

continue to strive to maintain our sustainability and protect our stakeholders’ long-term interests in order to fulfill our fiduciary duties to investors and other stakeholders.



## 2 Composition and roles of the Board of Directors and Committees

■ Supervisory structure (as of June 30, 2023)



■ Overview of the Board of Directors and Committees

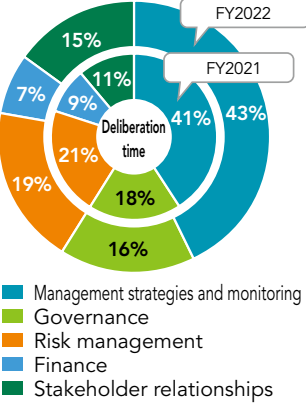
	Roles	Main matters for deliberation in FY2022 <sup>1</sup>
Board of Directors (16 times)	The Board of Directors determines the basic management policies of SuMi TRUST Group, such as medium- to long-term management strategies and a policy on internal management, and supervises the execution status. In this way and in order to earn trust as fiduciary from all stakeholders of the Group, it distributes resources appropriately to the stakeholders toward the realization of its Purpose and ensures corporate sustainability.	<ul style="list-style-type: none"><li>Penetration of Purpose, materiality management, dialogue policy with stakeholders, sustainability policy, our next Medium-Term Management Plan, improving of our Group governance framework, risk management based on our Group's characteristics, and others</li></ul>
	Authority and roles	Main matters for deliberation in FY2022 <sup>1</sup>
Nominating Committee (14 times)	The Nominating Committee makes decisions on the details of proposals concerning the appointment and dismissal of Directors for submission to the General Meeting of Shareholders, and deliberates on and responds to inquiries about the appointment and dismissal of Executive Officers, including the President, and the management team succession plans, as well as the appointment and dismissal of directors, including the president, of SuMi TRUST Bank, and the appointment and dismissal of directors of Sumitomo Mitsui Trust Asset Management.	<ul style="list-style-type: none"><li>Determination of the content of proposals for the election of directors to be submitted to the General Meeting of Shareholders, the election of directors of SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management and others</li><li>Enhancement of the succession plans and skill matrix</li></ul>
Compensation Committee (11 times)	The Compensation Committee establishes a policy for determining the details of individual compensation for directors and executive officers, and determines the amount of individual compensation for directors and executive officers in accordance with the policy. In addition, it deliberates on and responds to inquiries concerning the policy for determining the details of individual compensation of directors from the Board of Directors of SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management.	<ul style="list-style-type: none"><li>Policies for determining compensation for directors and executive officers based on a stakeholder-oriented approach, compensation amounts for each individual. Policies for determining compensation for SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management and others.</li></ul>
Audit Committee (17 times)	The Audit Committee audits the execution of duties by executive officers and directors, prepares audit reports, and determines the content of proposals regarding the election and dismissal of a financial auditor, and regarding refusal to reappoint a financial auditor to be submitted to the General Meeting of Shareholders.	<ul style="list-style-type: none"><li>Progress in the management strategies and status of the formulation of the next Medium-Term Management Plan, as well as key audit items, including the development and enhancement of the Group-wide internal management system, and control on appropriate and accurate financial reporting and disclosures</li></ul>
	Objectives and roles (Received inquiries on the following matters from the Board of Directors to review and report back on their appropriateness, etc.)	Main matters for deliberation in FY2022 <sup>1</sup>
Risk Committee (7 times)	Matters concerning the business environment surrounding SuMi TRUST Group, top risks and materiality, and those concerning the operation of its risk appetite framework, risk management, and monitoring of the effectiveness of the internal management system related to compliance management	<ul style="list-style-type: none"><li>Appropriateness of the Group's risk management system, the current status of risk management initiatives in light of the recent external environment, the development and penetration of risk culture, and others</li></ul>
Conflicts of Interest Committee (9 times)	Validity of the Group's conflict-of-interest management system, the effectiveness and enhancement of the system for conflict-of-interest management, client explanation management and customer support management, policy for FD initiatives and action plans of SuMi TRUST Group companies, and other particularly important matters concerning conflict-of-interest management and the penetration of FD at the Group	<ul style="list-style-type: none"><li>Enhancement of conflict-of-interest management in anticipation of the expansion of the Group and its business and the development of the next Medium-Term Management Plan, the best interests of clients as a trust group and the penetration and practicing FD</li></ul>

\*1 July 2022 to June 2023 \*2 Please see page 64 for the composition, etc. of each committee.

■ Main Themes for Deliberations and Topics at the Board of Directors during FY2022

Theme category	Main topics
Purpose/materiality/ value creation process	Materiality management, penetration of Purpose throughout the Group
Policy on establishing desirable stakeholder relationships	Dialogue policy with stakeholders, sustainability policy, clients' best interests, strategic shareholdings and voting rights exercise, policy on climate change and human rights, well-being/DE&I/workstyle reforms
Medium- to long-term management strategies	Group's Medium-Term Management Plan
Discipline on capital distribution	Human capital, DX strategy, capital policy (including policy for shareholder returns), equity investment policy and discipline
Basic policy on internal management	Group governance, risk management based on SuMi TRUST Group's characteristics, conduct risk management for the Group, conflict-of-interest management, fiduciary duties, cybersecurity, and business continuity resilience

■ Deliberations by the Board of Directors



### Message from an External Director



#### Hiroko Kawamoto

External Director  
Chairperson of  
the Compensation Committee

#### Discussion on strengthening human capital and branding to support the successful implementation of the new Medium-term Management Plan

Through the annual evaluation of the Board of Directors, we set the main themes for discussion, reflecting changes in the internal and external environment as well as opinions from directors, and engaged in active discussion. At the Board of Directors meeting in fiscal 2022, the main theme was the formulation of the new Medium-Term Management Plan. In order for SuMi TRUST Group, which has a wide range of diverse business areas, to foster synergies by further consolidating its business areas, I expressed my opinion concerning the new Midium-Term Management Plan at the Board of Directors meeting. I stressed that strengthening human capital, which is the foundation for diverse employees with various specialties to work together and take advantage of their strengths, and branding of the core group, which integrates the value provided by the entire group and resonates with stakeholders, will be the key to its success. Specifically, we took the opportunity to disseminate a variety of messages, including communication to foster an accurate understanding of DE&I to employees, improving employee cohesion through easy-to-understand catchphrases, and examining the need for accurate analysis of the current situation and measures based on that analysis in order to develop branding strategies. We will continue to ask ourselves what we can do to enhance SuMi TRUST Group's corporate value and encourage sustainable development.

## 3 Evaluation of the effectiveness of the Board of Directors in fiscal 2022

Every year we conduct an evaluation of the Board of Directors in an effort to enhance its effectiveness by considering and adopting measures aimed at improving issues identified in the evaluation and by implementing the PDCA cycle (please refer to the link below for the results of the evaluation of the Board of Directors in fiscal 2022 (overview)).

[https://www.smth.jp/english/about\\_us/management/governance#anc-04](https://www.smth.jp/english/about_us/management/governance#anc-04)

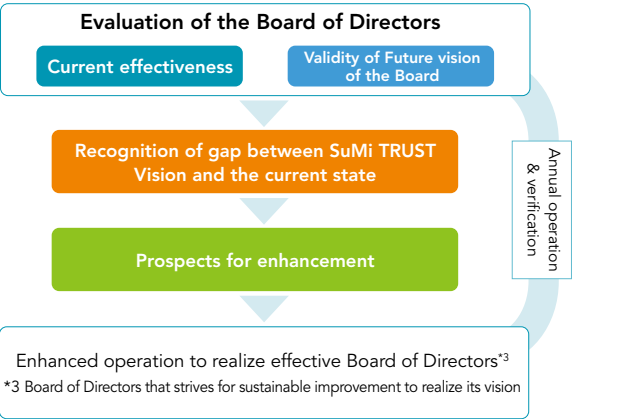
### (1) Key points for evaluation in fiscal 2022

In fiscal 2022, we confirmed the effectiveness of the current framework, where an effective Board of Directors is defined as “the Board of Directors that strives for sustainable improvement to realize its vision.” We set questions to ask about issues and areas for improvement, and based on our understanding of the current Gap (difference between current and ideal state), we charted the path for enhancement.

### (2) Results of the evaluation of the Board of Directors in fiscal 2022 (evaluation results, issues and future initiatives)

At the meeting of the Board of Directors in fiscal 2022, we confirmed improvements in effectiveness through the formulation of the Medium-Term Management Plan, internal management of the Group, enhanced discussions on policies for building desirable relationships with diverse stakeholders and other measures. The evaluation of the Board of Directors indicated that the Board and each committee are aware of their respective objectives and are endeavoring to invigorate discussions and improve their supervisory functions. As a result, we believe that an adequate degree of effectiveness is being sustained.

At the same time, we also recognized the issues that the Board of Directors and various committees need to improve and enhance in order to realize the future vision of the Board. Based on the recognition of these issues, in fiscal 2023, we will deepen discussions on the allocation of management resources based on business portfolio analysis in order to achieve steady implementation of the Medium-Term Management Plan. We will also conduct more effective deliberations on enhancing group management and accountability to stakeholders from both the offensive and defensive perspectives.



Issues that are recognized in FY2022 evaluation
(1) Discussion on business portfolios for improved profitability and growth capabilities of business strategies
(2) Organic collaboration with the subsidiaries and affiliates, and discussions to realize the Group strategy based on the collaboration
(3) Enhanced discussions in light of expectations from various stakeholders

(Reference) External Directors’ Meeting

The External Directors’ Meeting\*1 is a meeting body intended to foster trust among external directors through frank exchange of opinions and shared recognition from an independent and objective standpoint and to utilize the opinions expressed at the meeting to fulfil their roles as external directors by channeling them to the executive level as necessary. In fiscal 2022, two meetings were held to discuss topics such as the “governance framework and management of the Board of Directors,” and “organizing the roles of the holding company and the subsidiary bank and the exercise of their functions.” These discussions led to future discussions by the Board of Directors, improvements in management and other operations.

\*1 Voluntary meetings organized by external directors and not prescribed in any of internal regulations.

4 Foundation supporting the Board of Directors

(1) Basic principles regarding the composition of the Board of Directors

The Board of Directors at SuMi TRUST Holdings has appointed a sufficient number of directors considered necessary and appropriate for the Board to demonstrate an effective supervisory function as required of a financial holding company tasked with the management of SuMi TRUST Group. In determining the number of directors, due consideration is also given to ensuring diversity and expertise among directors.

In light of the importance of the role of independent external directors in corporate governance, we have established a principle that, at least one-third of the directors on the Board of Directors should be independent external directors. The Company has established and disclosed Independence Standards of Independent Directors. In principle, all statutory committees are chaired by external directors.

Message from the Chairman of the Nominating Committee



Isao Matsushita

External Director,  
Chairman of the Board of  
Directors, Chairman of the  
Nominating Committee

Current composition of the Board of Directors

Having defined SuMi TRUST Group’s reason for existence (Purpose) and identified high-priority issues (materiality), we also recognize that the mission of resolving social issues presents us with growth opportunities. This is why we have placed at the core of our management approach the notion of balanced creation of both social and economic value. For this reason, candidates for directors are selected from among those with expertise and experience (skills) that address a variety of high-priority issues (materiality).

In order to fulfill the fiduciary duty to our stakeholders, the Nominating Committee, of which I am the chairman, continuously reviews high-priority issues (materiality) and corresponding skills, taking the environment surrounding SuMi TRUST Group into consideration, and examines the appropriate composition and diversity of the Board of Directors. Through this approach, it ensures a balanced composition that can appropriately supervise a wide range of business areas in our Group and provide accurate opinions and advice.

We believe that the current structure of our Board of Directors provides a comprehensive coverage of skill and diversity.\*2

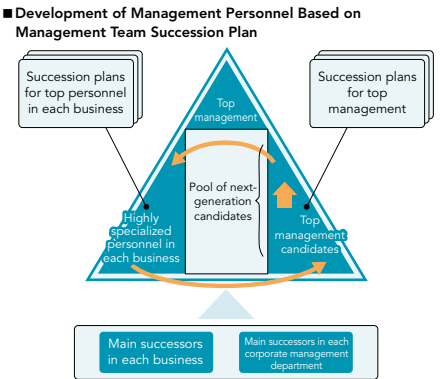
\*2 Please refer to pages 64 and 65 for the expertise and experience (skills) possessed by our directors.

(2) Succession plans

In order to achieve sustainable growth for the Group and enhance its corporate value, we have formulated succession plans for the top management of SuMi TRUST Holdings, SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management. We have also created management personnel development plans for those in charge of managing each business and those engaged in corporate management. We have defined the ideal qualities and requirements for the nominees required to serve as directors and officers, and systematically manage and cultivate a group of candidates.

Training and appointment process

The Nominating Committee selects a pool of top management candidates each year based on the proposals and opinions presented by the executive side. Based on the current and future business environment, the Nominating Committee deliberates on future development policies, assignments to be given to the candidates and other matters based on performance, achievements, evaluations, expertise and experience (skills), and reflects such matters as placement in different departments from the next fiscal year onward, giving candidates an opportunity to develop and to overcome challenges. We also continue to track the status of development. While continuing this cycle, when the Company actually appoints new top management members, the Nominating Committee will deliberate on the candidates’ performance, achievements, evaluations, expertise and experience (skills), in a multifaceted manner, with a focus on candidates who have been trained during the cycle, and will ultimately report to the Board of Directors. The progress of succession plans and development plans are periodically reported to the Board of Directors.



(3) Compensation system for directors and executive officers

Executive compensation is intended to function effectively as an incentive for the improvement of corporate performance and enhancement of enterprise value. Rather than focusing on a single-year performance evaluation in which short-term revenue contributions are emphasized, we are building a compensation system with a balance of near-term incentives and medium- to long-term incentives.

In principle, the compensation structure is a combination of monthly compensation (comprising of fixed compensation and individual performance compensation), bonuses for directors and executive officers (performance-linked bonuses) and stock-based remuneration (share delivery trust).

With respect to executive bonuses (performance-linked bonuses) and stock-based remuneration (share delivery trust), the

Company has introduced a system whereby each item listed in the table below is set as an indicator (KPI) and reflected in the compensation amount. In fiscal 2022, we changed the rating system for stock-based compensation to better reflect ESG-related contributions. Specifically, the ratio of “Short-term Performance: Medium-term Performance: ESG Overall Rating = 1:1:1” is reflected in the performance evaluation of stock compensation. ESG assessment categories have been reviewed in light of materiality and now is comprised of the following five categories: climate change, fiduciary duties (FD) & client satisfaction (CS), employee engagement, DE&I (empowerment of women), and assessments obtained from ESG assessment organizations. The results are evaluated from both quantitative and qualitative perspectives and reflected in executive compensation.

■ Indicators (KPIs) Concerning Performance-Linked Compensation

Types of performance-linked compensation	Indicators (KPIs) for performance-linked compensation	Near-term / medium-term	Target*3	Actual*3	Evaluation Weight	Calculation method
--	---	-------------------------	----------	----------	-------------------	--------------------

Bonus for directors and executive officers

performance-linked bonuses	(i) Consolidated net business profit	Linked to near-term earnings	310 bn yen	324.6 bn yen	66.7%	Calculated based on a weighted average with a 2:1 weighting on the achievement rates for (i) and (ii), respectively
	(ii) Consolidated net profit attributable to owners of the parent		190 bn yen	191 bn yen	33.3%	

Stock Compensation\*4

share delivery trust	(i) Consolidated net business profit	Linked to near-term earnings	310 bn yen	324.6 bn yen	33.3%	22.2%	Achievement rate vs. target
	(ii) Consolidated net profit attributable to owners of the parent		190 bn yen	191 bn yen		11.1%	
	(iii) Consolidated shareholders' equity and ROE	Linked to medium-term financial metrics	Around 7%	6.93%	33.3%	11.1%	Assessment score calculated based on qualitative assessment of progress on achieving Medium-Term Management Plan targets
	(iv) Consolidated CET1 ratio (common equity tier 1 capital ratio)*5		Lower 10% range	9.5%		11.1%	
	(v) Consolidated overhead ratio (OHR)		Lower 60% range	60.1%		11.1%	
	(vi) ESG overall assessment (categories: climate change, FD & CS, employee engagement, DE&I (empowerment of women, etc.), ESG assessment organizations*6)	Linked to ESG	-	-	33.3%	33.3%	Assessment score calculated based on overall assessment comprising both quantitative and qualitative evaluations of activities in each assessment category









\*3 (i) and (ii) are fiscal 2022 actual results versus fiscal 2022 forecasts. (iii) through (v) are fiscal 2022 results versus fiscal 2022 targets established under the Medium-Term Management Plan.  
\*4 Compensation with the use of a trust scheme. Points are awarded every fiscal year based on the achievement rates for the KPIs above and delivered in the form of shares upon retirement. Malus (reduction/cancellation before delivery of shares) and clawback (recovery after delivery of shares) provisions apply.  
\*5 Finalized Basel III base \*6 “ESG assessment organizations” are MSCI, FTSE and Sustainalytics.



Our Directors and Executive Officers and composition of the Board of Directors of our Group's core subsidiaries

1 Our Directors and Executive Officers

Directors (internal)

1 Our Directors and Executive Officers			Area of expertise (skills)									
Directors (internal)			Corporate management	Financial and accounting	Legal affairs, risk management and compliance	Trust, investment and asset administration	Digital, IT and technology	Sustainability			*1 Internationality	
			Environment	Society	DE&I							
	Director, President (Representative Executive Officer)	Toru Takakura	Toru Takakura had served as Senior Managing Executive Officer in charge of overseeing corporate management departments of SuMi TRUST Holdings, and assumed office as Director and President in June 2021. Also at Sumitomo Mitsui Trust Bank, Limited, he served as an officer in charge of Fiduciary Services Business, in addition to having been in charge of corporate management departments. Therefore, he has extensive knowledge and experience regarding the corporate management and business operations of SuMi TRUST Group.									
	Director, Deputy President (Representative Executive Officer)	Atsushi Kaibara	Atsushi Kaibara assumed office as Deputy President and Executive Officer of SuMi TRUST Holdings in April 2023, and as Deputy President, Director and Executive Officer in June 2023. He had also served as an officer in charge of Stock Transfer Agency Business and Real Estate Business of Sumitomo Mitsui Trust Bank, Limited. Therefore, he has extensive knowledge and experience regarding the corporate management and business operations of SuMi TRUST Group.									
	Director, Senior Managing Executive Officer <a href="#">Risk Committee Member</a> <a href="#">Conflicts of Interest Committee Member</a>	Yasuyuki Suzuki	Yasuyuki Suzuki served as General Manager of Retail Business of Sumitomo Mitsui Trust Bank, Limited and General Manager of Compliance Department of SuMi TRUST Holdings and Sumitomo Mitsui Trust Bank, Limited as well as in other capacity in the past. He has been serving as Senior Managing Executive Officer of SuMi TRUST Holdings since April 2023, in charge of Risk Management Department. Therefore, he has extensive knowledge and experience regarding the corporate management and business operations of SuMi TRUST Group.									
	Director, Executive Officer	Kazuya Oyama	Kazuya Oyama has been responsible for the planning and promotion of the Group's management strategies since he took office as Managing Executive Officer, General Manager of Corporate Planning Department of SuMi TRUST Holdings in April 2017. He assumed office as President of Sumitomo Mitsui Trust Bank, Limited in April 2021, and has been responsible for overall management of the company. He has also been serving as Director and Executive Officer at SuMi TRUST Holdings since June 2021.									
	Chairman <a href="#">Nominating Committee Member</a> <a href="#">Compensation Committee Member</a>	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 supervised overall group management as Director and President from June 2017 to March 2021. He has assumed office as Chairman since April 2021.									
	Director <a href="#">Nominating Committee Member</a> <a href="#">Compensation Committee Member</a>	Masaru Hashimoto	Masaru Hashimoto had been in charge of corporate management departments of SuMi TRUST Holdings. From June 2017 to March 2021, he served as Director and Executive Officer in a position of assisting the Group's overall management. At Sumitomo Mitsui Trust Bank, Limited, he was responsible for overall management from April 2017 to March 2021 as President. He has been serving as Chairman since April 2021.									
	Director <a href="#">Audit Committee Member</a>	Kouji Tanaka	Kouji Tanaka had served as General Manager of Real Estate Business and General Manager of domestic branches of Sumitomo Mitsui Trust Bank, Limited. He then served as Managing Executive Officer of the said company, in charge of Internal Audit Department. Therefore, he has extensive knowledge and experience regarding the corporate management and business operations of SuMi TRUST Group.									
	Director <a href="#">Audit Committee Member</a>	Toshiaki Nakano	Toshiaki Nakano served as General Manager of Compliance Department of SuMi TRUST Holdings and Sumitomo Mitsui Trust Bank, Limited, as well as in other capacities in the past. He has been serving as Executive Officer of SuMi TRUST Holdings since April 2017 and as Managing Executive Officer of SuMi TRUST Holdings since April 2021. Therefore, he has extensive knowledge and experience regarding the corporate management and business operations of SuMi TRUST Group.									

■ Members of Each Committee (👤 External Director (Committee Chairperson) 🟡 External Director 🕒 External Expert (Committee Chairperson) ⬜ External Expert 🟢 Internal/non-executive Director  
🟢 Internal/executive Director 🟡 Executive Officer (as defined in the Companies Act)/Executive Officer (as defined in our internal policy) (non-Director) ⬜ Female

Career summary, etc.			Nominating	Compensation	Audit	Risk	Managing Conflicts of Interest
External	Director	Isao Matsushita	Former President, ENEOS Holdings				
		Hiroko Kawamoto	Former Executive Vice President, All Nippon Airways				
		Mitsuhiro Aso	Former Superintending Prosecutor, Fukuoka High Public Prosecutors Office				
		Nobuaki Katoh	Former President, Denso				
		Kaoru Kashima	Former Managing Director, ShinNihon LLC				
	Experts	Tomonori Ito	Professor at Institute for Business and Finance, Waseda University				
		Hajime Watanabe	Former President, Development Bank of Japan				
		Hideki Kanda*2	Professor, Law School at Gakushuin University; Emeritus Professor, The University of Tokyo				
		Kenji Fujii	Former Managing Executive Officer, Mizuho Securities; Former Managing Executive Officer, Mizuho Financial Group				
		Hanuyuki Toyama	Former Director-General of the International Bureau, the Bank of Japan				
Internal		Akiko Hosokawa	Partner, Baker & McKenzie				
		Tetsuo Ohkubo	Chairman				
		Masaru Hashimoto	Director				
		Kouji Tanaka	Director (Audit Committee Member)				
		Toshiaki Nakano	Director (Audit Committee Member)				
		Yasuyuki Suzuki	Director, Senior Managing Executive Officer				
		Yuki Takada	Managing Executive Officer				

\*2 Mr. Hideki Kanda is an external director of Sumitomo Mitsui Trust Bank, Limited.

