



**SuMi TRUST**  
SUMITOMO MITSUI TRUST GROUP

# Investor Meeting on Financial Results for FY2017

May 22, 2018

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## Definitions of terms in this document

Sumitomo Mitsui Trust Holdings (Consolidated): “Consolidated “ or “SuMi TRUST Holdings”

Sumitomo Mitsui Trust Bank (Non-consolidated): “Non-consolidated “ or “SuMi TRUST Bank”

Figures before FY2011 in Non-consolidated : CMTB (Non-consolidated) + CMAB (Non-consolidated) + STB (Non-consolidated)

## Accounting for Business combination related to Management Integration

Purchase accounting method : Accounting method for business combination related to management integration

Results of applying purchase accounting method : Amount of effect from purchase accounting method

## Financial indices per share

Indices regarding financial information per share such as “Net asset per 1 share,” “Dividends per 1 share,” are presented assuming that the consolidation of shares (one (1) share for every ten (10) shares) enacted on October 1, 2016, took place at the beginning of fiscal year ended March 31, 2016, for consistency purposes.

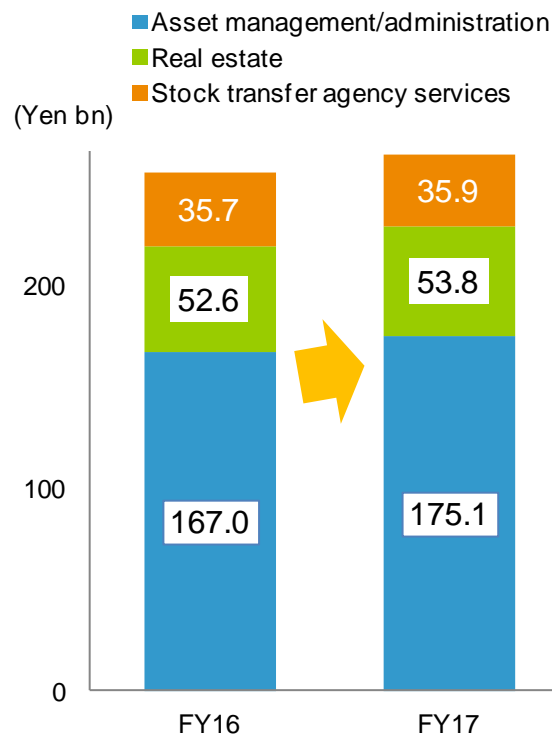
# Progress on Midterm Management Plan

# Progress on Midterm Management Plan

✓ Steady progress as first year of Midterm Management Plan, growth in areas where our trust business has competitive advantage and improvement in profitability of loan/investment business