Executive Officers

Managing Executive Officer, Executive Officer  
Manatomo Yoneyama

Managing Executive Officer  
Masakatsu Sato

Managing Executive Officer  
Kazuteru Wakao

Managing Executive Officer  
Atsushi Matsumoto

Managing Executive Officer  
Takumi Fujisawa

Managing Executive Officer  
Yuki Takada

Aiming to be a  
value creating company








Enhance Corporate Value  
and Management Base

Messages from  
subsidiary management

Business Strategy

Financial information  
Corporate information

Directors (external)

Directors (external)			Area of expertise (skills)										*1 Internationality
			Corporate management	Financial and accounting	Legal affairs, risk management and compliance	Trust, investment and asset administration	Digital, IT and technology	Sustainability					
			Environment		Society		DE&I						
	Director (external) <a href="#">Nominating Committee Member</a> <a href="#">Compensation Committee Member</a>	Mr. Isao Matsushita has extensive experience in general corporate management as former Representative Director and President of JX Holdings, Inc. (currently ENEOS Holdings, Inc.), Japan's leading integrated energy, resources and material enterprise group. (He has been serving as external Director, chairman of the Board of Directors and chairman of the Nominating Committee at SuMi TRUST Holdings since June 2017)	●	●					●	●		●	
	Director (external) <a href="#">Nominating Committee Member</a> <a href="#">Compensation Committee Member</a>	Ms. Hiroko Kawamoto served as Executive Vice President and Member of the Board of All Nippon Airways Co., Ltd. from April 2016. She was responsible for the overall management of the company and promotion of women's active participation. Therefore, she has extensive knowledge and experience regarding corporate management and diversity. (She served as external director at Sumitomo Mitsui Trust Bank, Limited for one year from June 2016, and has been serving as external Director at SuMi TRUST Holdings since June 2017)	●		●						●		
	Director (external) <a href="#">Nominating Committee Member</a> <a href="#">Compensation Committee Member</a> <a href="#">Chairperson of the Audit Committee</a>	Mr. Mitsuhiro Aso has served as Superintending Prosecutor of Fukuoka High Public Prosecutors Office and Interlocking Professor at Hosei University Law School. Therefore, he is a legal expert with experience in organization management. (He served as external auditor at Sumitomo Mitsui Trust Bank, Limited for three years from June 2016, and has been serving as external Director at SuMi TRUST Holdings since June 2019)			●				●			●	
	Director (external) <a href="#">Nominating Committee Member</a> <a href="#">Compensation Committee Member</a> <a href="#">Conflicts of Interest Committee Member</a>	Mr. Nobuaki Katoh has extensive experience in general corporate management as former President & CEO of DENSO CORPORATION, global auto parts manufacturer. He also has experience in overseas general corporate management as former President & CEO of DENSO INTERNATIONAL EUROPE B.V. (He has been serving as external Director at SuMi TRUST Holdings since June 2021)	●				●	●	●			●	
	Director (external) <a href="#">Audit Committee Member</a> <a href="#">Risk Committee Member</a>	Ms. Kaoru Kashima had been a member of a major audit firm for many years and in charge of operating companies as a certified public accountant, and thus has extensive knowledge and experience in financial accounting. She has also been engaged in management, human resources, corporate culture, public relations and the promotion of active participation of women as a managing director of an audit firm and a corporate manager. (She served as external director (Audit and Supervisory Committee member) at Sumitomo Mitsui Trust Bank, Limited for two years from June 2019. She has also been serving as external Director of SuMi TRUST Holdings since June 2021)	●	●	●						●		
	Director (external) <a href="#">Audit Committee Member</a>	After working at financial institutions in Japan and overseas, Tomonori Ito served as a professor at School of International Corporate Strategy, Hitotsubashi University and a professor at Institute for Business and Finance, Waseda University. Accordingly, he has extensive knowledge and experience with thorough familiarity in corporate strategy and global financial business.						●				●	
	Director (external) <a href="#">Nominating Committee Member</a> <a href="#">Compensation Committee Member</a>	Mr. Hajime Watanabe has extensive experience regarding overall bank management and policy-based finance as former President of Development Bank of Japan Inc., and has extensive knowledge regarding domestic and foreign financial and economic circumstances.	●	●	●	●		●	●			●	

\*1 Judged based on whether or not the person has overseas work experience, etc. Internal Directors have experience in global business development related to SuMi TRUST Holdings' business operations such as trust.  
\*3 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.

Skills required of Directors

With Purpose and fiduciary as the starting points, the new Medium-Term Management Plan identifies high-priority issues (materiality) such as “the age of 100-year life,” “ESG/sustainable management,” “regional ecosystems and the global investment chain” and “Digital Transformation strategy (Trust x DX)” for a virtuous circulation of funds, assets and capital to engage in value creating businesses. From the viewpoint of enabling effective supervision by the Board of Directors, it identifies skills that help to address materiality after discussion by the Nominating Committee. Please refer to the below link for the reasons for selecting individual skills.

Our Convocation Notice of Ordinary General Meeting of Shareholders for the Twelfth Fiscal Period  
<https://www.smoth.jp/english/-/media/th/english/stock/meeting/E230525-1.pdf>

Managing Executive Officer  
Riro Sato

Executive Officer  
Miyo Yajima

Managing Executive Officer  
Masayuki Okamoto

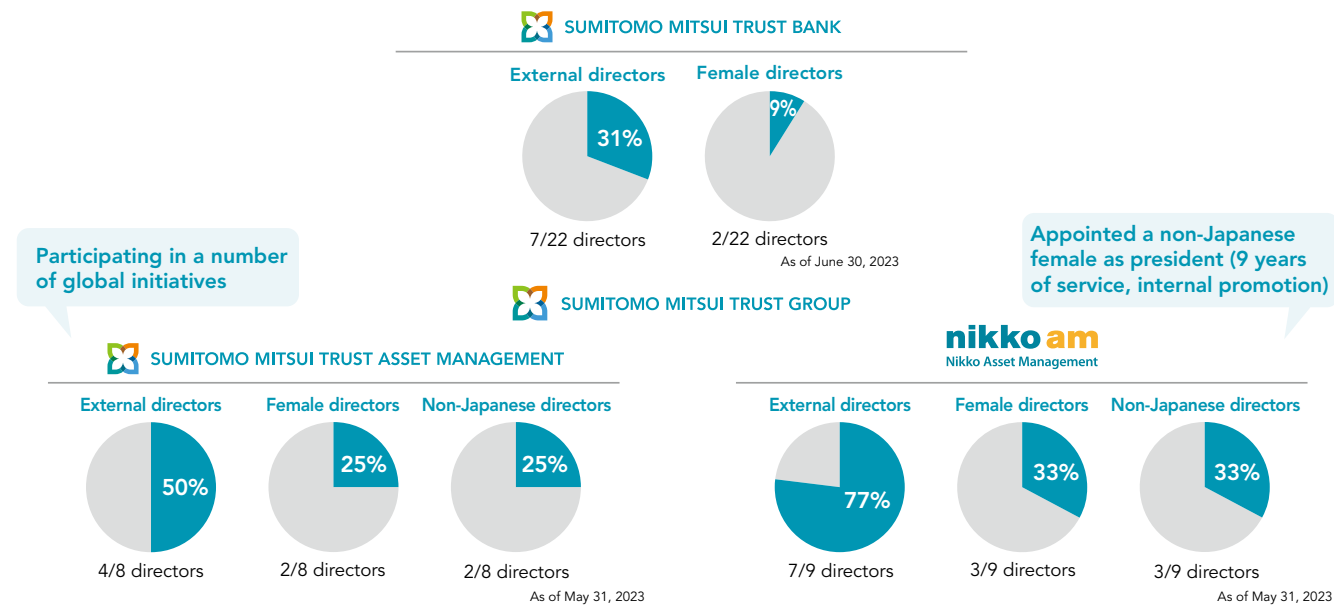
Executive Officer, Executive Officer  
Masaya Yamashiro

## 2 Composition of the Board of Directors of our Group's core subsidiaries

Our Group engages in financial business globally and offers highly specialized financial products and services such as trust, asset management and asset administration through the active participation of a diverse range of employees. Therefore, we strive to ensure that the boards of directors of our Group's core subsidiaries are well-balanced with directors

who have broad-ranging experience and knowledge in various fields including corporate management, financial and asset management operations and international experience, and also incorporate diverse perspectives through the participation of female and foreign directors, so that the boards fulfill their functions appropriately.

### ■ Diversity in the Boards of Directors at major core subsidiaries



■ SuMi TRUST Bank (SuMiTB) (Company with Audit and Supervisory Committee) 22 Directors (as of June 30, 2023)

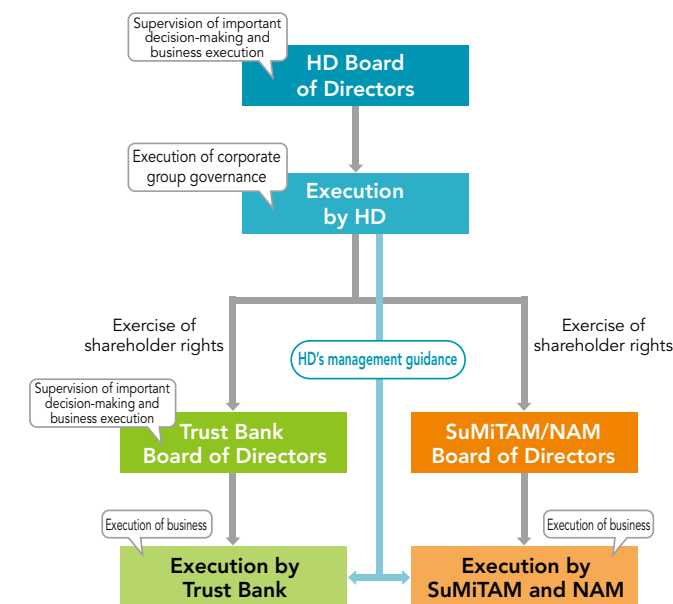
Name	Position	Career summary, etc. (For internal directors of SuMiTB, their positions at SuMiHD are shown)	Remarks (Committees participating as member, etc.)
Masaru Hashimoto	Chairman (Chairman of the Board of Directors)	Director, SuMiHD	Nominating Committee Member, SuMiHD; Compensation Committee Member, SuMiHD
Kazuya Oyama	President (Representative Director)	Director and Executive Officer, SuMiHD	
Seiji Iwakuma	Director, Deputy President (Representative Director)	-	
Shigeki Tanaka	Director, Deputy President (Representative Director)	Executive Officer, SuMiHD	Head of Corporate Business
Nobuaki Yamaguchi	Director, Deputy President (Representative Director)	Executive Officer, SuMiHD	Head of Retail Business
Futoshi Itani	Director, Senior Managing Executive Officer	Executive Officer, SuMiHD	Head of Investor Services Business
Yasuyuki Suzuki	Director, Senior Managing Executive Officer	Director and Senior Managing Executive Officer, SuMiHD	Risk Committee Member, SuMiHD; Conflicts of Interest Committee Member, SuMiHD
Manatomo Yoneyama	Director, Managing Executive Officer	Managing Executive Officer and Executive Officer, SuMiHD	Head of Asset Administration Business
Atsushi Matsumoto	Director, Managing Executive Officer	Managing Executive Officer, SuMiHD	
Masakatsu Sato	Director, Managing Executive Officer	Managing Executive Officer, SuMiHD	
Riro Sato	Director, Managing Executive Officer	Managing Executive Officer, SuMiHD	
Tetsuo Ohkubo	Director	Chairman, SuMiHD	Nominating Committee Member, SuMiHD; Compensation Committee Member, SuMiHD
Toru Takakura	Director	Director and President (Representative Executive Officer), SuMiHD	
Hideki Kanda	Director (external)	Professor, Law School at Gakushuin University; Emeritus Professor, The University of Tokyo	Chairperson of the Conflicts of Interest Committee, SuMiHD
Michiko Achilles	Director (external)	Co-chair, G20 EMPOWER Japan; Chairperson, the Liaison Conference for the Promotion of Gender Equality, Cabinet Office; Former Senior Advisor, HR Strategy, SAP Japan	
Kazumi Torii	Director (external)	Senior Advisor, SMBC Nikko Securities; Former President, Norinchukin Trust & Banking Co., Ltd.	
Naoaki Mashita	Director (external)	Chairman & Group CEO, V-cube, Inc.; Vice Chairman and Executive Director, the Japan Association of Corporate Executives	
Tsutomu Kurai	Director	-	Audit and Supervisory Committee Member
Shigenori Ikemura	Director	-	Audit and Supervisory Committee Member
Junko Sasaki	Director (external)	President, Nagaoka Institute of Design; Former Executive Officer, Microsoft Japan; Former President and Executive Officer, Sartorius Japan	Audit and Supervisory Committee Member
Hidefumi Date	Director (external)	Former CFO, Mitsubishi Chemical Holdings Corporation (current Mitsubishi Chemical Group Corporation)	Chairperson, Audit and Supervisory Committee
Kazuo Sakakibara	Director (external)	Advisor, Anderson Mori & Tomotsune (general partnership); Former Superintending Prosecutor, Osaka High Public Prosecutors Office	Audit and Supervisory Committee Member

(Reference) Initiatives to ensure Boards of Directors of our Group's core subsidiaries fulfill their functions

In order to enhance the effectiveness of the supervisory body as a whole, our Group has developed a framework to ensure that the boards of directors of the subsidiaries fulfill their functions in group governance. More specifically, our Group's core subsidiaries, such as Sumitomo Mitsui TRUST Bank, Sumitomo Mitsui Trust Asset Management (SuMiTAM),

and Nikko Asset Management (NAM), which have internal management in place and are managed autonomously, are expected to have their boards of directors fulfill their supervisory functions autonomously. We ensure the effectiveness of those supervisory bodies by evaluating their operations as monitoring boards.


### ■ Functioning of the Boards of Directors of the subsidiaries in group governance



## Functions and roles of the Holdings Board of Directors

- HD Board of Directors mainly deliberates on the Purpose, policy for appropriate capital distribution to stakeholders, and basic group management policies (including management strategies and the basic policy on internal control) that enable the sustainability of such value creation, of SuMi TRUST Group.
- Responsible for corporate governance of the entire corporate group as the apex of the group governance structure, and appropriately designs and supervises the roles and functions of the subsidiaries.

## Classification of governance functions and management policies of the subsidiaries and affiliates

Impact on the Group	Important companies with significant impact on the Group management	
Management autonomy and internal control autonomy	Companies that have internal management in place and are managed autonomously	Less autonomous Need for parent support Low  High
Group management function perspective	Management strategies Status of control by the supervisory body	Management strategies Providing guidance on high risk areas
[Illustration of functioning of the boards of directors of the subsidiaries and affiliated companies based on the above]		
Supervision type	Expectation for the role for autonomous supervision	Certain dependence on control by parent
Functions of the boards of directors of the subsidiaries and affiliates	Monitoring board (autonomous control framework)	Conventional board (control including parent support)
HD's supervisory perspective	Management strategies and execution status Internal management status Evaluation of operation of the supervisory body	Management strategies and execution status Internal control status Evaluation of control by parent company
Examples of relevant companies	SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management and Nikko Asset Management	...

■ Sumitomo Mitsui Trust Asset Management (SuMiTAM) (Company with Audit and Supervisory Committee) 8 Directors (as of May 31, 2023)

Name	Position	Career summary, etc.	Experience in asset management operations	Committees participating as member, etc.
David Semaya	Executive Chairman and Representative Director (Chairman of the Board)	Former President and CEO, Barclays Global Investors Japan; Former Chairperson of the Board of Directors, Nikko Asset Management	24 years	-
Yoshio Hishida	President and Representative Director	Executive Officer, SuMHD	35 years	HR and Compensation Committee
Jiro Araumi	Director	Former Director, Executive Officer and Deputy President (Representative Executive Officer), SuMHD	25 years	-
Keisuke Suzuki	Director	Former General Manager of General Planning Dept. and Compliance Dept., SuMITAM; Former Head of Market Business Development Unit, SuMiTB	9 years	Audit and Supervisory Committee Member
Mitsuaki Iwase	Directors (external)	Former bureau head of National Police Agency; Former adviser to Toyota Motor Corporation	-	Chairperson of the Audit and Supervisory Committee; FD Advisory Committee; HR and Compensation Committee
Yasuhiro Yonezawa	Directors (external)	Emeritus Professor, Waseda University; Former Professor, Graduate School of Business and Finance, Waseda University	-	Audit and Supervisory Committee Member; Chairperson of the SS Activities Advisory Committee; Chairperson of the HR and Compensation Committee
Mami Sasaki	Directors (external)	Former Managing Director, Morgan Stanley Securities; Former Managing Director, Credit Suisse First Boston Securities	-	Audit and Supervisory Committee Member; Chairperson of the FD Advisory Committee; HR and Compensation Committee
Royanne Doi	Directors (external)	Former VP/General Counsel (Tokyo), State Street Bank & Trust Company; Former Chief Legal Officer, Prudential Financial Inc. of Japan	4 years	-

\*1 SS Activities Advisory Committee is an abbreviation of the Stewardship Activities Advisory Committee

■ Nikko Asset Management (NAM) (Company with Audit and Supervisory Committee) 9 Directors (as of May 31, 2023)

Name	Position	Career summary, etc.	Experience in asset management operations	Committees participating as member, etc.
Yutaka Nishida	Chairman and Representative Director	Former Senior Managing Executive Officer, SuMiHD	16 years	Compensation Committee, Nomination Committee
Stefanie Drews	President and Representative Director	Former Managing Director and Investment Advisor, Private Wealth Management, Morgan Stanley	18 years	Compensation Committee, Nomination Committee
Yoichiro Iwama	Director (external) (Chairman of the Board of Directors)	Former Representative Director, Tokio Marine Asset Management	51 years	Compensation Committee, Nomination Committee (Chairman)
N. Parker Simes	Director (external)	Former Chairman, Capital International	13 years	Compensation Committee (Chairman), Nomination Committee
Mari Yamauchi	Director (external)	Former Managing Director, UBS Securities	4 years	Compensation Committee, Nomination Committee
Richard Wohanka	Director (external)	Former CEO, Fortis Investment Management	25 years	Compensation Committee, Nomination Committee
Natsuhiko Okumura	Director (external)	Former General Manager, Asset Management Business Planning Department, SuMiHD	19 years	Chairperson, Audit and Supervisory Committee
Shinya Tago	Director (external)	Attorneys and Counsellors at Law (Partner), Iwata Godo	-	Audit and Supervisory Committee (Chairman)
Mihoko Sogabe	Director (external)	Former Senior Manager, ASAHI LLC (Current KPMG AZSA LLC)	-	Audit and Supervisory Committee Member

\*2 Experience in asset management operations refers to business experience at asset managers (including asset management departments at trust banks, etc.) for both companies (The number of years of serving as director (external), etc., is not included for both companies)



# Risk management

## 1 Basic policy on risk management

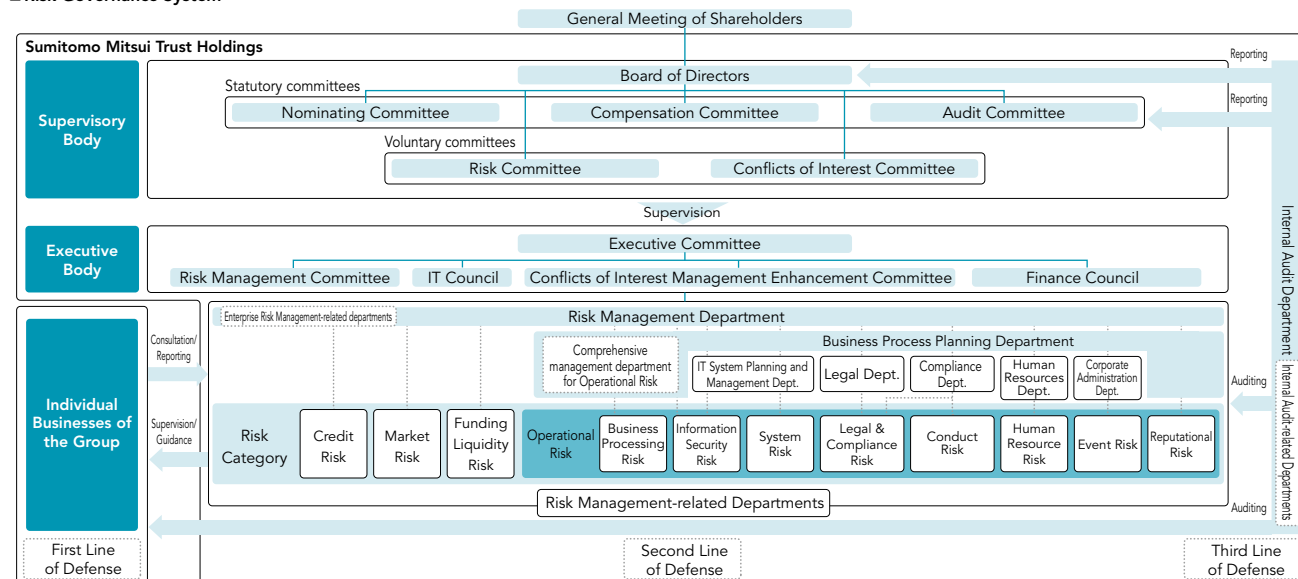
SuMi TRUST Group follows a basic policy of accurately assessing risk conditions and implementing necessary measures through a series of risk management activities, including risk identification, evaluation, monitoring, control and mitigation, based on the Group's management policy and basic policy on the internal control system. Our Group's risk management framework encompasses the Risk Appetite Framework and is linked to functions organically within the Group.

## 2 Risk management system

### (1) 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 Group 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 Internal Audit Department (third line of defense).

#### ■ Risk Governance System



#### (i) 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 Group business takes risks within the scope of its risk appetite in accordance with its risk-taking policy, evaluates risks and swiftly implements risk control at the on-site level when risks that are outside of its risk appetite materialize. In addition, the status of risk management is reported to the second line of defense in a timely manner.

#### (ii) Second line of defense

In accordance with the Group-wide basic policy on risk management approved by the Board of Directors, as control departments responsible for the management of each risk category, the Risk Management Department and risk management-related departments perform a check and balance function for the risk taking of the first line of

defense, and supervise and provide guidance regarding the risk governance system from an independent standpoint.

The Risk Management Department, as an enterprise risk management department identifies and evaluates group-wide risks, creates a risk management process and sets risk limits. In addition, it formulates group-wide recovery strategies, in advance, to prepare for cases when risks materialize. Furthermore, it shares information with risk management-related departments appropriately, monitors the overall status of risks and risk management in an integrated manner and reports the status to the Executive Committee and the Board of Directors.

#### (iii) Third line of defense

The Internal Audit Department audits the effectiveness and appropriateness of the group-wide risk governance system and processes from a standpoint independent of the first and second lines of defense.

#### (iv) 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.

#### (v) 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 that reflects these strategic goals based on a solid understanding of where and what risks exist, 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 recognition of the environment surrounding the Group and the effectiveness of its risk management 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 conflicts 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.

### (2) 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.

#### (i) 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 size and characteristics of the identified risks. Among those risks, risks that are particularly important are managed as material risks.

#### (ii) Risk evaluation

The risks identified as requiring management undergo analysis, evaluation, and measurement in a manner appropriate for the scale, characteristics, and risk profiles of each of the Group's businesses. Among those risks, we periodically evaluate material risks in terms of the frequency of occurrence, degree of impact and severity to determine

whether they can be classified as "top risks" (risks that require management attention due to their potential to have a material impact on the Group's business capabilities and earnings targets within one year) or "emerging risks" (risks that could have a material impact in the medium to long term; i.e., after one year).

#### (iii) Risk monitoring

After setting KRIs<sup>\*1</sup> and other indicators, risk conditions are monitored with appropriate frequency, given the conditions of the Group's internal environment (risk profiles and allocated capital usage status) and external environment (the economy and markets). Recommendations, guidance and advice are given to each of the Group's businesses based on the risk conditions.

Monitoring results are reported and submitted for proposal to the Board of Directors, the Executive Committee and other bodies regularly or as needed.

<sup>\*1</sup> KRI = Key Risk Indicator

#### Risk predictor management for top risks

We select top risks, emerging risks, and others, based on the features of the business model and risk characteristics of the Group. We set risk appetite indicators for risks resulting from internal factors and early warning indicators for risks resulting from external factors for monitoring purpose.

#### ■ Main top risks and emerging risks

- Risks related to falling prices for strategic shareholdings
- Risks related to concentration of credit in major obligors in the credit portfolio
- Risks related to cyber-attacks
- Risks related to climate change<sup>\*2</sup>
- Risks related to the manifestation of geopolitical risk (e.g., the Ukraine crisis)
- Risks related to innovation
- Risks related to Japan's declining birthrate and aging population

<sup>\*2</sup> For more information on the Group's initiatives to address climate change-related risks, please refer to "Climate change response" (on p.34) in this report and the TCFD Report (published in December 2022).

#### (iv) Risk control and mitigation

If any events that could have a significant impact on the soundness of management occur, such as risk amounts exceeding the acceptable range of risk appetite or 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 according to the severity of the risk.

### 3 Risk appetite

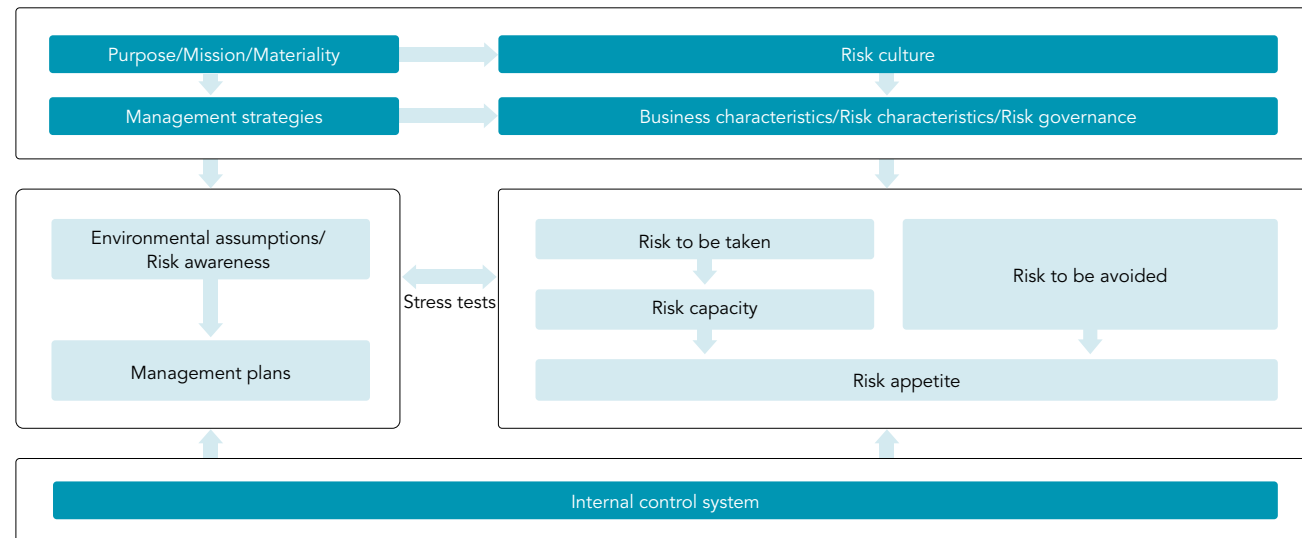
#### (1) Outline of the Risk Appetite Framework

The Risk Appetite Framework is a group-wide corporate management framework consisting of the process for determining risk appetite within the Group's risk capacity, together with an internal control system that monitors the process and ensures its appropriateness and sufficiency, in order to achieve management strategies formulated based on the Group's Purpose, Mission (management principles), materiality and others.

With the primary objective of balancing improvement in profitability with enhancement of risk management, our

Group's Risk Appetite Framework establishes communication processes through the setting, propagation, and monitoring of risk appetite and promotes the improvement of transparency in the decision-making process, the optimization of the allocation of management resources, and the strengthening of the monitoring system for risk-taking overall. Through the above, the Group is promoting the enhancement of risk governance, which forms a part of corporate governance, with the aim to achieve sound and sustainable development through the value creation process by implementing and enhancing the Risk Appetite Framework.

#### ■ Outline of the Risk Appetite Framework



#### (2) Risk appetite operation

##### (i) Determining risk appetite target

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

Under the Group's Risk Appetite Framework, the Board of Directors establishes a risk-taking policy, based on Purpose and others, and sets risk appetite indicators taking the results of stress tests into account. In addition, the Executive Committee sets a detailed risk-taking policy and risk appetite indicators for each business type within the scope of the policy set by the Board of Directors.

The Group maintains the Risk Appetite Statement to clarify the overall picture, policy, and indicators of the Risk Appetite Framework.

The risk-taking policy and risk appetite indicators are determined in a manner consistent with the management plan, and are reviewed at least once a year or when necessary.

##### (ii) Risk appetite monitoring

Our Group sets risk appetite indicators from the three perspectives of return, risk, and cost, and regularly monitors and verifies that risk taking is conducted appropriately. In addition, we set risk appetite indicators for each materiality to monitor actions to address material issues in order to ensure that the value creation process is functioning appropriately, and that financial and non-financial capital are circulating.

If the risk appetite indicators deviate from the set levels, the Group analyzes the cause and implements countermeasures or reconsiders the levels of risk taking.

### 4 Fostering and instilling a risk culture

Our 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 execute risk taking, risk management and risk control based on an appropriate assessment of risks, guided by a high degree of self-discipline based on a fiduciary spirit.

We define risk-taking policies for each Group business when

formulating its management plan, and encourage appropriate risk-taking by all directors, officers and employees. In this way, the Group aims to build sustainable business models that contribute to enhancing corporate value and stakeholder value, and strives to get risk culture understood and embraced through e-Learning and discussion-based training to foster risk culture and get it rooted across the Group.

### 5 Risk characteristics

Based on a fiduciary spirit, and leveraging its significant expertise and comprehensive capabilities, the Group, as a trust group, strives to create distinct value through a total solution business model that combines its banking, asset management and asset administration, real estate businesses and others.

Each of the Group's businesses faces various risks, including credit risk, market risk, funding liquidity risk and operational risk, depending on its business characteristics.

In this context, as a basis for improving management of risks related to trust business operations, we have established the Group-wide Trust Business Guidelines to provide information

about basic matters that warrant caution. SuMi TRUST Bank primarily manages these risks 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.

With regards to conduct risk as well, SuMi TRUST Bank, which is the core of the Group, periodically assesses the status of major risks and strives to promote and foster awareness among directors, officers and employees through internal training, thereby reducing and managing risks and preventing them from materializing.

### 6 Enterprise risk management

#### (1) Enterprise risk management system

We manage risks by comprehensively ascertaining the risks faced by the Group, which are evaluated on an individual risk category basis, and comparing and contrasting them against our corporate strength, i.e., capital adequacy (enterprise risk management).

We evaluate the effectiveness of our risk management and risk control annually, and when a need arises due to changes in the business environment or other circumstances, we will consider revisions to our risk category system, risk management system and other policies.

Among the risks we manage through our enterprise risk management, we aggregate risks that can be quantitatively measured using a single yardstick, such as VaR\*, and compare the aggregated risk value against our corporate strength, i.e., capital adequacy, thereby managing risks (integrated risk management).

\*VaR = Value at Risk

#### (2) Capital allocation operations

For the purpose of the Group's capital allocation operations, SuMi TRUST Holdings allocates capital to each Group

business for 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 assessment of capital adequacy level.

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 Group business is operated within both the allocated amount of capital and the risk appetite. The Risk Management Department measures risk amounts on a monthly basis, and reports regularly on the risk status, compared to the 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.



## 7 Crisis management

Our Group strives to develop systems to swiftly and appropriately implement measures in the event of disasters, large-scale 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.

In the event of a crisis, an emergency response headquarters led by the President will be established to ensure the safety of our clients, directors, officers, employees and their families as a top priority. Further, we have BCPs (business continuity plans) in place to continue to provide services in the event of a crisis. In order to ensure

the effectiveness of our BCPs, we periodically conduct exercises and revise their content. In particular, we have been working to develop and enhance alternative systems, such as backup offices and backup systems, to prepare for large-scale disasters.

In order to prepare for the outbreak and spread of new infectious diseases, we are striving to prevent the spread of infection and maintain our functions as a social infrastructure by using our experience in dealing with the COVID-19 pandemic such as further enhancing and utilizing the teleworking environments.

## 8 New product and service examination system and post-introduction management system

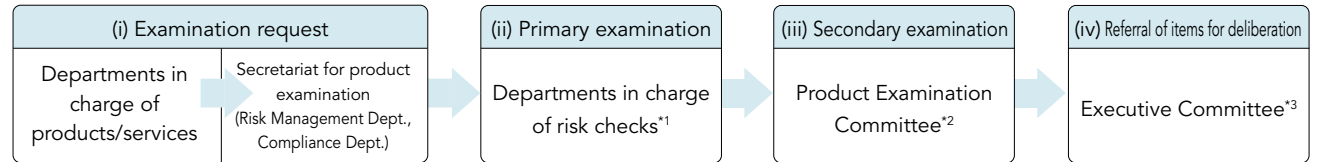
When introducing a new product or service, it is necessary to develop various systems in order to continue offering the product or running the operation, including making an advance determination regarding the existence of any inherent risks and identifying their types, evaluating and managing such risks, and developing materials and methods for explanation to clients. To that end, we have developed a new product and service examination system. In the examination process, multiple departments carry out verification from various angles, with an emphasis on introducing products and services that will earn the trust of

clients.

For products and services that have been examined by the Product Examination Committee, after they are introduced, we regularly monitor the status of our post-introduction initiatives, including from a risk management perspective.

Regular monitoring is also carried out from the viewpoint of providing clients with appropriate explanations for products and services that are expected to be affected due to changes in the environment and so on, regardless of whether or not they have been deliberated on by the Product Examination Committee.

### ■ Product examination process (SuMi TRUST Bank)



\*1 Risk Management Dept., Compliance Dept., Legal Dept., Planning and Coordination Dept., Fiduciary Duties & Customer Satisfaction Planning and Promotion Dept., Financial Planning Dept., Business Process Planning Dept  
\*2 Held jointly with the Conflicts of Interest Management Enhancement Committee as necessary to review from the perspective of conflicts of interest in light of merchantability.  
\*3 When new products and services that may have a material impact on the Group's management are referred to SuMi TRUST Bank's Executive Committee, consultation with SuMi TRUST Holdings is required, and a framework is provided for bringing up matters at the Executive Committee and reporting to the Board of Directors.

## Human rights

### 1 Human rights management

#### (1) Revision of Human Rights Policy

SuMi TRUST Group's Human Rights Policy was formulated based on "Guiding Principles for Business and Human Rights," which was adopted by the United Nations Human Rights Council in June 2011. In light of increased importance of respecting human rights and the international demand for human rights issues in recent years, as well as changes in human rights issues required of financial institutions, we revised our Human Rights Policy.

Human Rights Policy

[https://www.smoth.jp/english/sustainability/management/philosophy/human\\_rights\\_policy](https://www.smoth.jp/english/sustainability/management/philosophy/human_rights_policy)

#### (2) Identification of material human rights risks

In conjunction with the revision of SuMi TRUST Group's Human Rights Policy, we confirmed risks that our business activities could have on human rights to identify the following three as material human rights risks from the perspectives of "scope of impact" and "severity."

- Prejudice and discriminatory views, including Dowry issue
- Forced labor, child labor, and human trafficking
- Involvement in conflicts and inhumane acts

#### (3) Human rights management system

Although we have established and implemented a human rights management system based on the Human Rights Policy, we discovered that a meeting of the Human Rights Due Diligence Liaison Committee was not held from fiscal 2018 to fiscal 2021, and that the identification of issues and discussions of improvement measures based on the Human Rights Due Diligence Self-checklists submitted by branches and departments were insufficient. We held the meeting in August 2022, and after reviewing the Human Rights Due Diligence Self-checklists including the period when the meetings were not held, no situation of concern was found. Reflecting on these circumstances and taking into consideration the recent increase in the importance of respect for human rights and international requirement for human rights issues, we began reviewing our human rights management system in fiscal 2022.

In fiscal 2023, the Sustainability Committee was established as an advisory body to the Executive Committee with the aim of deepening deliberations on human rights-related issues for even more effective actions.

Board of Directors	Supervise the execution status in accordance with Sustainability Policy
Risk Committee	Respond to inquiries from the Board about matters concerning high-priority issues and risks in relation to sustainability, deliberate from a professional point of view, and then report findings to the Board
Executive Committee	Pursuant to Sustainability Policy, assume responsibility for all aspects of business execution, and consult on and determine the necessary matters In addition, propose matters that are considered important in relation to sustainability to the Board
Sustainability Promotion Committee	Conduct preliminary discussions on matters to be resolved by and reported to the Executive Committee from the perspective of promoting the Group' s sustainability initiatives
Human Rights Due Diligence Liaison Committee	In accordance with Human Rights Policy, surveys the status of human rights responses at all Group companies to identify issues that need to be addressed and consults on measures for improvement Conduct a survey once a year on the status of human rights responses, using Human Rights Due Diligence Self-Checklist

#### (4) Corporate responsibility to respect human rights

SuMi TRUST Group works to improve the quality of its human rights management through a PDCA cycle that is compliant with the Guiding Principles for Business and Human Rights, 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.

Human rights due diligence conducted in fiscal 2021 did not find immediate issues, and there were no situations of concern found with investees and borrowers or in the supply chain.

Commitment	Establishment of Human Rights Policy
Implementation of human rights due diligence*2	Distribute Human Rights Due Diligence Self-Check Sheet*3 once a year to all Group companies, including overseas entities, to confirm human rights compliance status
Access to relief	Personnel Consultation Desk (LGBTQ Consultation Desk), Human Resources Dept., SuMi TRUST Bank Compliance Hotline, Compliance Dept.

\*2 Human rights due diligence refers to a series of initiatives to identify actual or potential negative impacts on human rights, resulting from the activities of SuMi TRUST Group or related outside parties, to take measures for the prevention or mitigation of such impacts, and to continuously verify and disclose the effectiveness of such measures.

\*3 A check list serves to verify the progress in each company concerned with the human rights management system, such as the status of implementation of human rights due diligence, compliance with Human Rights Policy and occurrence of human rights violations.

## 2 Protecting various human rights

### (1) Enhancing human rights education

SuMi TRUST Group recognizes that it is important for its officers and employees to enhance their understanding of human rights issues and work with a sense of ownership, and that continuing efforts are necessary. Further, we are continuously working to raise awareness of human rights issues as there is an increasing demand for addressing human rights issues faced by the investees and borrowers, and suppliers and outsourcing contractors, and consideration for human rights more than ever.

SuMi TRUST Bank has clearly defined the roles expected for each position based on the recognition of the challenges in its efforts to raise awareness of human rights and the opinions from external experts. Since fiscal 2023, it has been providing training in line with the role definition, not only for new appointees, but also for a wider range of employees, to promote initiatives with increased effectiveness.

#### (2) Relief measures

SuMi TRUST Bank has established Personnel Consultation Desk (LGBTQ Consultation Desk) to respond to various consultations related to human rights and, in cases where a negative impact on a person's human rights materializes, to cooperate with the related departments to promptly take measures as needed. It is possible to consult with the Desk on an anonymous basis so that the privacy of victims is protected.

## Security

### Information security risks and cybersecurity measures

SuMi TRUST Group considers information assets to be one of the most important management resources, and has set the protection of personal information and client data as one of the materiality themes. In addition, the Group also identifies information security risk as “Risk that the Group may incur losses due to the improper management or maintenance of information assets, including through information leaks, information errors and misuse of information, as well as an inability to use the information system,” and positions it as one of the risk sub-categories under operational risk. It has assigned an officer in charge and established a control department to properly manage client information and implement cybersecurity measures.

In addition, we have established and announced our Declaration for the Protection of Personal Information, which is a set of policies designed to ensure the protection of the personal information of our clients and shareholders, and have declared to abide by them.

We established internal rules regarding the management framework and handling of information in accordance with the Personal Information Protection Act, related laws and regulations, and “Guidelines for Personal Information Protection in the Financial Field” established by the Financial Services Agency. We also hold regular training sessions for all employees twice a year to ensure that they are fully acquainted with the points of concern regarding the handling of information in their daily operations and to promote a principles-based understanding of information security.

#### (1) Organizational structure

Matters related to information security risk, as a risk sub-category within operational risk, are deliberated on comprehensively by the Risk Management Committee at SuMi TRUST Holdings and by the Operational Risk Management Committee at SuMi TRUST Bank, covering a series of processes such as the development of a management framework, formulation of plans, and the identification, evaluation, monitoring and control of risks. In addition, policies and plans are decided by the Board of Directors after deliberation by the Executive Committee.

Based on the rules regarding authority, the series of processes are executed by the Business Process Planning Department, the IT System Planning and Management Department, and other control departments responsible for information security risk management. The officer in charge of the Business Process Planning Department and the officer in charge of the IT System Planning and Management Department are responsible for overall information security risk management.

#### (2) Cybersecurity management system

The Group has designated addressing cyberattacks as one of materiality themes as well as a top risk, and we are planning

and promoting our cyber security measures at the initiative of management through the formulation of “Cyber Security Management Declaration.”

- We have established SuMiTRUST-CSIRT<sup>\*1</sup> as a specialized organization for cybersecurity measures, and have built a management framework that collects and analyzes threat and vulnerability information from within and outside the Group, plans and implements security measures, and reports to management. We are also promoting the upgrading of security measures through security review meetings and our IT Council, as well as by utilizing outside expertise.
- The Group has established internal rules and regulations based on U.S. security standards, and has developed processes for responding to cyberattacks both in normal times and in emergency situations.
- In addition to conducting cybersecurity risk assessments and system vulnerability assessments on a regular basis for SuMi TRUST Group, including its subsidiaries and affiliates, we are promoting the standardization of cybersecurity rules and regulations to enhance and standardize the cybersecurity framework for the Group as a whole.

#### (3) Monitoring system

The Group has built a common infrastructure for internet communications, and Security Operation Center (SOC) monitors the common infrastructure network 24 hours a day, 365 days a year and detects threats by conducting correlation analysis of various types of data. This information is consolidated in SuMiTRUST-CSIRT, and we have established a monitoring system centered on the CSIRT.

#### (4) Enhancing cybersecurity measures

We have established perimeter defense measures (multi-layered defense consisting of entry, exit and internal measures) as a technical countermeasure against cyberattacks, and are working to reduce risk by implementing various measures to counter DDoS attacks, detect and block phishing websites, and handle other threats.

#### (5) Security personnel development

To develop personnel with advanced expertise in cybersecurity, CSIRT collaborates with external experts in internal review meetings, participates in external communities such as Financial ISAC<sup>\*2</sup> and FS-ISAC<sup>\*3</sup>, provides external training and certification support and sends employees to graduate schools.

<sup>\*1</sup> CSIRT (Computer Security Incident Response Team):

In-house organization that collects, analyzes, and responds to early warning information about attacks

<sup>\*2</sup> Financial ISAC (Information Sharing and Analysis Center):

Information sharing organization for Japanese financial institutions

<sup>\*3</sup> FS-ISAC (Financial Services Information Sharing and Analysis Center):

Information sharing organization for financial institutions, mainly in the United States

## Internal auditing

### 1 Basic initiative policy

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 the business, and the type of risks is indispensable to achieve management targets, appropriate legal compliance, financial facilitation, 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) Sumitomo Mitsui Trust Holdings

##### (i) Organization

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

##### (ii) Functions and roles

The Internal Audit Department formulates an internal audit plan, taking the basic policy on internal audits into account, which dictates the direction to be taken in the development of 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

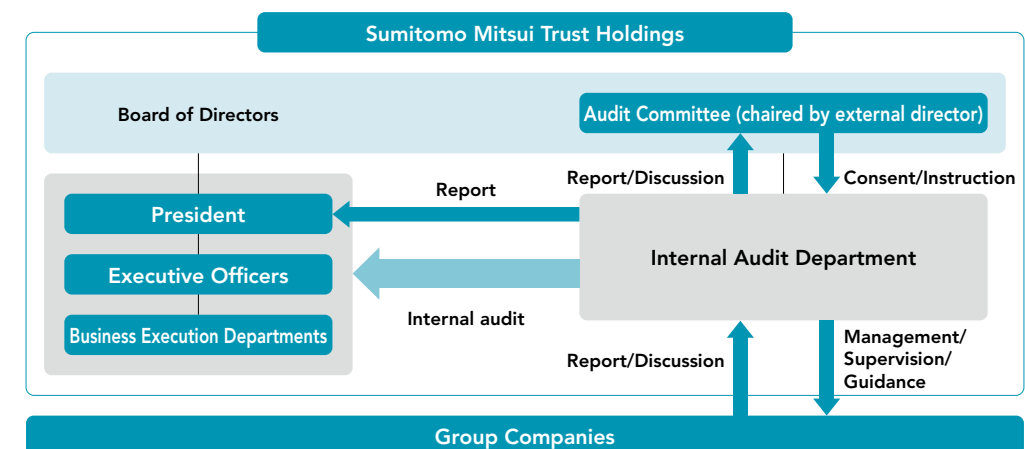
department supervising SuMi TRUST Group's internal auditing, receives consultation from each group company regarding the audit plan, and confirms its consistency with the basic policy on internal audits. The Internal Audit Department carries out internal audits in collaboration with the internal auditing unit of each group company. The role of the Internal Audit Department also includes receiving reports of internal audit results from the 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 has formulated its own internal auditing plan in accordance with SuMi TRUST Holdings' basic policy on internal audits, and the plan is decided upon by each Board of Directors in consultation with SuMi TRUST Holdings.

Results of internal audits are reported without delay to the president, SuMi TRUST Holdings and others, and are also reported regularly to the Board of Directors.

#### Internal auditing structure of SuMi TRUST Group



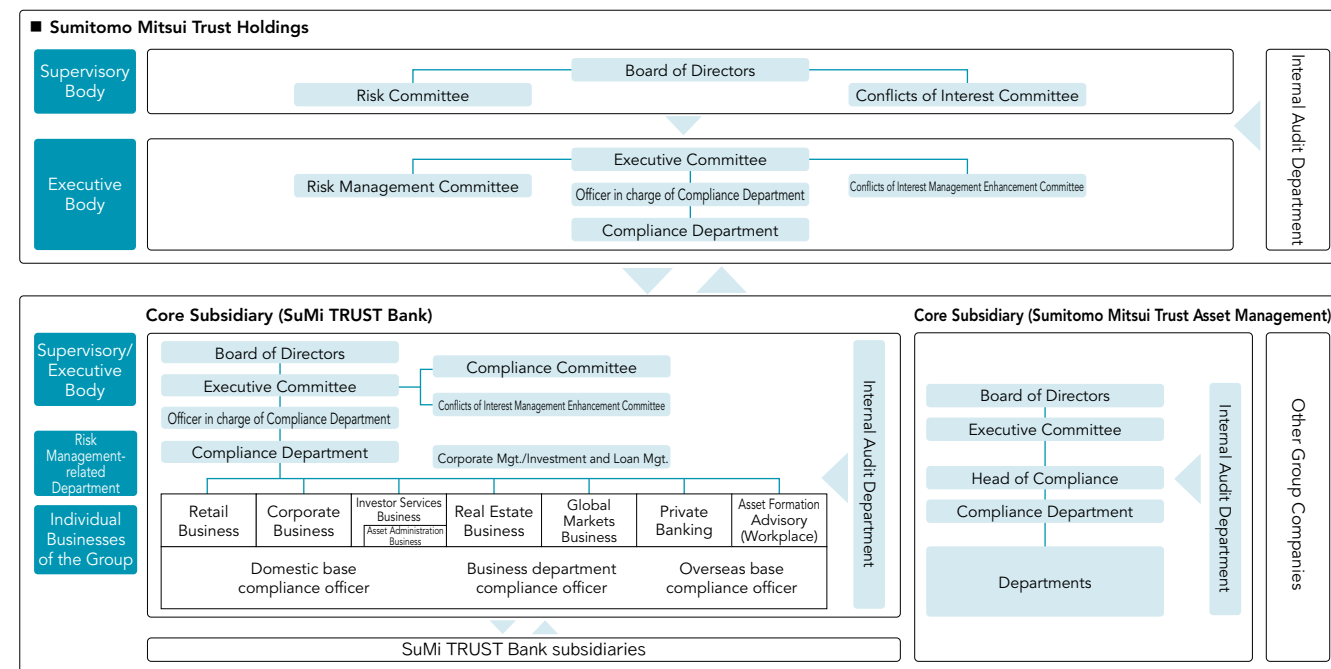


## Compliance

### 1 SuMi TRUST Group's basic initiative policy and compliance framework

The Group's mission and vision is to be known as The Trust Bank, and we therefore place compliance as one of the most important management issues in realizing that goal. Our Codes of Conduct ("Value") advocate for strict compliance with applicable laws and regulations, and the Board of Directors has established Compliance Rules that lay out the organizational structure required to meet them, including the Group's basic policies, standards to be met by directors, officers and employees. In concrete terms, the

Board of Directors approves the formulation of an annual Compliance Program, through which it will regularly evaluate progress. In addition, in order to develop compliance frameworks tailored to the business of each company, SuMi Trust Holdings formulates a compliance program for each Group company and provides guidance on and supervision of progress and achievements, to manage the group-wide compliance framework.



### 2 Initiatives for thorough compliance awareness

A Compliance Manual is distributed throughout the Group to explain laws and regulations that must be followed and describes how to handle illegal or inappropriate behavior when it is detected. We are also improving compliance training to maintain a high level of compliance awareness throughout the Group. More specifically, in

addition to us providing training materials for e-Learning training and discussion-based study sessions, the Group companies provide training and study sessions tailored to their respective businesses and products offered, and use e-Learning to provide training on specific themes.

#### Hotline System

The Group has established the Compliance Hotline to enable directors, officers, and employees to directly report legal violations to the Compliance Department and external law firms. The system protects whistleblowers through careful handling of information and privacy protection, by prohibiting unfavorable treatment of whistleblowers, and through the use of simple reporting methods,

by phone (to an external law firm) or online (to an in-house point of contact (SuMi TRUST Bank)). We have also set up an accounting hotline to receive reports of inappropriate accounting practices.

\* Please see "Sustainability Report" (<https://www.smth.jp/english/sustainability>) for the number of cases reported at the Group and other information.

### 3 Initiatives to prevent money laundering\*and exclude criminal groups

The Group has published an Anti-Money Laundering Compliance Policy that delineates how we are continuously upgrading the systems in place by conducting regular risk assessments at Group companies including overseas offices, supervising the development of mitigation systems tailored to specific risks and overseeing upgrades in order to prevent unauthorized use of financial services.

The Group's Codes of Conduct ("Value") declares that it will stand firm against anti-social forces (i.e., criminal groups) and we are working to prevent any transactions that involve anti-social forces. We have introduced exclusion clauses against organized crime groups for our various products and services, and we work closely with the police

and other external agencies to cancel any transactions if it becomes clear after the transaction has begun that it is being conducted with a criminal group.

\* Anti-money laundering is defined by the Group as the prevention of unauthorized use of financial services as detailed in the points (1)-(3) below.

- (1) Money laundering: The act of attempting to prevent the discovery or seizure by investigative authorities of funds obtained through fraudulent/illegal means
- (2) Terrorist financing: The act of providing support through collecting or provision of funds or real estate that will be used to fund terrorist acts or otherwise fund the activities of terrorist organizations
- (3) Proliferation financing: The act of providing funds or financial services to any individual or group subject to a freeze of assets or other measures for being involved in the development, possession, or export of weapons of mass destructions (nuclear, chemical, or biological weapons)

\* Please see "Sustainability Report" (<https://www.smth.jp/english/sustainability>) for more detailed information on the initiatives to prevent money laundering and exclude criminal groups.

### 4 Initiatives to prevent bribery and corruption\*

The Group has published an Anti-Bribery and Corruption Compliance Policy, and has implemented an anti-bribery and anti-corruption program under the supervision of management. The program aims to review and strengthen prevention measures through regular risk assessments on bribery and corruption, and we are working to enhance the system by building close, cooperative relationships between overseas offices and local legal representation in order to

respond quickly and appropriately in those localities where risk is particularly high.

\* The Group defines bribery and corruption as the act of offering, promising, or providing entertainment, gifts of money or goods, or other benefits with the intent to improperly influence the counterparty, and the act of receiving or requesting goods or services with the intent to improperly benefit the provider.

\* Please see "Sustainability Report" (<https://www.smth.jp/english/sustainability>) for more detailed information on the initiatives to prevent bribery and corruption.


### 5 Conduct risk management initiatives

SuMi TRUST Group recognizes risk that could have a negative impact on the Group, clients, markets, financial infrastructure, society, or the workplace environment due to an officer or employee of a Group company engaging in behavior that violates professional ethics or otherwise fails to meet the expectations and trust of stakeholders, as conduct risk.

In order to meet the expectations and trust of stakeholders, each Group company creates a PDCA cycle to identify, control, assess and improve conduct risk, thereby


not only controlling problematic conduct (misconduct) but also promoting desirable conduct (good conduct).

In October 2022, we formulated "Our Standards of Conduct" as a guideline for executives and employees of each Group company to put the Group's important values into concrete action. The Standards are presented within the Group as a mindset to act appropriately, and the contents are published to help stakeholders to deepen their understanding of the Group.



**SUMITOMO MITSUI TRUST HOLDINGS**

- Our Standards of Conduct -



Also posted on our website  
[https://www.smth.jp/english/about\\_us/management/standard](https://www.smth.jp/english/about_us/management/standard)

## Client-oriented initiatives

### 1 Providing value to clients

As a financial institution based on the fiduciary spirit, SuMi TRUST Group strives to act in the best benefits of its clients by ensuring client-oriented business operations. To this end, Our Group aims to be the “Best Partner” for both retail and corporate clients. We seek to deliver outstanding value by accurately understanding their needs, and optimally addressing those needs through providing of total solutions that cover a wide range of highly specialized products and services. At our Group, we are making effective use both of comprehensive capability that combines our banking

and trust functions, as well as diverse trust functions within the Group. Striving to be fully client-oriented, we have established a stringent framework for managing conflicts of interest. (For further details about the stringent framework for managing conflict of interest, please see page 79.) Our Group is constantly striving to be completely client-oriented, to improve customer satisfaction and to help solve social issues. Through these initiatives, we aim to earn the trust of our clients and society and to grow hand-in-hand with them.

### 2 Implementing a client-oriented approach

We strive to provide our clients with the products and services best suited to them as their “Best Partner,” and to instill a client-oriented approach across all our businesses operations. To this end, in September 2016, we formulated and announced our policies regarding the “Fiduciary Duties of the Sumitomo Mitsui Trust Group (“Policies”)” and since then we have continued to further strengthen our initiatives by revising them whenever necessary. SuMi TRUST Group has established an extensive organizational structure from

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

We periodically announce a report entitled “KPIs for initiatives pursuing to be the “Best Partner” for our clients” to clearly share the results of these initiatives with our clients. These KPIs include those “comparable common KPIs for sales companies” for investment trusts and foreign currency-denominated insurance.

#### ■ Promoting/supervising structure of our Group

Organization		Initiatives
Sumitomo Mitsui Trust Holdings	Board of Directors	Conflicts of Interest Committee
	Executive Committee	Conflicts of Interest Management Enhancement Committee
	Department in charge	FD & CS Planning and Promotion Department
		Compliance Department
Group companies*	Group-wide	Fiduciary Duties Discussion Panel

\* Sumitomo Mitsui Trust Asset Management, Nikko Asset Management, Mutual Fund & Insurance Research Institute, and Sumitomo Mitsui Trust Life Partners

### 3 Management of conflicts of interest

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

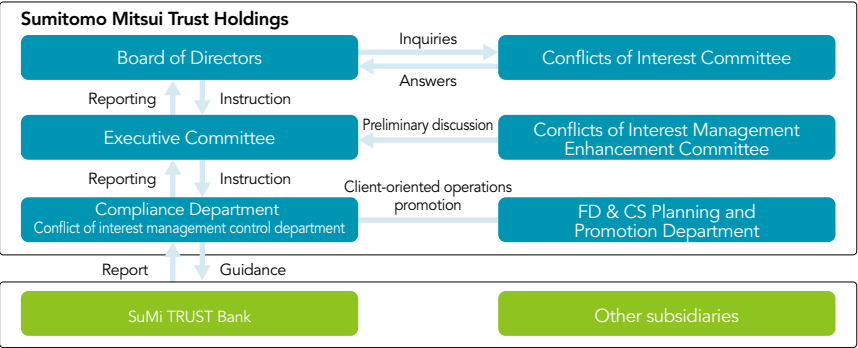
Furthermore, we developed a system in which the Compliance Department, which is the department that oversees management of conflicts of interest independently of sales divisions, regularly verifies the effectiveness of management of conflicts of interest across the Group. The results are regularly reported to the Board of Directors and other relevant parties and we have a framework to continuously implement the necessary improvements and guidance.

In addition, our Group has established Conflicts of Interest Committee in an effort to enhance the effectiveness of the Group’s framework for managing conflicts of interest. The majority of members of the Committee are external parties. It serves as an advisory body to the Board of Directors and verifies the appropriateness of the Group’s management of conflicts of interest. A summary of agendas of the Committee has continuously been made available through our website.

Establishment of the framework for managing conflicts of interest following the reorganization of SuMi TRUST Bank in April 2022 was verified through deliberation by Conflicts of Interest Committee, and Summary of the Management Policy Concerning Conflicts of Interest was revised in July 2022.

\*A conflict of interest refers to a situation where there are conflicting interests between SuMi TRUST Group and its clients, or between clients of the Group.

#### ■ Conflict of Interest Management System\*1



\*1 See page 78 for roles and responsibilities of each management structure and main departments.

\*2 Positions as of the end of June 2023.

\*3 External Director of SuMi TRUST Bank

#### Conflicts of Interest Committee Members\*2

- Chairperson: Hideki Kanda\*3  
Professor, Law School at Gakushuin University Emeritus Professor, the University of Tokyo
- Member: Nobuaki Katoh  
External Director, SuMi TRUST Holdings
- Member: Akiko Hosokawa  
Partner, Baker & McKenzie
- Member: Yasuyuki Suzuki  
Director, Senior Managing Executive Officer, SuMi TRUST Holdings
- Member: Yuki Takada  
Managing Executive Officer, SuMi TRUST Holdings

### 4 Shaping corporate culture to become our clients’ “Best Partner”

With the objective of entrenching a corporate culture geared towards becoming our clients’ “Best Partner,” at SuMi TRUST Bank we have been implementing the following initiatives, including discussions at each FD & CS Committee in each branch or department and activities to make improvements based on feedback from client questionnaires.

Establishment of FD & CS Committees	Established FD & CS Committees for the purpose of enhancing FD and improving CS at each branch. FD & CS Committees actively conducted various activities in line with the characteristics of each branch office and department.
Sophistication of client questionnaires	Strengthened PDCA cycle for improvement based on client evaluations by standardizing evaluation items of various questionnaires, sophisticating analysis, sharing improvement plans, and taking other measures.
Various types of training	Conducted training on FD practice, CS awareness-raising, sharing of complaints and VOC (voice of clients), business etiquette for newly appointed branch and general managers, new employees, and other employees at each level.
Holding lectures on FD&CS	Held lectures on topics that contribute to FD&CS for group employees.

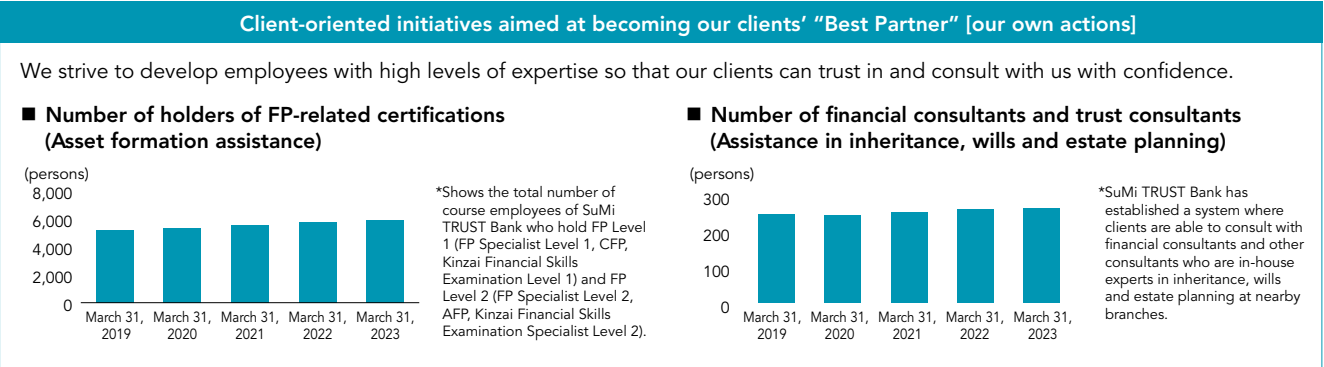


5

Status of initiatives aimed at becoming our clients’ “Best Partner,” and Key Performance Indicators (KPIs)

By practicing fiduciary duty, supporting asset formation, asset management and asset administration of clients, SuMi TRUST Group seeks both to provide its clients with satisfaction and peace of mind, and to contribute to society and economy. In addition, we aim to achieve sustainable and stable growth for our Group by improving

our evaluation from our clients and society, and by becoming our clients’ “Best Partner.” We regularly disclose indicators regarding our initiatives to become our clients’ “Best Partner.” As we work to promote and enhance these initiatives, these indicators are revised as necessary.



## Initiatives aimed at enhancing and sophisticating operational quality

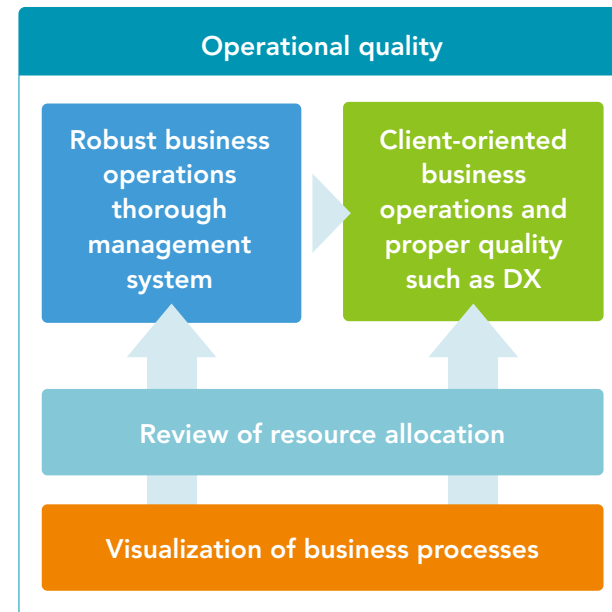
SuMi TRUST Group considers enhancement and sophistication of operational quality to be the most important management issue, providing products and services that exceed client expectations and that are based on the fiduciary spirit that is the foundation of credibility with our clients and society. In addition, recognizing the importance of reaching employees who are suppliers of products and services, we have formulated “Our Standards of Conduct” and publicized our approach to appropriate action.

### Initiatives in FY2022

In fiscal 2022, we began the actual operation of a framework for the discovery, analysis and improvement of issues related to enhancing and sophisticating established operational quality.

By doing so, we will continuously improve operational quality autonomously by identifying vulnerabilities in our operational processes through a comprehensive view of our products and services.

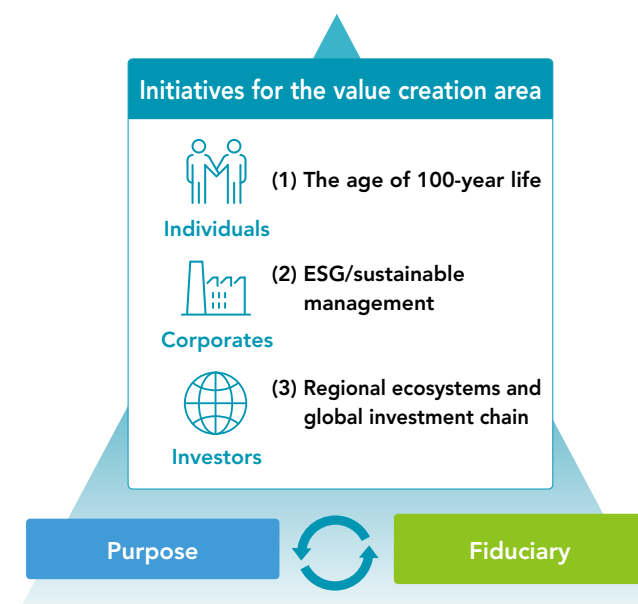
Specifically, business division itself conducts a self-assessment of the status of risk control in business processes for each product and service, and Business Process Planning Department conducts a cross-cutting assessment from a company-wide perspective and discusses necessary improvement activities at management level. This is conducted as PDCA cycle once a year.



In addition, for each product and service, we are working to visualize business processes in order to clarify the overall picture of business processes centered on client contacts, the positioning of such products and services, and the connection between our Purpose and products and services. Through this visualization, employees who engage in business operations, including parts of the operations that employees are not directly involved in, gain a better understanding of the entire process of delivering products and services to clients who are stakeholders, and further understand importance of their business operations, thereby improving quality. Moreover, this visualization is performed when new products and services are introduced, so that risks that may arise in business processes are discovered before products and services are actually provided.

We will continue to pursue robust business operations and thorough management system based on relationship of credibility that exceeds client expectations. Continuously enhancing and sophisticating operational quality while also updating it will strengthen our management foundation and organizational capabilities.

Based on fiduciary spirit, we will develop safety and security that we have established in existing areas in the field of value creation.



## Initiatives for financial facilitation

### 1 Initiatives for financial facilitation

SuMi TRUST Group considers the facilitation of financing to small and medium-sized enterprises (SMEs) and individuals seeking mortgage loans to be 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 for various consultations, restructuring of loan repayment conditions and other issues.

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 expired on March 31, 2013. Even so, 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, SuMi TRUST Group endeavors to respond in a flexible and appropriate manner, taking each client's circumstances into account.

In addition, SuMi TRUST Bank has a system under which it respects and abides by the “Guidelines for Management Guarantee,” which were adopted in February 2014, the “Special Provisions on Guidelines for Management Guarantee” (adopted in April 2020), “Basic Approach to the Guidelines for Management Guarantee at the Time of Business Termination” (announced in April 2022) and other rules. The “Status of Utilization of the Guidelines for Management Guarantee” is also disclosed on its website. The Bank also respects “Guidelines on Arrangement for Victims of Natural Disasters,” which was adopted in April 2016, and “Special Provisions for the Application of the Guidelines to COVID-19,” adopted in December 2020. It is therefore prepared to respond appropriately to consultations from clients directly or indirectly affected by the COVID-19 pandemic, by natural disasters and by recent global affairs and increases in resource prices.

### 2 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 conduct management support for SMEs, SuMi TRUST Bank has established “Financing Facilitation Promotion Offices” 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 the industry conditions and the business dealings of individual SMEs into account. Furthermore, SuMi TRUST Bank prepares to support clients in overseas expansion and business succession as well as in electronically recorded monetary claims.

#### (i) Initiatives related to support for overseas expansion

SuMi TRUST Bank has a six-site network covering 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 Vietnam, we are working to strengthen financial services such as sales finance for Japanese companies that are expanding into the market through the Bank for Investment and Development of Vietnam (hereinafter “BIDV”), with which SuMi TRUST Bank has a partnership, as well as our leasing joint venture company with BIDV (BIDV-SuMi TRUST Leasing Company, Ltd.).

#### (ii) Initiatives related to support for business succession

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-owners and high net-worth clients are provided in collaboration with an affiliate company, Sumitomo Mitsui Trust Wealth Partners, and various specialists such as lawyers and tax accountants.

Financial consultants have been assigned to branches nationwide as an 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 partners to hold seminars for business owners on the inheritance and business succession tax system and business succession measures that utilize 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 us.

#### (iii) 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 Zengin Electronic Monetary Claims Recording Network, in which financial institutions nationwide are members. We also provide “Densai lump-sum factoring services.”

Due to the impact of the COVID-19 pandemic, we have been asked by Zengin Electronic Monetary Claims Recording Network, “densai. net Co., Ltd.,” to endeavor to apply the same kinds of financial measures (e.g., deferment of insolvency proceedings) that are applicable under the Disaster Relief Act. We will endeavor to respond to our clients' consultation about the payment of monetary claims already issued in a flexible and appropriate manner, taking each client's circumstances into account.

#### (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, the Bank 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.
- Executed sales mediation services (real estate surveys) for clients to other clients, and contributed to increasing their sales.



## Communication with stakeholders

SuMi TRUST Group lists clients, society, shareholders and employees as stakeholders in its Management Principles ("Mission"), and strives to disclose transparent, timely and appropriate corporate information, while actively communicating with each stakeholder. This page introduces part of our communication with society as well as shareholders and investors. Please refer to page 78 for details of communication with clients and page 48 for details of communication with employees.



### 1 Communication with society (Community)

Based on the needs of each region, SuMi TRUST Group engages in activities and events in cooperation with local communities.

For example, SuMi TRUST Bank's New York Branch packed backpacks of basic necessities and donated 3,000 of them to non-profit organizations as part of its efforts to help homeless people in trouble in New York City. After that, we invited NPO organizations that we had made donations to our office to deepen our understanding of the homeless problem, including the current situation of homelessness and how companies and individuals can support them.

We also worked with local non-profit organizations to develop (removing ivy, cleaning, planting trees and so forth) a community garden (All People's Garden). More than 20 employees participated in the event and witnessed an inspiring scene in which the park was transformed in a short period of time.

We will continue to engage with the community in various ways. See Sustainability Report 2022/2023 for details of the Group's various activities.

<https://www.smth.jp/english/sustainability>



Homeless support: Stuffing backpacks



Development of a community garden  
(Left: A representative of a local non-profit organization and members of the New York Branch; right: tree planting)



## 2 Communication with shareholders and investors

### (1) Activities for individual investors

We engage in various measures to provide individual shareholders and investors with information to better understand SuMi Trust Group. These measures include organizing investor meetings, setting up a dedicated website for individual investors and distributing a newsletter for shareholders, along with other methods.

In fiscal 2022, we actively engaged in activities for individual investors and participated in 10 meetings sponsored by securities companies, with a total of 4,204 participants. In addition, we conducted a variety of initiatives to raise awareness of SuMi TRUST Holdings, including multifaceted promotional activities, such as advertising and

	Number of information meetings held	Number of participants in information meetings
FY2021	5 times	932 people
FY2022	10 times	4,204 people



publishing articles in magazines and online media.

Some participants in the meetings said they would like to consider purchasing shares. As a result, the ratio of individual shareholders at the end of March 2023 was 6.8% (excluding treasury stock), up 0.5% from the same period of the previous year. We will continue to actively communicate with individual investors in fiscal 2023.

### (2) Activities for institutional investors

We hold investor meetings on financial results and IR Day for domestic and foreign institutional investors. In addition, we conduct one-on-one IR(Investor Relations) meetings and analysts and SR(Shareholder Relations) meetings for existing shareholders. At SR meetings, executive officers including the President and general managers of Corporate Administration Department, Investor Relations Department and Sustainability Management Department have dialogue with institutional investors' voting and ESG departments and other departments.

Focusing on topics that are of high interest to shareholders and institutional investors, the meetings convey the progress of the Company's initiatives and future policies on the virtuous circulation of funds, assets and capital to enhance growth and corporate value, strengthen human capital investment as a source of capital policy and value creation, as well as climate change, the reduction of strategic shareholdings and other measures and engage in constructive exchanges of views.

Through these opportunities for dialogue, we are able to provide institutional investors with an understanding of the Company's views and initiatives. At the same time, we receive informative opinions on our corporate governance system, diversity and other topics, and as a result, the Company is learning and gaining awareness. The opinions received are regularly reported to the Board of Directors and others to

improve business operations and were used as a reference when formulating Medium-Term Management Plan announced in May 2023. In addition, in the disclosure of the skills matrix, which indicates the expertise and experience of directors, the Company makes use of this information to enhance the content, such as clarifying the relationship between the Company's vital management issues and skills based on the opinions of institutional investors. See pages 64 and 65 for the skill matrix.

We will continue to actively communicate with our stakeholders so that they can better understand our business strategy, corporate governance, sustainability initiatives and other efforts.

#### IR and SR activities carried out in FY2022

Investor meetings on financial results for institutional investors and analysts	2 times
Overseas IR events	6 times
One-on-one meetings with institutional investors in Japan and overseas (including SR meetings)	Number of companies: 269 (including 184 overseas investors)
Information meetings for individual investors	10 times (The President and the Investor Relations Department take the stage)
IR DAY	2 times (An external director and executive officers in charge of business made presentations)



# Theme3

Messages from subsidiary management





## Messages from subsidiary management



With the “power of trust,”  
creating social infrastructure that  
promotes a virtuous circulation  
of funds, assets and capital

President  
Sumitomo Mitsui Trust Bank, Limited

**Kazuya Oyama**

### (1) My hope for creating a virtuous circulation

In response to the Sumitomo Mitsui Trust Group's new Medium-Term Management Plan, our new Medium-Term Management Plan has defined its key concept as “With the power of trust, to become social infrastructure that promotes a virtuous circulation of funds, assets and capital.”

In Japan, personal assets, composed of financial assets and real estate, are said to total roughly 3,000 trillion yen. The country's longstanding financial and social issue is that these assets and companies' retained earnings remain stagnant, not being used for investment or consumption.

We are not only a trust bank involved in the financial markets but also an essential provider of financial and social infrastructure centered on asset management and asset administration for all markets where funds, assets and capital move, including tangible asset markets such as real estate as well as capital markets such as securities markets. In other words, we are not just a company that passively provides infrastructure in investment chains, but a company entrusted by various stakeholders to proactively and earnestly promote a virtuous circulation of capital and create new value for society.

There are five points that I consider essential for the realization of a virtuous circulation.

First, we need to create a safe and secure investment environment.

One of the reasons for the stagnation of funds is that, people have vague anxieties about the future, including their future

pension benefits. If private pension systems, namely corporate and personal pension plans, are vitalized, they can serve as the backbone for both households and companies to invest with confidence and security. We believe that we have a significant role to play in pension systems design as we have extensive experience in this business.

Second, we will take the lead in the investment business and encourage our clients to change their behavior.

In order to encourage the movement of clients' funds, we have to do more than merely respond to our clients' needs. We believe that we need to take the lead in investments and create new markets. By doing so, we shall encourage our clients to change their behavior and ultimately transform the mindset of society. We have a history and track record of forming trends in alternative investments in the field of pension fund management.

Third, we will change corporate and industrial structures.

In the Showa era (1926–1989), trust banks played a vital role in the field of industrial finance by channeling funds collected through loan trusts to mainstay industries, contributing to the achievement of Japan's rapid economic growth. During the Reiwa era (2019–), in order to realize a green society, we will strongly support corporate transitions and lead the transformation of industrial structures through impact equity investments.

Fourth, we will enhance our ability as a responsible investor.

The role of responsible investors, such as financial institutions or institutional investors, is to promote long-term value growth

of investee companies. We will practice fruitful dialogue with investee companies for the benefit of all shareholders and establish a culture of engagement in Japan's business establishment.

Finally, we will “democratize and socialize investment.”

The financial market is increasingly becoming polarized. Specifically, individual investors investing small amounts of money for short periods of time, rely on passive investment, while a growing number of investment funds with the ability to

provide substantial long-term capital benefit from high returns. We believe that due to this polarization, capital markets are not completely fulfilling their intrinsic role, which should allow a wide range of investors to actively select their investee companies, and enable the companies to grow in response to the investors' selection. Through our endeavors to democratize and socialize investments where everyone can have access to valuable investment opportunities, we shall strive to mobilize stagnant funds and realize a virtuous circulation.

### (2) Taking on the challenge to develop a new client base through collaboration and integration across businesses

Thus far, we have excelled in serving large corporations as well as personal clients around retirement age to seniors. Going forward, we will also take on the challenge of building long-term relationships of trust with fast-growing startups that solve social issues through innovation, and with the asset-formation generation who are making early preparations in the age of 100-year life. What makes this challenge possible are our unique characteristics and strengths, namely collaboration and integration across our businesses.

The Japanese government has been advancing its initiative to nurture and support startups as part of Japan's growth strategy. In response to this movement, we have the ability to provide diverse services to support startups that are aiming for significant growth. These services include capital allocation strategies and business owner support through collaboration

between Corporate Business and Private Banking as well as equity finance and asset administration services such as stock transfer agency services and pension management and the like through collaboration between Corporate Business and Investor Services Business.

The point is that digital technology is the key to accelerating such collaboration and integration. Digital technology has the potential power to integrate disparate elements at an extraordinary speed and scale. For example, the smartphone app “Smart Life Designer” released in April 2022, was created by combining, through digital technology, the know-how of the retail business, pension business and workplace business. The app has dramatically expanded opportunities to make online or non-face-to-face contact with the asset-formation generation, who were used to face-to-face services in the past.

### (3) In conclusion

The agenda of realizing a virtuous circulation is the declaration of my personal commitment to “squarely tackle Japan's financial and social challenges,” and “not to postpone them to future generations, but to resolve them in our generation.”

By creating a large ecosystem together with stakeholders who concur with our concept of creating a virtuous circulation, we will take on the challenge of enlarging the economic and social pie as a whole, and contribute to the creation of a prosperous

and bright future. We believe that if such a virtuous circulation is realized, it will lead to the sustainable growth of the national economy, and, in turn, to our sustainable and stable growth, thereby enhancing the well-being of our clients as well as our other stakeholders in society.

Inheriting our history of “challenge” and “pioneering spirit,” we will take a strong first step into the next 100 years toward realizing a prosperous and bright future.





**SUMITOMO MITSUI TRUST ASSET MANAGEMENT**



**Contributing to realization  
of future goals and ideals  
through asset management**

### **Yoshio Hishida**

Representative Director and President  
Sumitomo Mitsui Trust Asset Management

The spread of COVID-19 and Russia's invasion of Ukraine have had profound global impact on society, economy, politics and other areas, transforming people's lives. There seems to be a view that actions for addressing ESG issues will suffer setbacks in such emergency or extraordinary situation, however we believe that the opposite is true.

It is the mission of Sumitomo Mitsui Trust Asset Management to assist clients realize their future goals and ideals through asset management as a responsible institutional investor.

For this mission, stewardship activities, such as contributing to the enhancement of corporate value through dialogue with investee companies and promoting activities in the ESG field, are extremely important, and we will continue to work tirelessly and sophisticate our activities.

Sumitomo Mitsui Trust Asset Management has been a signatory of the United Nations Principles for Responsible Investment (PRI) since its inception in 2006, and over the years, we have engaged with corporations and society. We also actively participated in overseas engagement activities from an early stage.

Here is a recent example. At the 26th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26), about 30 global financial institutions and asset managers established FSDA (Finance Sector Deforestation Action Initiative), issuing a

commitment letter to use best efforts to eliminate agriculture-driven deforestation from their investment and lending portfolios. Sumitomo Mitsui Trust Asset Management is the only asset manager that participated from Japan and is a member of the collaborative engagement of the 30 institutions mentioned above. In addition, since October 2022, we have selected 78 companies with significant impact on the agricultural supply chain and have been making proposals to promote traceability and other measures aimed at strengthening supply chain management.

While working with overseas asset owners and asset management companies, in addition to expressing our opinion as a Japanese asset management company, we will also continue to incorporate the knowledge gained through advanced overseas ESG activities into our engagement activities with Japanese companies.

The philosophy of Sumitomo Mitsui Trust Asset Management is "Realizing opportunities today to ensure sustainable prosperity for tomorrow." In order to make this a reality, we will continue to provide solutions from a long-term perspective as a member of a trust group. At the same time, as an independent asset management company that is indispensable to our clients, we shall dedicate our full efforts to grow the valuable assets entrusted to us over the long term.

**nikko am**  
Nikko Asset Management



**Offering optimal solutions for  
diverse investment needs**

### **Stefanie Drews**

President  
Nikko Asset Management

Nikko Asset Management is a global asset manager headquartered in Japan, with investment management capabilities and business operations spanning 11 countries and territories. This globally interconnected mesh enables the most effective collaboration between our Tokyo headquarters and overseas offices to provide highly distinctive and innovative investment products, and deliver excellent investment performance.

Our global investment management framework covers all asset classes and provides optimal solutions for the diverse needs of investors around the world, including Japan. Every day, we work to enhance and expand these capabilities.

In recent years, we have seen a worldwide shift in the complexity of ESG (Environment, Social and Governance) investment needs. In order to meet the various needs around the world, we have established a Global Sustainable Investment Team comprising the experts in our Singapore, Tokyo, New York and London offices. This allows us to take an integrated approach with the highest global standards in tasks such as ESG data analyses and responding to regulations. The team is asset class agnostic, and provides its expertise to our investment management, product development and sales functions to support the foundation for the ESG solutions we deliver to investors.

In 2022, Nikko Asset Management also became one of the first asset managers based in Asia to be recognised as a signatory to the UK Stewardship Code. In addition, as a

member of the Net Zero Asset Managers initiative (a global initiative by asset managers aiming to achieve net zero greenhouse gas emissions by 2050) we have set an interim target for cutting our greenhouse gas emissions by 2030.

In the field of sales and distribution, we are redoubling our focus on providing product development capabilities and sales support solutions that match the needs of various distributors. This flexibility is one of our core strengths. The network of strong relationships we have built over many years with a wide range of distributors, including megabanks, regional banks, broker-dealers with strengths in over-the-counter sales, and online brokers enables us to thoroughly address the diverse challenges each type of distributor faces. We are now leveraging this to provide the best investment solutions to individual investors in anticipation of the launch of the new Nippon Individual Savings Account (NISA) tax exemption system for small investments, to take effect in January 2024. The positive response we receive for these efforts has secured us the top spot in an industry survey of distributor satisfaction for four consecutive years.

Based on the Global Growth strategy we formulated in 2022, we aim to realise high-quality AUM growth through all our channels in Japan and around the world.

We look forward to continuing our work to fulfil our fiduciary duty as an asset manager, as well as our intensive efforts to contribute to clients' long-term asset building and making the world a better place.



# Theme4

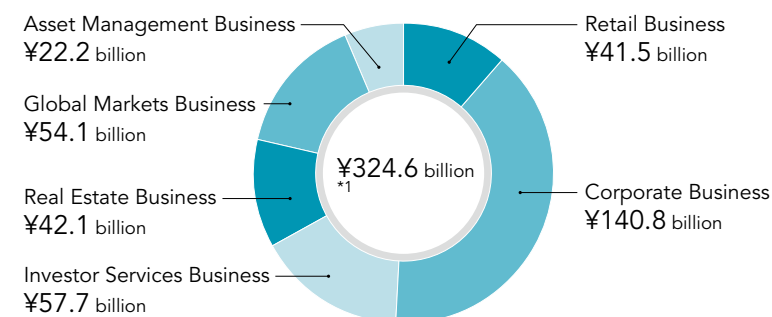
## Business strategy

- 94 Business strategy
- 96 Retail Business
- 98 Corporate Business
- 100 Investor Services Business
- 102 Real Estate Business
- 104 Global Markets Business
- 106 Asset Management Business



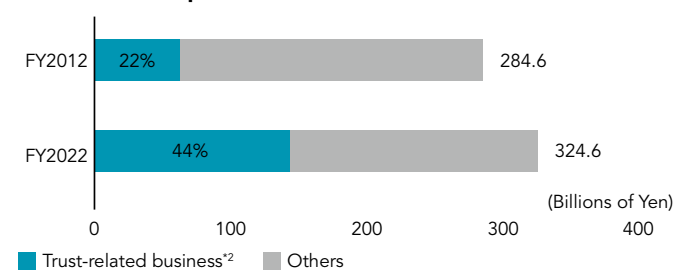
## Business strategy

### Net business profit before credit costs by segment (FY2022)



\*1 This figure also includes corporate management department costs not categorized into any reportable segment, in addition to net business profit before credit costs for each segment

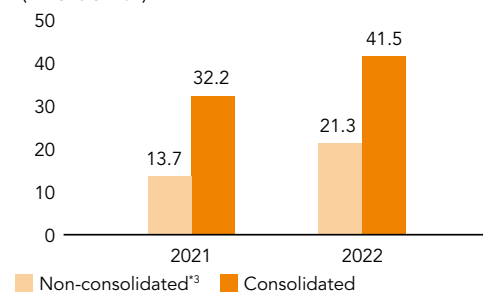
### Net business profit before credit costs



\*2 FY2012: Total figure of Stock Transfer Agency Services Business, Fiduciary Services Business and Real Estate Business  
FY2022: Total of investor services business, real estate business, asset management business and net business profit corresponding to former stock transfer agency services business

### Retail Business:

Net business profit before credit costs (Billions of Yen)



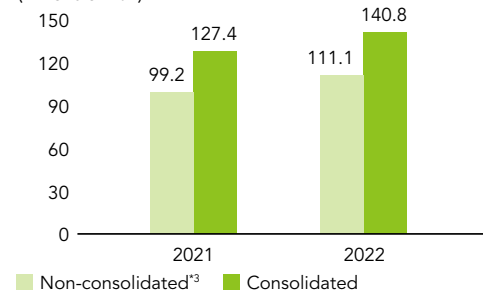
Total income of investment management consulting remained at a level similar to last fiscal year due to o increased sales fees of insurance while decreased sales fees of investment trust. As a result, together with the contribution of UBS SuMi TRUST Wealth Management to earnings, net business profit before credit costs increased 7.6 billion yen year-on-year to 21.3 billion yen on a non-consolidated basis<sup>\*3</sup> and increased 9.2 billion yen to 41.5 billion yen on a consolidated basis.

Major subsidiaries and affiliated companies

- Sumitomo Mitsui Trust Bank
- Sumitomo Mitsui Trust Club
- Sumitomo Mitsui Trust Wealth Partners
- Sumitomo Mitsui Trust Life Partners
- UBS SuMi TRUST Wealth Management

### Corporate Business:

Net business profit before credit costs (Billions of Yen)



As a result of stable performance of stock transfer agency services-related fees in addition to an increase in corporate credit related fees, net business profit before credit costs increased 11.9 billion yen year on year to 11.1 billion yen on a non-consolidated basis<sup>\*3</sup> and was up 13.3 billion yen to 140.8 billion yen on a consolidated basis.

Major subsidiaries and affiliated companies

- Sumitomo Mitsui Trust Bank
- Sumitomo Mitsui Trust Panasonic Finance
- Sumitomo Mitsui Trust Loan & Finance
- Sumitomo Mitsui Trust Bank (Thai)
- Zijin Trust
- Tokyo Securities Transfer Agent
- Japan Securities Agents
- Sumitomo Mitsui Trust TA Solution
- Japan Stockholders Data Service Company

Aiming to be a value creating company

Enhance Corporate Value and Management Base

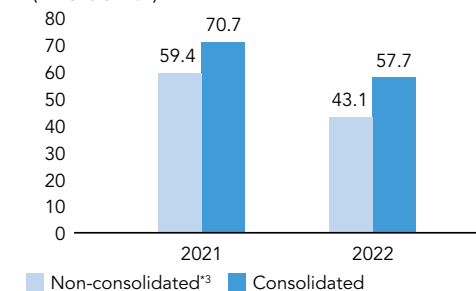
Messages from subsidiary management

Business Strategy

Financial information Corporate information

### Investor Services Business:

Net business profit before credit costs (Billions of Yen)



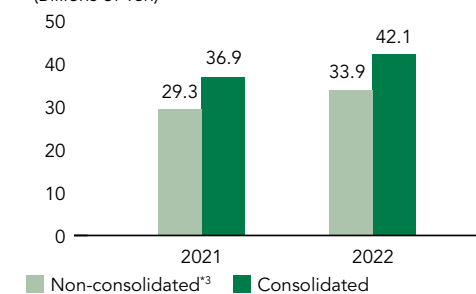
As a result of a decrease in profit and loss related to investments in partnerships (in foreign currencies) despite the stable performance of the pension business and the contribution of overseas asset administration subsidiaries to earnings, net business profit before credit costs fell 16.3 billion yen year on year to 43.1 billion yen on a non-consolidated basis<sup>\*3</sup> and 13.0 billion yen to 57.7 billion yen on a consolidated basis.

Major subsidiaries and affiliated companies

- Sumitomo Mitsui Trust Bank
- Custody Bank of Japan
- Sumitomo Mitsui Trust Bank (U.S.A.)
- Sumitomo Mitsui Trust (Ireland)
- Japan Pension Operation Service

### Real Estate Business:

Net business profit before credit costs (Billions of Yen)



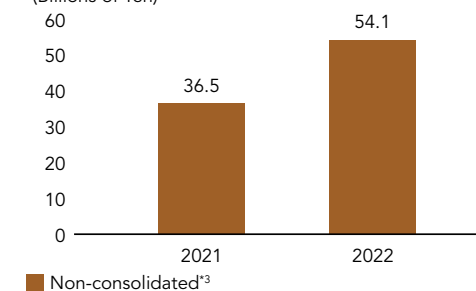
As a result of strong performance of corporate real estate brokerage due to closing large transactions, in addition to continued solid performance of retail real estate brokerage, net business profit before credit costs increased 4.5 billion yen year on year to 33.9 billion yen on a non-consolidated basis<sup>\*3</sup> and rose 5.2 billion yen to 42.1 billion yen on a consolidated basis.

Major subsidiaries and affiliated companies

- Sumitomo Mitsui Trust Bank
- Sumitomo Mitsui Trust Realty
- Sumitomo Mitsui Trust Research Institute

### Global Markets Business:

Net business profit before credit costs (Billions of Yen)



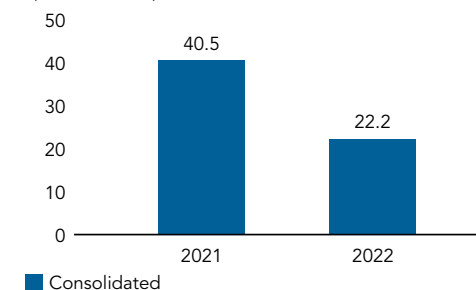
Net business profit before credit costs increased 17.5 billion yen year on year to 54.1 billion yen owing to strong performance of client service-related revenue.

Major subsidiaries and affiliated companies

- Sumitomo Mitsui Trust Bank

### Asset Management Business:

Net business profit before credit costs (Billions of Yen)



As a result of a lack of dividends from business partners that we invest in, which had contributed to earnings in the previous fiscal year, in addition to a decline in revenue resulting from a decrease in funds under management mainly due to a decline in market value, net business profit before credit costs dropped 18.2 billion yen year on year to 22.2 billion yen.

Major subsidiaries and affiliated companies

- Sumitomo Mitsui Trust Asset Management
- Nikko Asset Management
- Sky Ocean Asset Management
- JP Asset Management

\*3 SuMi TRUST Bank (non-consolidated)



# Retail Business

## Specific initiatives

### (1) Expanding contact points with clients by leveraging digital

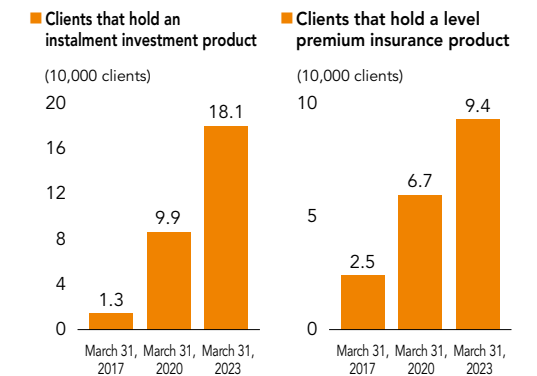
With the growing need for each individual to improve their own financial literacy and work on asset formation to prepare for the age of 100-year life, we launched “Smart Life Designer,” a smartphone app that provides an all-in-one service for designing ideal life plans, managing household finances and assets all at one go, and collecting information on asset formation, under the concept of “designing necessary money together with clients to create the future for money,” in April 2022. Through this app which is freely available not only to our clients but also to anyone, we are striving to solve social issues in the age of 100-year life.



### (2) Supporting asset formation of the working generation

As we enter the age of 100-year life, our clients’ needs for asset formation is growing more than ever. We help clients design their life plans by providing products and services, such as installment investments and level premium insurance which require only a small initial outlay, through a precise consulting services on asset formation based on the understanding of future income and expenditure, including pensions which form the core of post-retirement income.

We also focus on financial literacy education through workplaces and others with a view to helping clients make appropriate decisions and actions regarding asset formation and financial product and services.

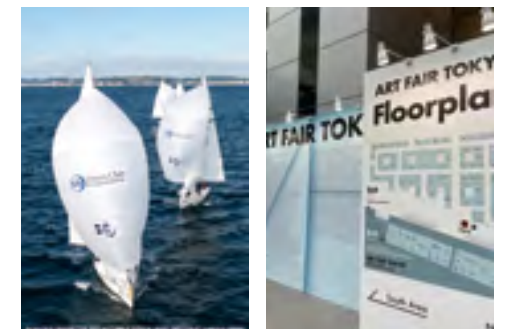


### (3) Promoting Wealth Management Business

UBS Group boasts the world’s leading asset management and securities services<sup>\*1</sup>, and SuMi TRUST Group provides a wide range of products and services that include asset administration and succession and real estate and other non-financial services<sup>\*2</sup>. By provides our total wealth management services that organically combine these offerings, we fully support clients in leading enriching lives.

<sup>\*1</sup> Through UBS SuMi TRUST Wealth Management Co., Ltd., an affiliated company that specializes in services for the wealthy class, the Group delivers global and highly professional asset management and securities services to clients, leveraging the advantages that the UBS Group has to offer.

<sup>\*2</sup> SuMi TRUST Group served as the main sponsor of ART FAIR TOKYO 2023 held in March 2023. We also serve as a special sponsor of the Diners Club NIPPON CUP 2023 Hayama Series in April and October 2023.



### Contributing to the realization of “my own unique future” and “FINANCIAL WELL-BEING”

**Ayana Yano** Sumitomo Mitsui Trust Financial Education Institute, SuMi TRUST Bank

As a researcher at Sumitomo Mitsui Trust Financial Education Institute, I survey and research the desired asset formation and asset utilization that respond to the demands of the age of 100-year life from a neutral position and disseminate information. I take pride in the fact that only a trust bank can offer a diverse range of products and services, and can provide not only asset management but also extensive and professional information tailored to an individual’s life plan such as pension plans, real estate and asset succession resulting from inheritance. As longevity increases and values diversify, it is my dream to help as many people as possible realize their “own unique futures” and “FINANCIAL WELL-BEING”!

### Aspiration

We are committed to contributing to the realization of clients’ FINANCIAL WELL-BEING, which ensures safe and enriching futures for clients, by finding solutions to various money- and asset-related problems that solve social issues in the age of 100-year life. In addition to this social value, we also aim to create economic value for ourselves that consists of sustainable and stable growth.

#### Awareness of issues

- Response to changes in the environment surrounding individuals associated with inflation and interest rate hikes across the globe
- Sophistication of business processes to address the medium- to long-term population decline and adapt to digitalization
- Diversification of contact points with clients (channels) and reforms of branches and networks
- Expansion of the number of clients that underpins stable business growth

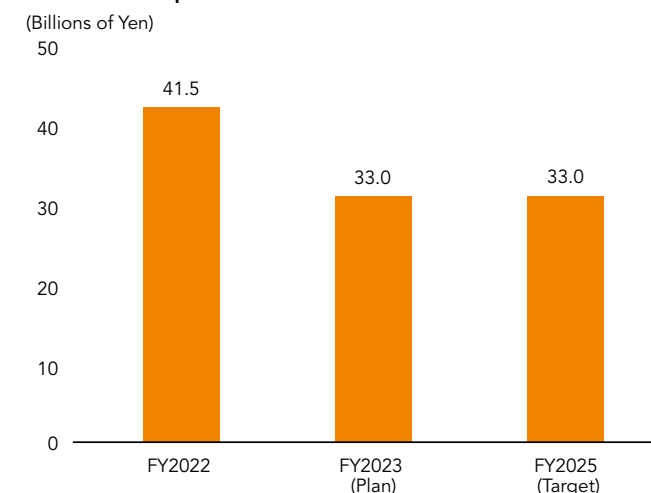
#### Opportunities and strengths

- Growing needs for asset formation and management, asset administration and asset succession in the age of 100-year life
- Client-oriented high-quality consulting, and our lineup of products and services that is unique to a trust bank and distinctive from other companies
- A broad client base ranging from working-age to senior generation and our employees with diverse knowledge and expertise

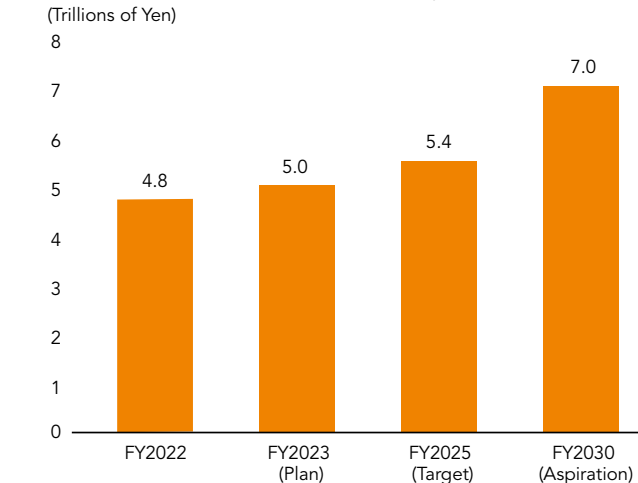
#### Key measures

We aim to establish Japan’s No. 1 “100-Year Life Support Model,” which provides solutions unique to a trust bank for more clients through extensive and in-depth consulting to address social issues in the age of 100-year life, thereby expanding the positive impact on society. In order to achieve this goal, we will work to enhance consulting, products and services, channels, procedures and payments and other areas.

#### Net business profit before credit costs



#### Total entrusted assets of the will custody service clients



# Corporate Business

## Aspiration

While business environment surrounding us has been changing immensely and been becoming complicated, corporate clients are faced with more diverse management issues. We aim to become the “Best Partner” for clients that helps solve management issues and social issues for clients and society by further bolstering our versatility and expertise of a trust group.

### Awareness of issues

- Growing uncertainty and higher volatility of markets due to international conflicts and geopolitical risks, increased financial system instability
- Globally accelerated initiatives for decarbonization and companies’ transition to ESG management
- Financial business model transformation driven by DX

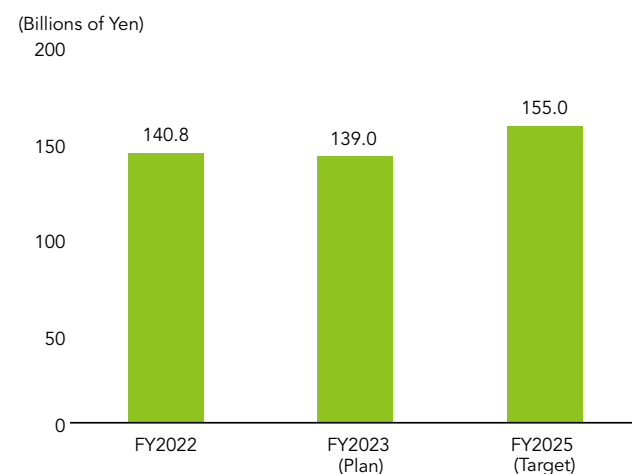
### Opportunities and strengths

- New financing needs associated with decarbonization and increasing investors’ demands for investment and asset management
- Specialists with talent to offer high-value-added services to clients
- Providing versatile and highly specialized comprehensive solutions through acquisition and analysis of financial and non-financial information

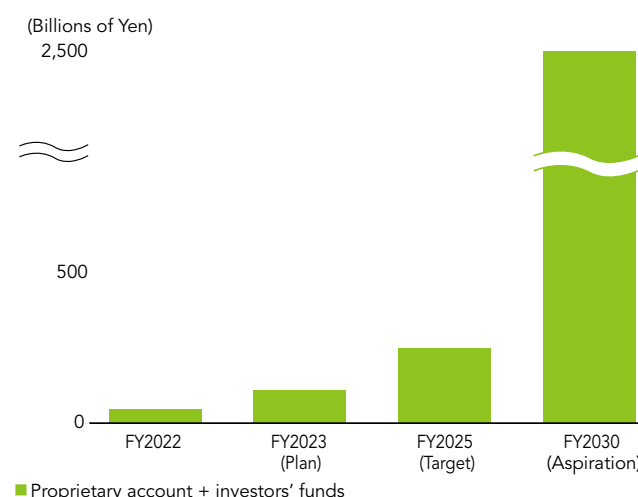
### Key measures

- Providing ESG total solutions to achieve sustainable management and society
- Contributing to a virtuous circulation of funds, assets and capital by establishing financial intermediary functions that are unique to our Group
- Contributing to the sound development of capital markets by supporting enhancement of corporate governance and improving the convenience of shareholders

## Net business profit before credit costs



## Impact equity



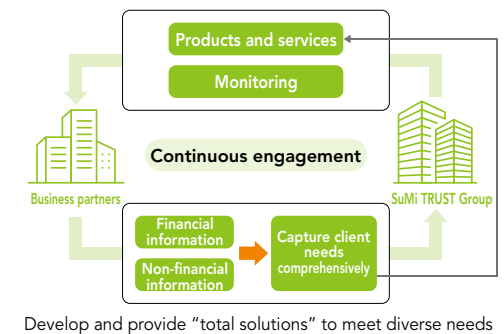
## Specific initiatives

### (1) Providing ESG total solutions

As initiatives related to ESG accelerate globally, clients are faced with complex and challenging issues, such as decarbonization and enhancing of human capital management.

Taking advantage of contact points with diverse stakeholders through our banking and trust businesses in addition to a wide variety of product lineups, our Group provides one-stop solutions that lead to the enhancement of corporate value.

We aim to become the “Best Partner” that can solve issues of our clients by balanced creation of both economic value and social value.

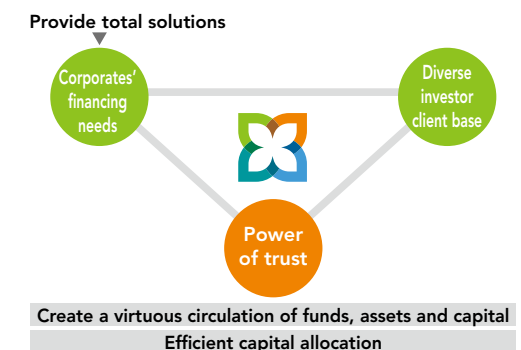


### (2) Contributing to a virtuous circulation of funds, assets and capital

With social structures undergoing dramatic changes, an enormous amount of capital is required to address management issues and social issues, which include decarbonization and regional revitalization.

In addition to meeting financial needs to solve those issues, our Group will promote a circulation of funds to areas needed by our clients and society, with the power of trust, connecting investment and asset management needs of diverse investors with whom we have contact through our banking and trust businesses.

We shall contribute to a virtuous circulation of funds, assets and capital that brings fruit to households through enhanced corporate value by fulfilling financial intermediary functions.



### (3) Contributing to the sound development of capital markets

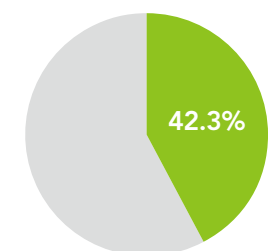
We provide seamless support for corporate stock administration and governance-related services, by utilizing diverse information gained from our client base which is No. 1 of the number of stock transfer agency services clients\* and the largest data in Japan from Governance surveys and Compensation surveys.

There are needs for solutions to management issues related to corporate governance and dialogue with investors, and these issues are becoming increasingly sophisticated and complex. We are committed to helping our clients achieve growth as the “Best Partner” through providing of optimal and high-quality solutions.

We shall also lead the sound development of capital markets in Japan by capturing trends in the progress of DX to support the digitization of general meetings of shareholders and other efforts.

\*Number of stock transfer agency services clients of SuMi TRUST Group as of March 31, 2023

## Market share of stock transfer agency services (as of Mar.2023)



\*Number of listed companies under management of SuMi TRUST Group



## Delivering solutions unique to SuMi TRUST Group that fully and thoroughly consider the needs of clients

### Yuma Saitou Nagoya Corporate Business Dept. I, SuMi TRUST Bank

As a corporate Relationship Manager, I am always conscious of the need to ‘act as an employee of our client companies.’ I have had conversations with a wide range of employees, from those on the frontline to senior managements, and have been fully and thoroughly considering what is needed by our clients. I believe making diverse proposals on matters including stock transfer agency services, pensions and employee asset formation, in addition to loans, has led to the adoption of our proposals and the deepening of business relationships. I have been a member of Nagoya Corporate Business Dept. I since this April. I will ensure we listen to voices of local clients and strive to provide solutions that utilize initiatives unique to us, such as regional ecosystems and forest trust!



# Investor Services Business

## Aspiration

Our goal is to create a virtuous circulation of funds, assets and capital by fulfilling our unique financial intermediary functions that will lead to solutions for social issues such as the realization of a decarbonized society, revitalization of regional economies or the age of 100-year life. We also aim to meet financing needs resulting from such actions to solve issues, seeing them as valuable investment opportunities for investors.

### Awareness of issues

- Enormous stagnant assets of individuals and corporate internal reserves in Japan
- Supply of funds to new social issues (decarbonization and regional revitalization)
- Need for asset formation to prepare for the age of 100-year life
- Increasing complexity of management issues faced by investors and asset managers due to environmental changes
- Changes in trends and future uncertainties associated with changes in global circumstances and monetary policies

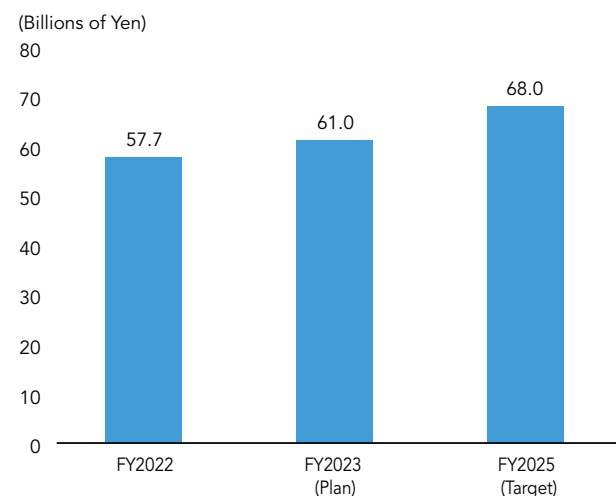
### Opportunities and strengths

- Creating a virtuous circulation of funds through financial intermediation that solves social issues starting with investor clients
- Largest corporate pension business base in Japan and investment consulting capability cultivated through the pension business
- Screening a variety of investment products by capitalizing on banking investments and networks in and outside Japan
- Knowledge of asset administration cultivated over a long period of time and high operational quality

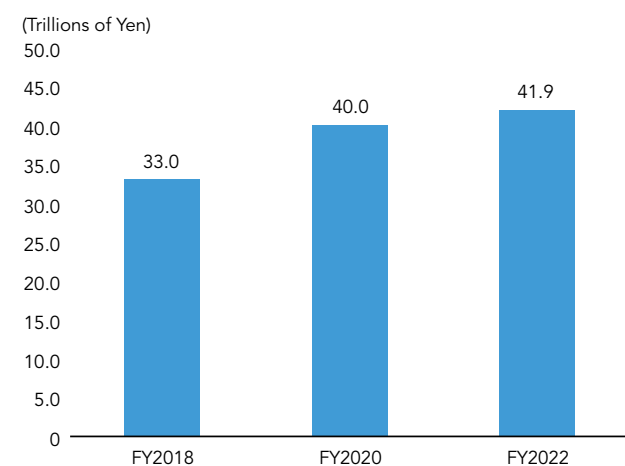
### Key measures

- Provision of consulting and total solutions based on investors' management issues
- Creation of a variety of investment opportunities and investment products that simultaneously solve the financing needs related to new social issues and the investment needs of investors
- Sophistication of asset administration services and strengthening of value-added services including reporting to better handle the management of increasingly complex investment products

## Net business profit before credit costs



## Investor Services Business: AUM



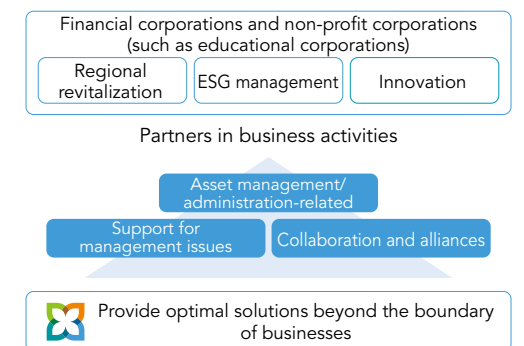
\*Assets under management through public pension trust/designated money trusts, jointly operated designated money trusts, etc.

## Specific initiatives

### (1) Promoting total solutions for investors

As medium- to long-term structural changes in the social economy progress, the business environment surrounding financial institutions, non-profit corporations and other clients is becoming increasingly complex. We provide a diverse menu of solutions unique to a trust group, with a focus on asset management and administration, aimed at resolving clients' issues in this new environment.

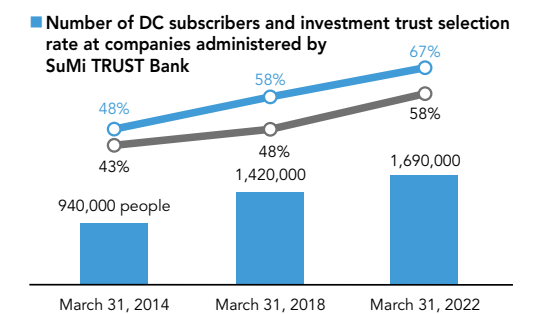
We aim to be the Best Partner that is essential to and dependable by our clients, and contribute to the creation of a virtuous circulation that helps solve social issues.



### (2) Supporting asset formation, starting with the pension business

Amid growing corporate interest in human capital management, there is growing momentum for both companies and employees to rethink how asset formation should be done.

Revolving around the corporate pension sector in which it has the largest business base in Japan, SuMi TRUST Bank has been providing thorough company support for asset formation, including investment education through companies, to employees who underpin sustainable improvement in corporate value. It is currently working to promote individual-type DC plans (iDeCo) in light of revisions to the law. We will continue to provide services in line with the changing environment and contribute to well-being of our clients by serving as a partner for both companies and their employees in the age of a 100-year life.

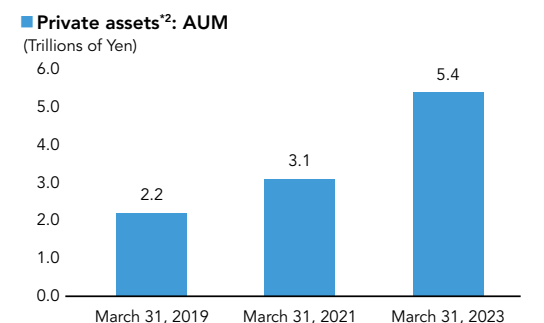


\*1 (Source) "Defined Contribution Pension Statistical Data" (published by Liaison Council of Management Control Institutions)

### (3) Private-asset-related business for market creation

With increasingly uncertain market condition, there is growing interest in private assets, which are expected to provide investment returns and risk diversification benefit over the medium term. We have been utilizing our knowledge gained from years of proprietary investing to provide investment opportunities for investors.

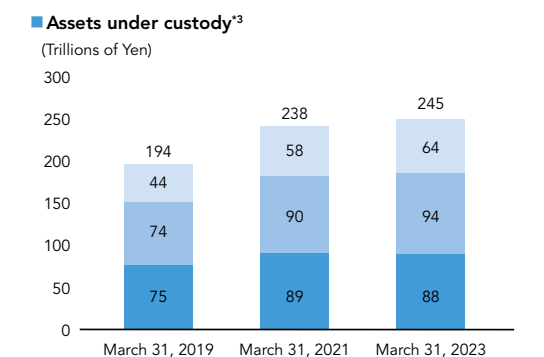
We will play a leading role in investment by leveraging our in-house capabilities to meet new demand for funds in areas that solve social issues such as decarbonization, which is anticipated to gain significant momentum in the future, thereby democratizing investment so that investors can access valuable investment opportunities.



\*2 Private assets: Primarily assets such as private equity, real estate, infrastructure, credit products, etc.

### (4) Asset administration business that supports asset management of investors

We have been providing a wide range of asset administration services that support asset management and asset preservation, both in Japan and overseas, as the partner of our clients such as investors and asset managers. In order to respond to the diversifying needs of our clients as investment targets and investment methods become more sophisticated, we will continue to enhance our asset administration services which we have cultivated over time, and expand our various solutions, such as reporting services that utilize our IT and digital infrastructure and outsourcing services for middle and back office operations.



\*3 Overseas assets under custody represents a sum of funds under custody/administration Using the exchange rates as of the end of March of each fiscal year

# Real Estate Business

## Aspiration

- We aim to be the Best Partner that is our clients' first choice, by providing added value to their real estate needs through our high level of expertise and comprehensive capabilities.
- By providing safe and secure backed by solid administrative processes, we will strongly support the growth of the market as social infrastructure that underpins real estate investment and the secondary market, which should lead to our own results.

### Awareness of issues

- Growing need for real estate transactions against the backdrop of inflation and large inheritance of baby boomer generations, and growing interest in private asset investment
- Changes in real-estate-related needs, triggered by growing interest in ESG management
- Progress in DX in society that will transform the real estate industry and business
- Need to respond to changes in the real estate market conditions

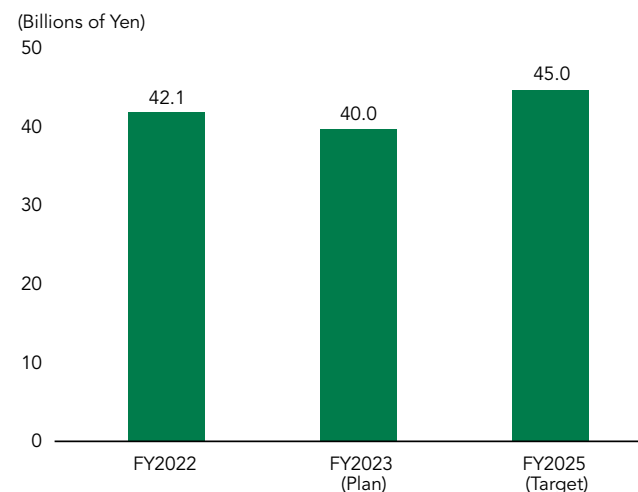
### Opportunities and strengths

- Highly specialized human resources such as those with good judge of real estate and with professional qualifications
- Entrusted provision of total solutions through the real estate value chain with strengths in diverse consulting functions
- Essential presence with No. 1 share in terms of entrusted balance in the real estate investment market (real estate securitization trusts and investment corporations administered)

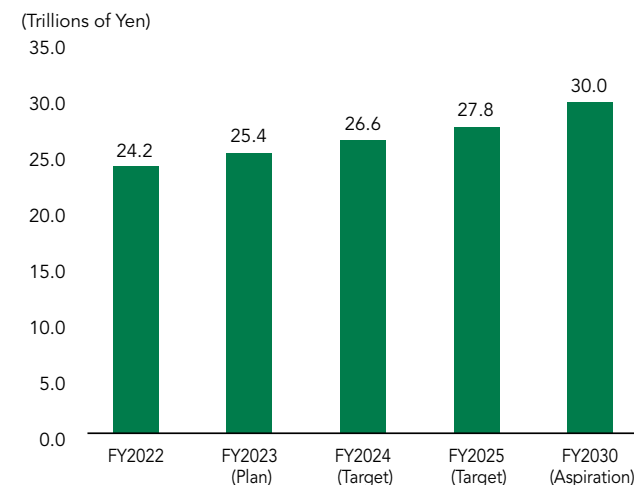
### Key measures

- Leveraging diverse consulting functions to address new management issues faced by clients as represented by ESG
- Promoting a circulation of assets by acting as an investment leader (provision of materials for decision-making based on "unique information" × "DX," and proprietary investment)
- Expanding the client base by utilizing third parties
- Providing peace of mind and security through solid administrative processes in such areas as administration for real estate securitization trusts/investment corporations and real estate brokerage

## Net business profit before credit costs



## Entrusted balance of real estate securitization<sup>\*1</sup>



<sup>\*1</sup> Entrusted balance at SuMi TRUST Bank

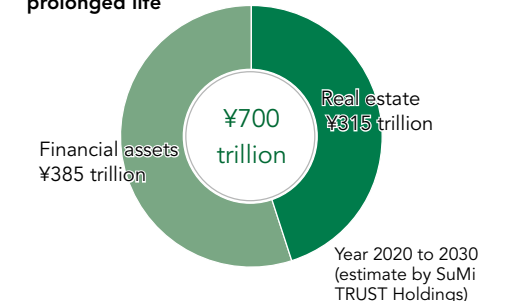
## Specific initiatives

### (1) Individuals – Real estate to cater closely to the age of 100-year life

Domestic personal assets include real estate ones worth 1,000 trillion yen, in addition to financial assets of 2,000 trillion yen. The overall optimization of clients' assets is an important issue in the age of 100-year life.

At SuMi TRUST Group, SuMi TRUST Bank, Sumitomo Mitsui Trust Realty and others work together to provide a wide range of solutions, including for asset formation, administration and succession, that combine the functions of finance and real estate. We aim to meet the real estate needs of society resulting from social changes such as the era of large number of inheritance and increased longevity, as well as the asset management needs of high-net-worth clients. This way we aim to be the Best Partner that caters closely to life stages.

#### Inheritance transfer assets associated with prolonged life

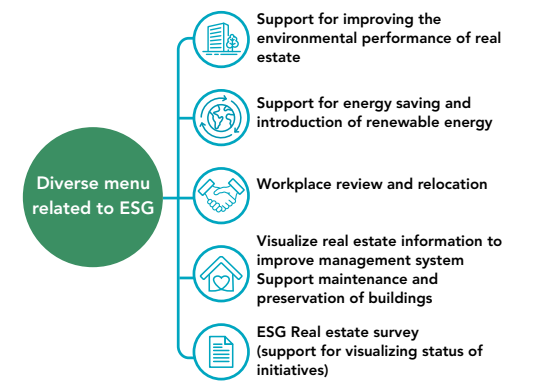


### (2) Corporates – Support for clients' ESG management

Our clients' needs for ESG management have been increasing more than ever, including decarbonization, human capital management and optimal utilization of management resources.

The strengths of SuMi TRUST Group lie in diverse solutions that meet the needs for each of E, S and G, such as improving the environmental performance of real estate, reviewing workplaces and optimizing real estate portfolios. We see this trend as a perfect tailwind.

In the environmental field, in particular, since establishment of a dedicated unit in 2010, we have been serving as a frontrunner in the industry and providing various services aimed at promoting environmentally-friendly conscious real estate.



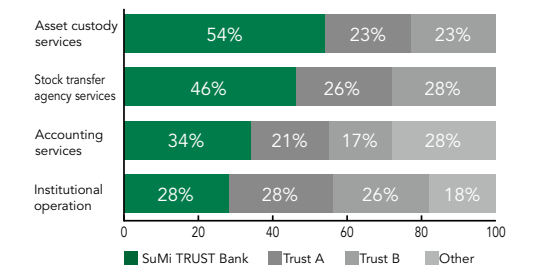
### (3) Investors – Provision of investment infrastructure and opportunities

We can boast of being No. 1 in entrusted balance in real estate securitization trusts/investment corporations administered, and have an important social mission to support the growth of the market by providing peace of mind and security through solid administrative operation and others.

In addition, we will lead real estate investment by providing cross-border transition opportunities through proprietary investment based on our real estate expertise and business tie-ups, with the aim of expanding the circulation of assets and building win-win relationships with investors.

In the future, we will contribute to the further development of the market by providing decision-making materials through the combination of our Group's unique information and DX.

#### Track record of property administration operations entrusted for J REIT



<sup>\*</sup>Compiled by SuMi TRUST Holdings based on information published by the respective investment corporations as of March 31, 2023. Market share is based on the number of plans under management. A total of 65 securities, including infrastructure REITs, are covered



### Contributing to the resolution of real estate issues faced by clients with detailed and thorough proposals

**Risa Ushio** Real Estate Business Solution Dept., SuMi TRUST Bank

I am in charge of consulting services to comprehensively handle our corporate clients' concerns related to real estate. There are a wide variety of concerns including how to manage assets such as factories and logistics, and how to position real estate that is not the main business. Since our proposals will have a significant impact on the management policies of our clients and the lives of the employees who work there, I strive to accurately identify their needs and provide them with as detailed and thorough proposals as possible. When a proposal from us is reflected in management decisions, including it being reflected in a medium-term management plan, I feel rewarded for the fact that I was able to contribute to the resolution of issues.





# Global Markets Business

## Aspiration

- Maximize our corporate value by capturing all investment opportunities through thorough pursuit of strategic diversified investment (three-dimensional diversification)
- Combine our proprietary investment know-how and fiduciary spirit, to support the realization of a virtuous circulation of funds, assets and capital across Japan through the expansion of total solution sales that meet all the needs of clients from decision-making support to investment and risk hedging and ALM co-creation business

### Awareness of issues

- While the financing and fund management needs of individual, corporate and investor clients are expanding in response to the medium- to long-term changes in social and industrial structure, such as a shift to an inflationary environment and the realization of a decarbonized society, the circulation of funds remains stagnant
- Growing expectations for the provision of solutions that serve as the starting point for a “virtuous circulation of funds” in order to solve issues for clients and society

### Opportunities and strengths

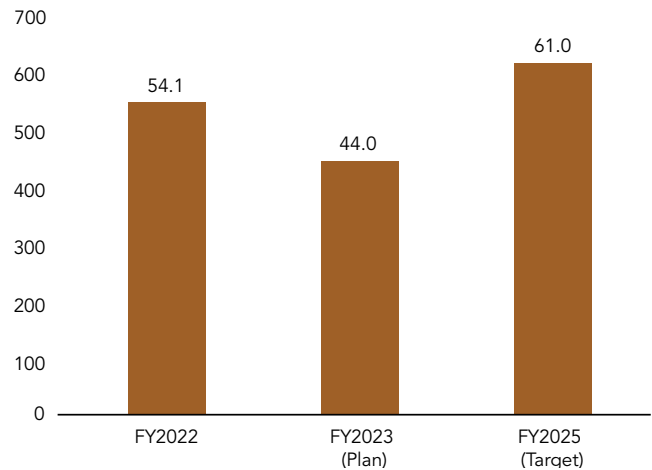
- A flexible and resilient organization with an open and flat culture in which people respect diverse ideas and work together to enhance knowledge
- Strong risk control capability cultivated through proactive efforts to stay ahead of constantly changing markets
- Solution capability to provide highly sophisticated expertise honed through a diverse range of investment and precise ALM management, while staying close to the challenges of our clients

### Key measures

- Further sophistication of market analysis capability and investment technology to capture investment opportunities in all market conditions
- Strengthening financial risk management aimed at stabilizing enterprise-wide earnings, in preparation for changes in the environment, such as rising interest rates in the future
- Creating the starting point for a circulation of funds by offering total solution sales and ALM co-creation that solve both our own challenges and those of our clients together

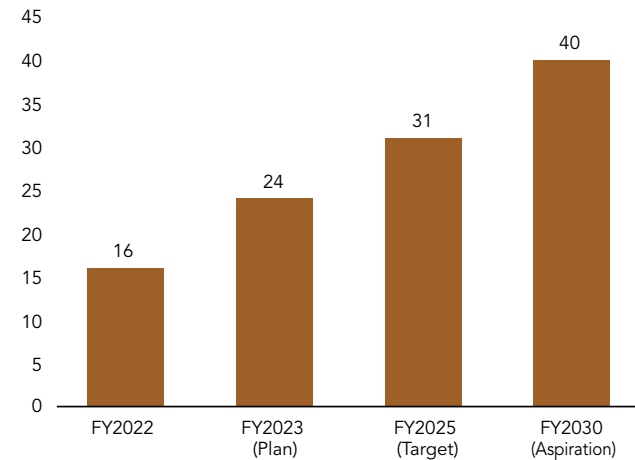
■ Net business profit before credit costs

(Billions of Yen)



■ Participation rate of Regional banks I in ALM co-creation business<sup>\*1</sup>

(%)



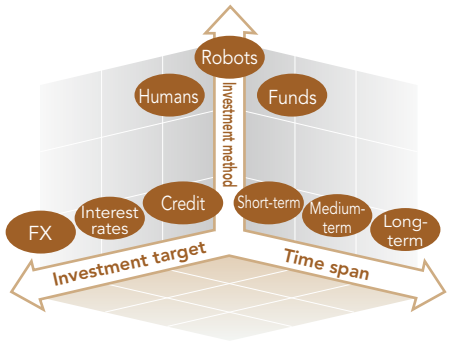
<sup>\*1</sup> Percentage of members of the Regional Banks Association of Japan who participate in ALM co-creation business

## Specific initiatives

### (1) Sophisticating investment operations

We aim to grow our investment operations sustainably by capturing investment opportunities accurately through our unique investment style of diversifying strategically on three axes of investment method, investment target and time span (three-dimensional diversification), to capture stable earnings with smaller fluctuations in profit and loss.

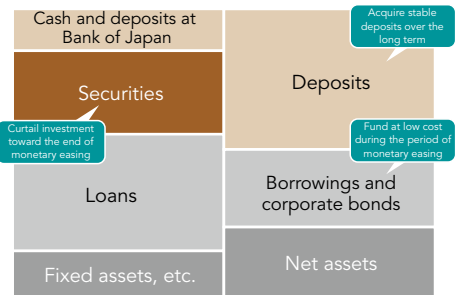
In the environment of global monetary tightening, market fluctuations are expected to be larger. In addition to enhancing investment know-how through appropriate portfolio management by considering “market fluctuations to be opportunities to earn profit,” we will raise the level of sophistication by utilizing digital technologies as valuable knowledge that will help to enhance products and services for clients.



### (2) Sophisticating ALM (financial risk management) operations

We aim to secure stable earnings by flexibly controlling enterprise-wide financial risks inherent in the balance sheet, such as interest rate risk and liquidity risk arising from deposits and loans and the risk of changes in fees and revenues arising from the business model unique to a trust bank, using securities and derivatives.

We have been implementing measures to prepare for future market changes, such as increasing financing through the issuance of low-cost corporate bonds in the environment of low interest rates and monetary easing, and curtailing bond investment in anticipation of rising interest rates toward the end of the monetary easing. As monetary tightening is also expected in Japan in the future, we will work on appropriate risk control through further sophisticating of ALM operations.

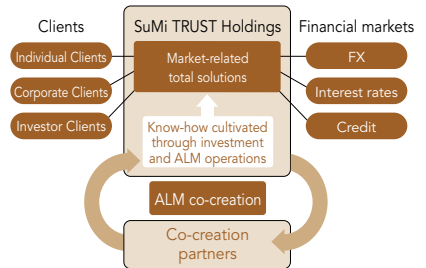


Appropriately control financial risks

### (3) Strengthening market-related total solutions and ALM co-creation business

Based on the know-how we have cultivated through investment and ALM operations, we will respond to client needs through total solutions that “solve both our own challenges and those of our clients together.” In particular, we will focus on the expansion of foreign-currency-denominated products that contribute to long-term asset formation for individuals, the provision of financing and risk hedging tools toward decarbonization, and support for the development of investment products.

We will also aim to strengthen advisory services that support investment decision-making and build highly functional digital platforms, in order to focus on “ALM co-creation business” in which we work with our regional bank partners (co-creation partners) to create solutions for a wide range of ALM issues, as the starting point for creating a circulation of funds across Japan.



Solve issues faced by clients and co-creation partners together!



### Taking on a challenge to create and expand new markets

**Kyohei Saito** Market Making Unit, SuMi TRUST Bank

I engage in business related to carbon credit<sup>\*2</sup> trading. Unlike financial instruments such as interest rates and foreign exchange, the trading framework is still in the process of being developed, so it is necessary to overcome the issues at hand one by one by cooperating with internal and external parties. It is often difficult; however, I feel it is rewarding to be able to witness the creation of new markets, such as through the participation in the TSE’s demonstration project last year. In the future, I would like to develop trust products that incorporate carbon credits to contribute to the growth of the market!

<sup>\*2</sup> Those certified by the national government as credits for reducing CO<sub>2</sub> emissions through the introduction of energy-saving equipment and the use of renewable energy, and for absorbing CO<sub>2</sub> through appropriate forest management

# Asset Management Business

## Aspiration

In addition to supporting clients' decision-making process through institutional and asset management consulting, we offer a variety of options for asset management functions that each Group company possesses and contribute to clients' long-term and continuing asset management.

We also contribute to solving social issues and overall market growth through ESG investments and engagement with investee companies.

### Awareness of issues

The competitive environment is intensifying, with the acceleration of fee reductions, particularly in passive investment, and the entry of foreign players into alternative assets where investor demand is strong one after another. In addition, the expectations for asset managers for improved environmental and social sustainability, such as climate change, biodiversity and human rights, are growing.

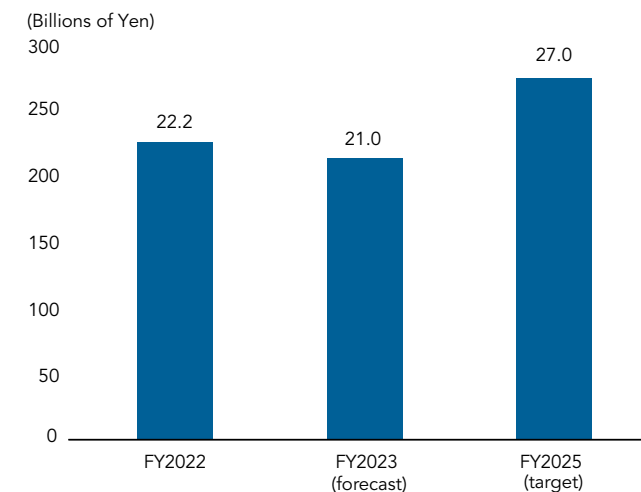
### Opportunities and Strengths

In addition to the asset formation needs of the age of 100-year life and the high growth potential of overseas markets, we recognize that it is important to focus on changes in investors' values brought about by trends in DX and ESG. SuMi TRUST Group will create new investment opportunities by leveraging its custom-made product design capabilities that it has cultivated through passive and active management and expertise in a variety of alternative assets.

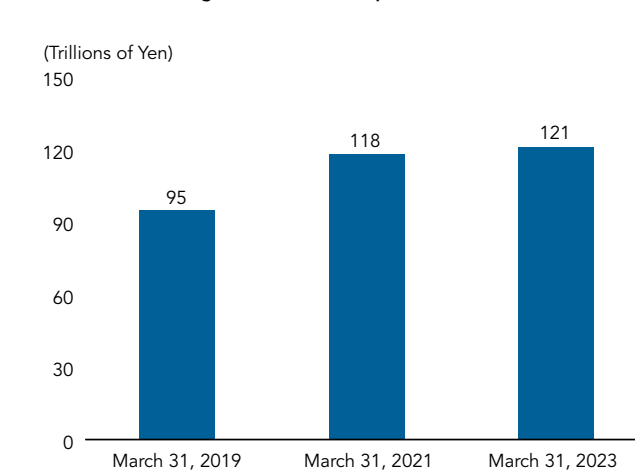
### Key Measures

- Development of investment products that solve social issues
- Expansion of overseas networks by establishing new bases in growing markets and acquiring sales channels
- Expansion of global asset management capabilities by utilizing strategic investments and alliances

## ■ Net Business Profit before Credit Costs



## ■ Assets Under Management of the Group<sup>\*1</sup>



<sup>\*1</sup> Total assets under management of SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management and Nikko Asset Management

Aiming to be a  
value creating company

Enhance Corporate Value  
and Management Base

Messages from  
subsidiary management

Business Strategy

Financial information  
Corporate information

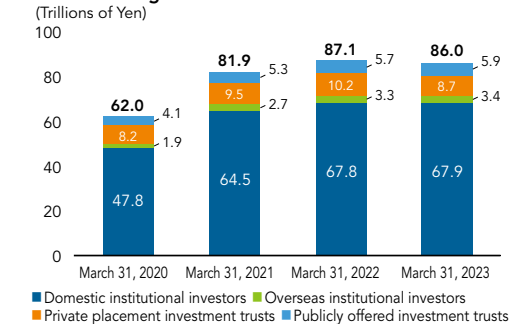
## Specific initiatives

### (1) Providing asset management solutions that have been cultivated through pension management

To date, Sumitomo Mitsui Trust Asset Management has responded to the needs of leading domestic institutional investors, including pension funds, by providing high-quality investment products and problem-solving capabilities. In addition, these investment solutions, which we have cultivated through pension management for institutional investors, are also delivered to individual clients through consulting sales support and programs for distributors of investment trusts.

We will continue to respond promptly to the diverse needs of investors and strive to maximize profits for our clients through the provision of advanced and high-quality products.

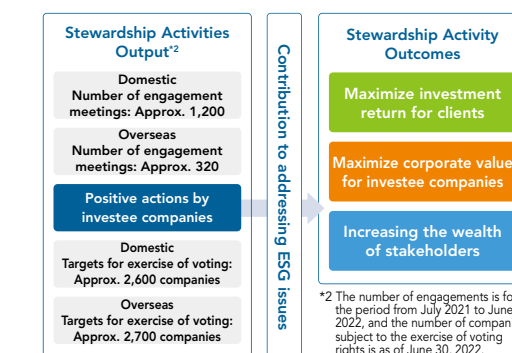
### ■ Assets Under Management of Sumitomo Mitsui Trust Asset Management



### (2) Stewardship activities as a responsible institutional investor

As a responsible institutional investor, Sumitomo Mitsui Trust Asset Management promotes stewardship activities such as engagement and the exercise of voting rights in Japan and overseas. More specifically, in addition to engaging in in-depth dialogue with investee companies by integrating ESG and business perspectives, we actively make recommendations on global social issues such as climate change and human rights and express opinions that contribute to improving governance through the exercise of voting rights.

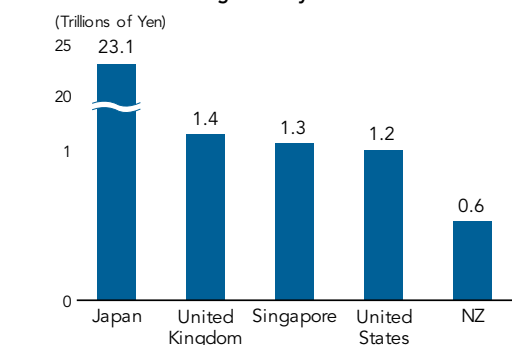
Through these efforts, we will not only maximize our clients' investment returns by enhancing corporate value, but also contribute to the realization of a prosperous society.



### (3) Providing products leveraging global network

Nikko Asset Management provides clients with innovative products and services that harness its various strengths, from a network of corporate hubs, including joint ventures, spanning 11 countries worldwide, to the support for distributors and the unique product development that actively utilizes this network. For example, Global Equity Strategy, which is managed in Edinburgh, United Kingdom, offers investors worldwide, including Japan, the ability to invest carefully in a small number of stocks without being constrained by benchmarks. In addition, our Singapore office has a wide range of asset management capabilities, from equities to bonds and multi-assets, and offers products not only to investors locally and in neighboring Asian countries, but also to many Japanese institutional investors, by leveraging its capability to closely respond to diverse needs.

### ■ Assets Under Management by base As of March 31, 2023



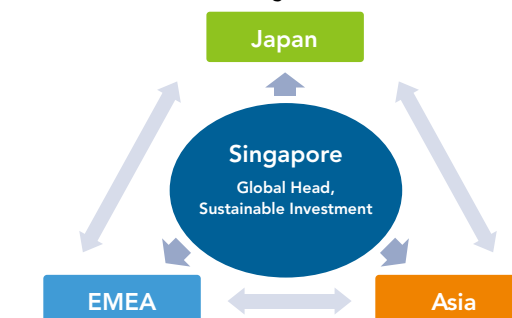
### (4) ESG investment

Nikko Asset Management has been strengthening its offering of investment products that contribute to the resolution of ESG issues, including making new applications for certain domestic equity active funds as Article 8 funds<sup>\*3</sup> under the EU Sustainable Finance Disclosure Regulation (SFDR).

In addition, our Japan office newly established Sustainable Investment Department with a view to promoting cross-asset stewardship activities and to deepening ESG integration for each asset. Global Sustainable Investment Team, led by our Singapore office, will enhance high-quality ESG initiatives to meet the expectations of our global clients while strengthening cooperation among our global offices.

<sup>\*3</sup> Among ESG (environmental, social and corporate governance), financial instruments that promote environmental or social characteristics or a combination thereof

### ■ Collaboration between global base





# Theme5

Financial information

Corporate information

110 Group information and external evaluation of SuMi TRUST Group

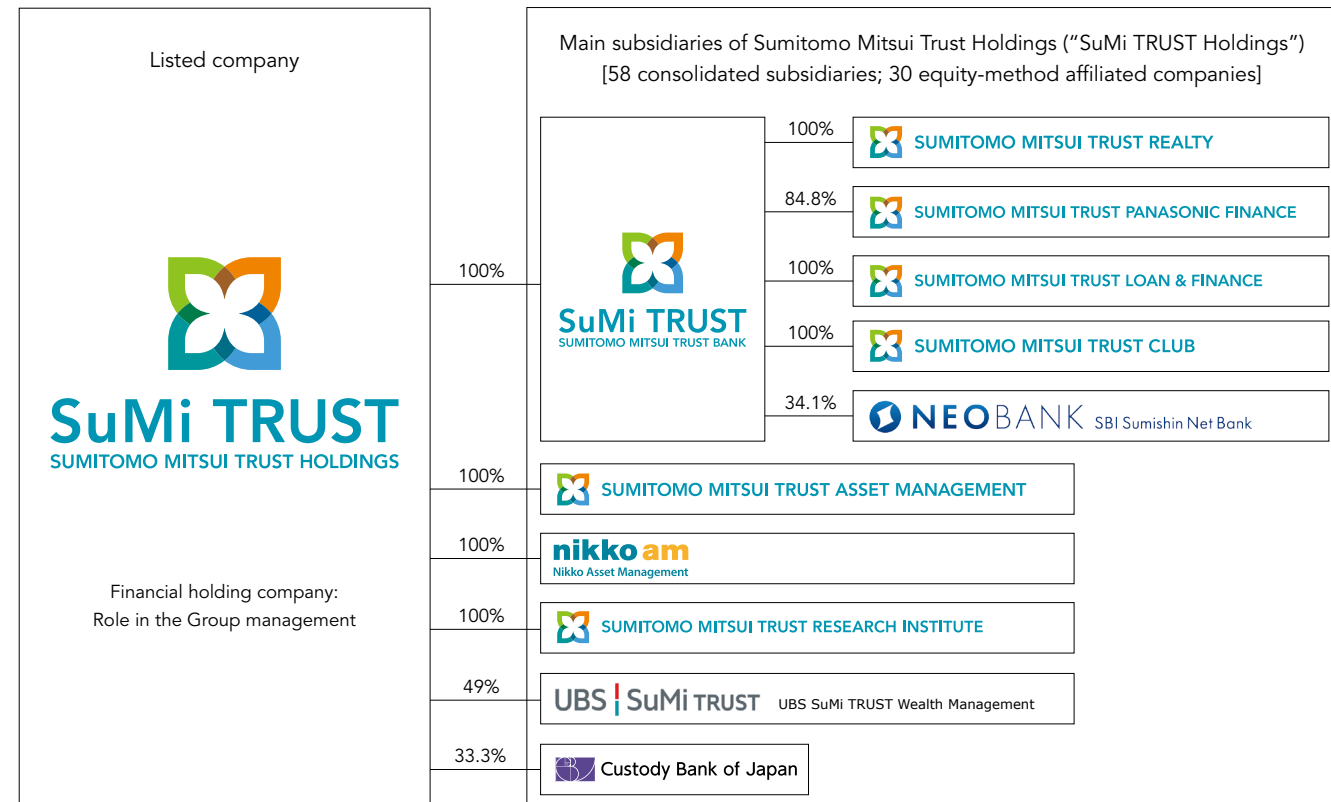
112 Financial data

114 Corporate information

## Group information and external evaluation of SuMi TRUST Group

SuMi TRUST Group offers its clients optimal and total solutions by leveraging its comprehensive capabilities that integrate both trust and banking functions, as well as the mutual collaboration between SuMi TRUST Bank and the many group companies that specialize in banking, asset management and asset administration, real estate, and various other fields.

(as of March 31, 2023)



\*Ratio of ownership of voting rights is shown in %, including indirect ownership via subsidiaries.

## 1 Status of SuMi TRUST Group

Trust (fee) businesses	Assets under management	¥121 trn	Domestic financial institutions	No. 1
	Assets under custody*	¥256 trn	Domestic financial institutions	No. 2
	Balance of corporate pension funds	¥13 trn	Trust banks	No. 1
	Lead manager for corporate pension funds	1,279 cases	Trust banks	No. 1
	Entrusted balance of investment trusts	¥87 trn	Trust banks	No. 2
	Entrusted balance of real estate securitization	¥24 trn	Trust banks	No. 1
	Number of shareholders under administration	35.24 mn	Trust banks	No. 1
	Number of will trusts	38,640	Trust banks	No. 2
	Balance of monetary claims in trusts	¥20 trn	Trust banks	No. 1
Banking businesses	Balance of loans to corporations	¥20 trn	Domestic banks	No. 5
	Total loan balance	¥31 trn	Domestic banks	No. 5

\*Balance of trust assets (under management). Trust banks specializing in asset administration are excluded due to their large amounts of re-entrusted trust assets.

## 2 ESG assessment organizations







MSCI ESG Rating **AA**  
(as of May 2023)

Sustainalytics ESG  
Rating  
(as of October 2022)

## 21.1

FTSE ESG Rating **3.7**  
(as of September 2022)

### 3 Adopted indexes

<p>2023 MSCI Japan Empowering Women Index (WIN)</p> <p>2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)</p>	<p>2023 MSCI Japan ESG Select Leaders Index</p> <p>2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX</p>	<p>2023 MSCI ESG Leaders Indexes</p> 	<p>FTSE 4Good Index Series</p>  <p>FTSE4Good</p>
<p>THE INCLUSION OF SuMi Trust Holdings IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF SuMi TRUST Holdings BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.</p>			
<p>FTSE Blossom Japan Index</p>  <p>FTSE Blossom Japan Index</p>	<p>FTSE Blossom Japan Sector Relative Index</p>  <p>FTSE Blossom Japan Sector Relative Index</p>	<p>S&amp;P Carbon Efficient Index</p> 	<p>Bloomberg Gender-Equality Index 2023</p> 

#### 4 List of awards<sup>\*1</sup>

<p>Sumitomo Mitsui Trust Holdings</p>	<p>Work with Pride Gold 2022</p> 	<p>2023 Certified Health &amp; Productivity Management Outstanding Organizations Recognition Program</p> 	<p>Principles for Financial Action for the 21st Century FY2022 Best Case Example (Minister of the Environment Award)</p> 
<p>Sumitomo Mitsui Trust Bank</p>	<p>FY2022 Good Design Award*2</p>  <p>Work with Pride Rainbow 2022</p> 	<p>HDI-Japan Phone Support (Quality) Three Stars</p>  <p>2022 ESG Finance Awards Japan</p> 	<p>HDI-Japan Web Support Three Stars</p>  <p>9th Annual Platinum Vision Awards Grand Prize from the Economy, Trade and Industry Minister</p> 

\*1 Main awards received by the Group since 2022

\*2 Received by "Smart Life Designer"



## Financial data

Billions of Yen (Unless specified otherwise)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Net Business Profit before Credit Costs	342.2	284.6	285.8	316.7	318.3	232.3	270.5	282.2	289.0	294.7	346.0	324.6
Total Credit Costs	(8.9)	6.1	9.1	19.3	(25.9)	(28.5)	2.9	(2.9)	(43.8)	(7.8)	(41.5)	(10.4)
Net Gains on Stocks	(33.9)	(4.2)	(3.7)	(2.1)	29.6	36.4	6.3	13.7	40.1	(43.5)	(38.3)	3.0
Of which, Amortization of Shares, etc.	(30.3)	(7.7)	(2.3)	(0.3)	(6.3)	(3.8)	(0.0)	(3.4)	(12.4)	(0.8)	(0.9)	(1.6)
Other Net Non-Recurring Profit	(27.2)	(31.4)	(33.2)	(41.4)	(43.9)	(43.9)	(47.2)	(36.5)	(27.6)	(60.2)	(36.4)	(31.4)
Ordinary Profit	272.1	255.0	258.0	292.4	278.0	196.3	232.6	256.4	257.6	183.1	229.7	285.8
Extraordinary Profit	22.8	(26.7)	(11.3)	(59.9)	(4.9)	(5.2)	6.1	(15.0)	(16.9)	16.8	(1.7)	(14.4)
Total Income Taxes	(109.3)	(75.1)	(91.6)	(60.1)	(93.9)	(56.9)	(73.0)	(60.5)	(75.6)	(56.0)	(57.7)	(79.3)
Net Income	185.6	153.1	154.9	172.4	179.1	134.2	165.7	180.7	165.0	143.9	170.2	192.0
Net Profit Attributable to Non-Controlling Interests	(20.9)	(19.4)	(17.2)	(12.7)	(12.2)	(12.7)	(11.7)	(6.8)	(2.0)	(1.7)	(1.1)	(1.0)
Net Income Attributable to Owners of the Parent	164.6	133.7	137.6	159.6	166.9	121.4	153.9	173.8	163.0	142.1	169.0	191.0

Total Assets	34,376.3	37,704.0	41,889.4	46,235.9	58,229.9	65,453.7	68,356.7	57,029.1	56,500.5	63,368.5	64,633.2	69,022.7
Loans and Bills Discounted	20,636.4	22,391.6	23,824.0	25,550.0	27,525.8	28,040.4	28,190.5	29,025.7	29,703.3	30,506.9	30,876.5	31,810.9
Securities	6,795.7	6,346.0	5,764.4	4,813.3	4,926.2	5,127.7	5,537.6	5,759.5	6,437.5	6,983.4	7,879.2	6,933.0
Total Liabilities	32,039.2	35,373.5	39,448.3	43,518.9	55,525.4	62,662.0	65,484.4	54,298.7	53,909.6	60,646.0	61,887.9	66,200.1
Deposits	22,077.8	23,023.8	24,123.3	25,079.7	26,701.9	36,000.8	37,351.8	31,903.5	30,688.9	33,467.6	33,230.1	35,387.2
Negotiable Certificates of Deposit	3,252.8	4,103.5	5,100.1	6,570.5	7,130.6	7,326.6	6,563.3	6,328.6	5,860.2	7,160.5	6,587.9	7,461.0
Total Net Assets	2,337.0	2,330.4	2,441.0	2,716.9	2,704.5	2,791.6	2,872.3	2,730.3	2,590.9	2,722.5	2,745.2	2,822.5
Treasury Stock	1,817.8	1,711.5	1,901.7	1,860.1	1,966.8	2,031.6	2,127.8	2,242.9	2,334.3	2,416.0	2,517.5	2,587.8
Of which, Retained Earnings	696.8	790.1	886.4	970.3	1,087.1	1,159.0	1,263.4	1,387.5	1,495.0	1,581.0	1,682.5	1,803.0
Accumulated Other Comprehensive Income	9.0	134.4	203.5	529.6	410.1	430.9	496.8	410.4	220.8	277.7	198.0	204.2
Non-Controlling Interests	510.1	484.4	335.6	326.9	327.1	328.4	246.8	75.8	34.5	27.7	28.7	29.5

Consolidated Common Equity Tier 1 Capital Ratio	-	8.30%	9.32%	10.28%	11.36%	11.04%	11.33%	12.18%	12.62%	12.12%	12.31%	10.79%
Consolidated Tier 1 Capital Ratio	-	9.95%	10.83%	11.45%	13.36%	13.54%	13.74%	14.18%	14.47%	13.51%	13.71%	12.01%
Consolidated Total Capital Ratio	-	14.10%	14.78%	15.57%	16.75%	16.42%	16.31%	16.77%	17.23%	15.76%	15.61%	13.24%
Dividend Per Share (Yen)*	85	90	100	120	130	130	130	140	150	150	170	210
Dividend Payout Ratio	30.3%	27.2%	29.3%	29.6%	30.0%	40.9%	32.1%	30.5%	34.5%	39.5%	37.7%	40.2%
Net Assets Per Common Share (Yen)*	4,131.11	4,707.16	5,110.21	6,186.38	6,181.19	6,437.57	6,897.36	7,008.67	6,822.48	7,192.07	7,249.71	7,686.52
Net Income Per Common Share (Yen)*	385.40	312.76	344.88	403.84	433.30	317.24	403.91	458.91	434.31	379.65	451.40	517.15
ROE	9.58%	7.48%	7.13%	7.17%	7.00%	5.01%	6.05%	6.58%	6.25%	5.41%	6.25%	6.93%

\*Value calculated by assuming that the reverse stock split on October 1, 2016 (1 share per 10 shares of common stock) was executed in previous years.

As for derivative transactions, presentation treatment has been changed from net basis to gross basis since the first quarter of FY2021 (general treatment in the Practical Guidelines on Accounting Standards for Financial Instruments). Accordingly, figures as of March 31, 2021, have been updated.

## Corporate information

### 1 Financial review

Terms with an asterisk are explained in “Glossary” on page 115.

In fiscal 2022, as a result of strong performance of the customer fee business, including real estate brokerage and corporate credit-related, net business profit before credit costs and net income attributable to owners of the parent achieved 105% and 101% of the full-year forecast respectively, exceeding the forecast.

Net business profit before credit costs decreased 21.4 billion yen from the previous fiscal year to 324.6 billion yen. This was mainly due to a decrease in effective interest

related earnings, as a result of the absence of favorable market conditions that had been assumed at the beginning of the current period, and a growth in substantial G&A expenses caused by increases in human capital investment and expenses linked with gross business profit. Net income attributable to owners of parent increased 21.9 billion yen year-on-year to 191.0 billion yen due to limited recording of new total credit costs and loss on sale of bear funds compared with the previous fiscal year.

#### ■ Overview of the Financial Results in FY2022

<Consolidated> SuMi TRUST Holdings (Consolidated)

Billions of Yen (unless specified otherwise)

	FY2021 (A)	FY2022 (B)	Change (B) – (A)	Rate of change
Net Business Profit*	346.0	324.6	(21.4)	(6.2)%
Ordinary Profit	229.7	285.8	56.1	24.4%
Net Income Attributable to Owners of the Parent	169.0	191.0	21.9	13.0%
Total Credit Costs*	(41.5)	(10.4)	31.1	(74.8)%
Return on equity*	6.25%	6.93%	0.68%	-
Net Income per Common Shares (EPS) (Yen)	451	517	65	14.6%
Net Assets per Common Shares (BPS) (Yen)	7,249.71	7,686.52	436	6.0%

\*  $\frac{\text{Net Income Attributable to Owners of the Parent}}{(\text{FY-start total equity (equity)} + \text{FY-end total equity (equity)}) / 2} \times 100$

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

Billions of Yen (unless specified otherwise)

	FY2021 (A)	FY2022 (B)	Change (B) – (A)	Rate of change
Net Business Profit*	242.0	245.9	3.8	1.6%
Net Interest Income and Related Profit*	275.2	133.4	(141.8)	(51.5)%
Net Fees and Commissions and Related Profit*	180.8	193.2	12.4	6.9%
Net Trading Profit	13.4	10.4	(3.0)	(22.5)%
Net Other Operating Profit	21.1	171.0	149.9	709.6%
General and Administrative Expenses	(248.5)	(262.2)	(13.7)	5.5%
Total Credit Costs*	(42.4)	(12.4)	29.9	(70.7)%
Net Non-recurring Profit, etc.	(48.8)	(8.8)	39.9	(81.8)%
Ordinary Profit	150.8	224.5	73.7	48.9%
Extraordinary Profit	(1.6)	(0.3)	1.3	(81.5)%
Net Income	113.3	169.1	55.7	49.2%

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

<Dividends>

	FY2021 (A)	FY2022 (B)	Change (B) – (A)
Dividend per Share on Common Share (Yen)	170.00	210.00	+40.00

Aiming to be a  
value creating company

Enhance Corporate Value  
and Management Base

Messages from  
subsidiary management

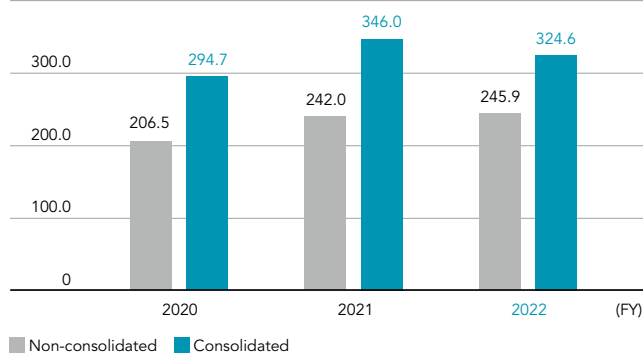
Business Strategy

Financial information  
Corporate information

### 2 Status of profit and loss

#### ■ Net Business Profit\*

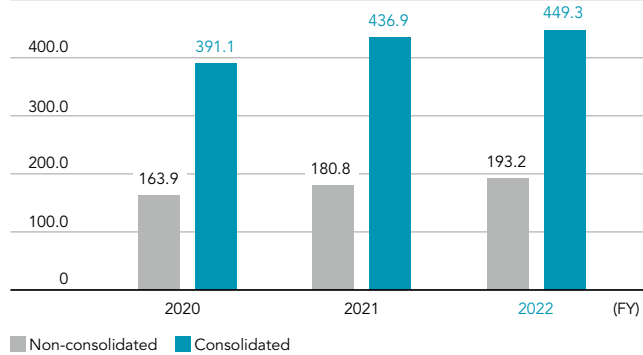
(Billions of Yen)  
400.0



Net business profit before credit costs (consolidated) decreased 21.4 billion yen year-on-year to 324.6 billion yen. There was a lack of favorable market conditions that were seen in the previous fiscal year and higher substantial G&A expenses due to increases in human capital investment and expenses linked with gross business profit in the current period. However, the decline in profit was lower than expected at the beginning of the current period as a result of strong client-related business such as real estate brokerage and corporate credit-related.

#### ■ Net Fees and Commissions and Related Profit\*

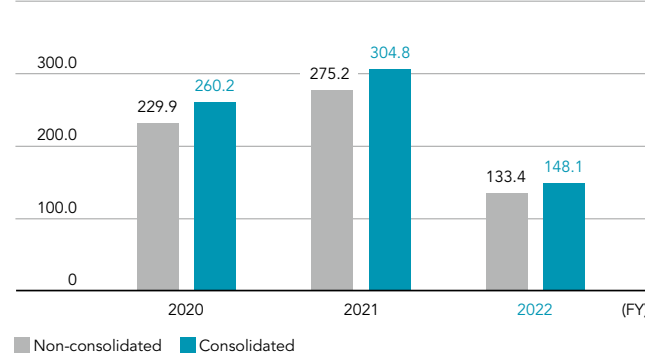
(Billions of Yen)  
500.0



Profits in the asset management business decreased mainly due to the decline of market value of the balance of assets under management in response to the market conditions. But net fees and commissions and related profit (consolidated) increased 12.4 billion yen year-on-year to 449.3 billion yen as a result of strong performance in the client fee business, such as real estate brokerage and corporate credit-related.

#### ■ Net Interest Income and Related Profit\*

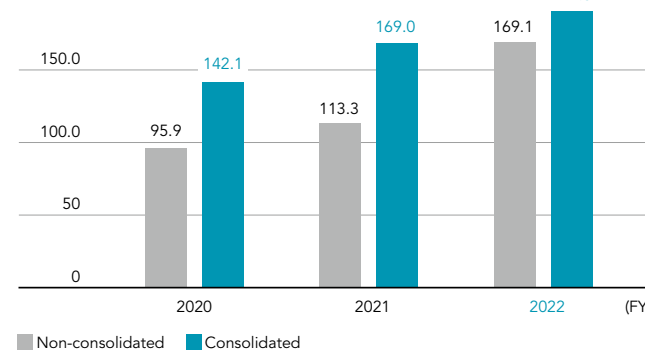
(Billions of Yen)  
400.0



Effective net interest income and related profit (consolidated), including profit attributable to deployment of foreign currency surplus funds, which is included in net other operating profit, decreased 19.5 billion yen year-on-year to 300.6 billion yen. The main reason for the decline in profit was the absence of approximately 16.0 billion yen from the positive impact of favorable market conditions seen in the previous fiscal year, which had been assumed at the beginning of the current period.

#### ■ Net Income Attributable to Owners of the Parent

(Billions of Yen)  
200.0



Net income attributable to owners of parent (consolidated) increased 21.9 billion yen year on year to 191.0 billion yen. This was mainly due to limited recording of new credit costs and loss on hedging transactions, compared with the previous fiscal year. For the net non-recurring profit line and below, we strived to prepare for future risks by re-evaluating special loan loss provision, reducing the risk that bear funds pose to annual profit and loss associated with the expansion of unrealized losses and recording losses due to system upgrades related to overseas operations.

#### Glossary

##### Net Business Profit

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.

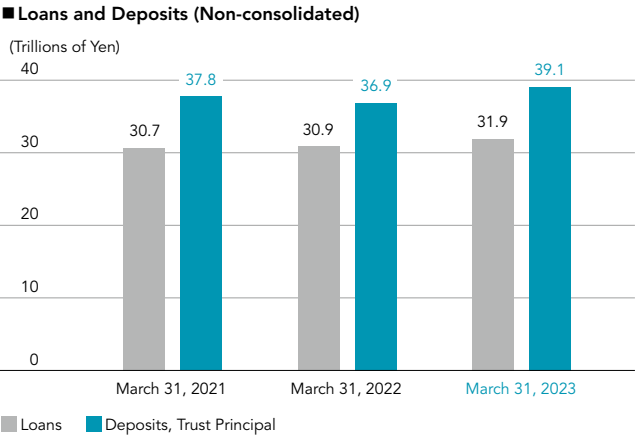
##### Net Fees and Commissions and Related Profit

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



### 3 Financial status

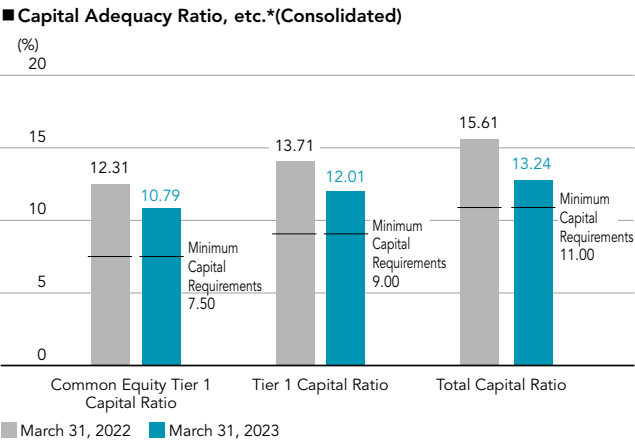
Terms with an asterisk are explained in the “Glossary” below.



**Both loans and deposits increased from the end of the previous fiscal year**

Loans grew 1.0 trillion yen year-on-year to 31.9 trillion yen, mainly due to an increase in loan balance to corporations. Deposits were up 2.2 trillion yen to 39.1 trillion yen, primarily because of an increase in deposits from corporate clients.

Deposits include the principal guaranteed trust account (loan trusts and jointly operated money trusts), but exclude negotiable certificates of deposit.



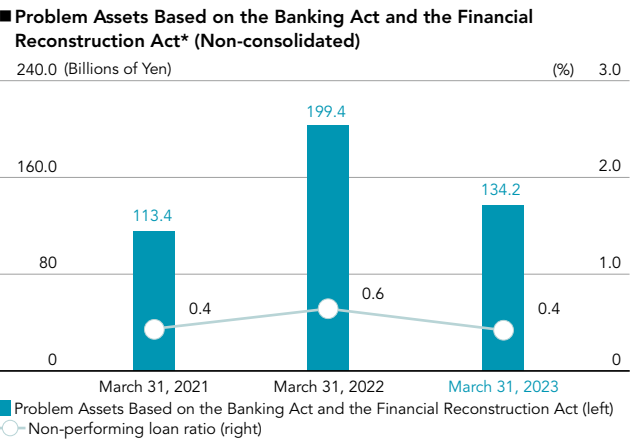
**Coverage levels remain well above regulatory standards**

Common Equity Tier 1 capital ratio decreased 1.52 percentage points from the end of the previous fiscal year to 10.79%. The fall was due to increase in investment which contributes to our group's growth and solutions to social issues, and an increase in foreign- currency-denominated loan (yen equivalent amount) due to JPY depreciation. Total capital ratio decreased 2.37 percentage points from the end of the previous fiscal year to 13.24%. Common Equity Tier 1 capital ratio as well as the total capital ratio remain well above the corresponding regulatory required levels of 7.50% and 11.00%, 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, was adopted in Japan from 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.



**Non-Performing Loan Ratio remains low at 0.4%**

The balance of Non-performing loans based on Banking Act and Reconstruction Act decreased 65.2 billion yen from the end of the previous fiscal year to 134.2 billion yen. The non-performing loan ratio fell 0.2 percentage points to 0.4%, remaining at a low level. As for the ratio of problem assets covered by collateral and the allowance for loan losses, the ratio was 74% for doubtful loans and 48% for substandard loans, both of which are deemed sufficiently high.

#### Glossary

- **Problem Assets Based on the Banking Act and the Financial Reconstruction Act**  
Assets for which disclosure is required by the Banking Act and 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.

### 4 Corporate Information (as of June 30, 2023)

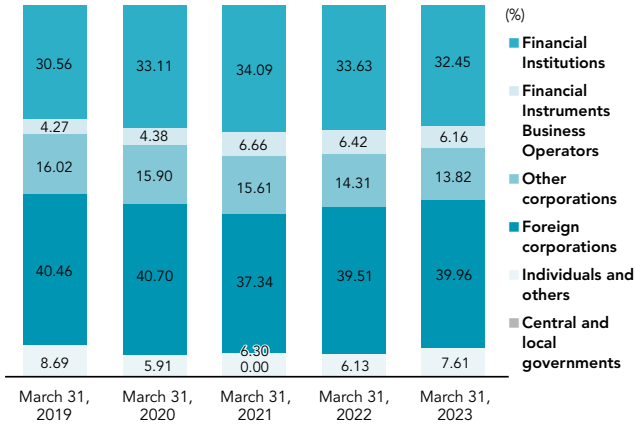
Registered Trade Name: Sumitomo Mitsui Trust Holdings, Inc.  
Headquarters Location: 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan  
Date of Establishment: February 1, 2002 (Change of trade name: April 1, 2011)  
Main Business: With trust banking at its core, Sumitomo Mitsui Trust Holdings, Inc. 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
- (2) Supervising financial management
- (3) Supervising human resource management
- (4) Supervising general affairs management
- (5) Supervising business process management
- (6) Supervising risk management
- (7) Supervising compliance management
- (8) Managing internal auditing

Capital: 261,608,725,000 yen  
Total number of issued shares: 364,025 thousand shares of common stock (the number of shares is rounded down to the nearest 1,000)  
Stock Exchange Listings: Tokyo and Nagoya stock exchanges  
Tokyo (Prime Market), Nagoya (Premier Market)  
Securities Code: 8309

### 5 Composition of shareholders (common shares) (as of March 31, 2023)

■ **Composition of shareholders (common shares) (as of March 31, 2023)**



Shareholder type	Number of Shareholders	Number of Shares Held (units of shares)	Component ratio (%)
Financial Institutions	169	1,191,104	32.45
Securities Companies	55	225,970	6.16
Other Domestic Corporations	1,716	507,424	13.82
Foreign Investors	887	1,466,789	39.96
Individuals and Others	46,483	279,385	7.61
Government and Local Public Organizations	–	–	–
Total	49,310	3,670,672	100.00

Shares constituting less than one unit - 1,105,240 shares -

\*1 Number of shares per unit: 100 shares  
\*2 Treasury Stock (4,232,973 shares) is included 42,329 units in "Individuals and Others" and 73 shares in "Shares constituting less than one unit".  
\*3 The component ratio is rounded off to two decimal places.

### 6 Rating Information (as of June 30, 2023)

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

## Editorial Policy

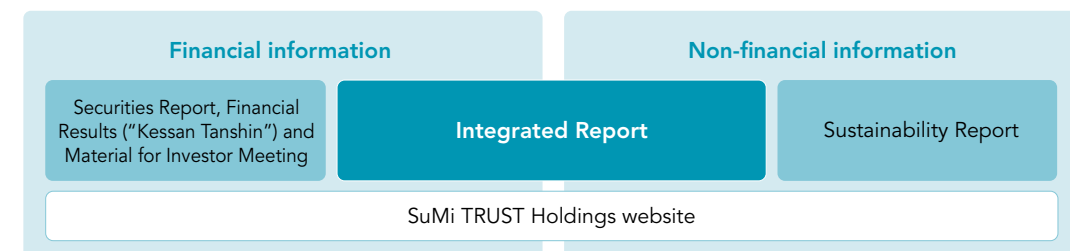
We have published this integrated report so that all stakeholders including investors can understand SuMi TRUST Group's initiatives. This report describes specific initiatives and corporate value improvements to create new value with the power of trust and let a prosperous future for our clients and society bloom, while helping to enhance well-being of our clients and society in next 100 years. In applying our editorial approach, we strive to improve and expand not just financial information but also non-financial information such as business models, human resource strategies, corporate governance and sustainability, 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 detailed financial data or ESG information, please refer to Financial Data Section, Sustainability Report, or visit our website.

### Reporting Coverage

Reporting period: From April 2022 to March 2023 (partially including information on and after April 1, 2023)

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

## Position of the Integrated Report



## Website

Please go to our website for specifics on our Group.



### Company information

[https://www.smth.jp/english/about\\_us](https://www.smth.jp/english/about_us)



### Investor Relations

<https://www.smth.jp/english/investors>



### Sustainability

<https://www.smth.jp/english/sustainability>



### Sumitomo Mitsui Trust Holdings, Inc.

#### IR Department

1-4-1 Marunouchi, Chiyoda-ku,

Tokyo 100-8233, Japan

Telephone: +81 (3) 3286-8354

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