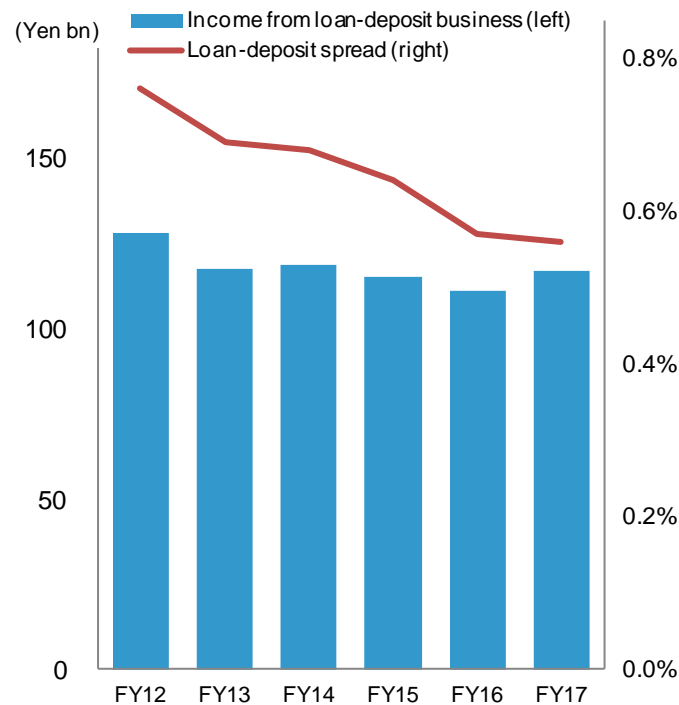
## Fee business

Fee income from asset management / administration and real estate has increased



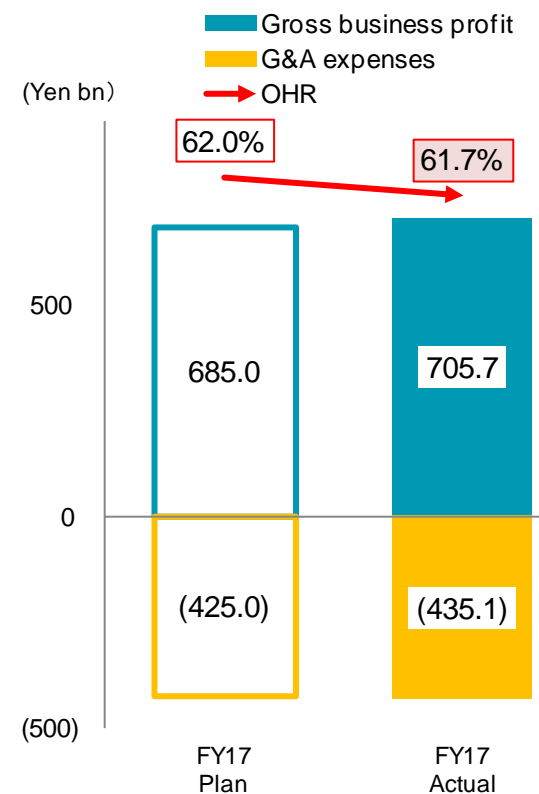
## Loan/investment business

Domestic lending's profitability and margin contraction has been bottoming out



## Expenses

OHR has improved



# Major KPIs of Midterm Management Plan

(Yen bn)	FY17			FY18		FY19	Major KPIs
	Plan	Actual	Against plan	Plan	Change from FY17	Midterm Plan (*)	
Net business profit before credit costs	260.0	270.5	10.5	280.0	9.4	300.0	
Substantial gross business profit	685.0	705.7	20.7	715.0	9.2	730.0	
Substantial G&A expenses	(425.0)	(435.1)	(10.1)	(435.0)	0.1	(430.0)	
Net income	150.0	153.9	3.9	165.0	11.0	180.0	
Fee income ratio		57.4%				55-60%	Approx. 60%
Overhead ratio (OHR)	62.0%	61.7%	(0.3%)	60.8%	(0.9%)	55-60%	Mid 50% level
Shareholder ROE		7.4%				Approx. 8%	8% or more
Common Equity Tier 1 ratio		11.3%				Approx. 10%	Approx. 10%

<Assumptions of the market>

	Mar. 17 Actual	Mar. 18 Actual
3M TIBOR	0.06%	0.07%
10 year JGB	0.07%	0.045%
Nikkei 225 (yen)	18,909	21,454
USD/JPY	112	106

(FY18 Plan)

Mar. 19 Assumption
0.07%
0.15%
21,500
108

(Midterm Plan)

Mar. 20 Assumption
0.06%
0.40%
19,000
118

(\*) Midterm Management Plan launched in May 2017

# Business Initiatives for FY2018



## Direction of our business in FY2018: 5 initiatives

---

1

### Increase in fee business

(1) Asset management business (Consultation marketing, investment management, administration)

(2) Real estate business

(3) Inheritance business

2

### Profitability improvement of loan/investment business

(1) Corporate

(2) Retail

3

### Accelerate digitalization strategy

4

### Improvement of OHR

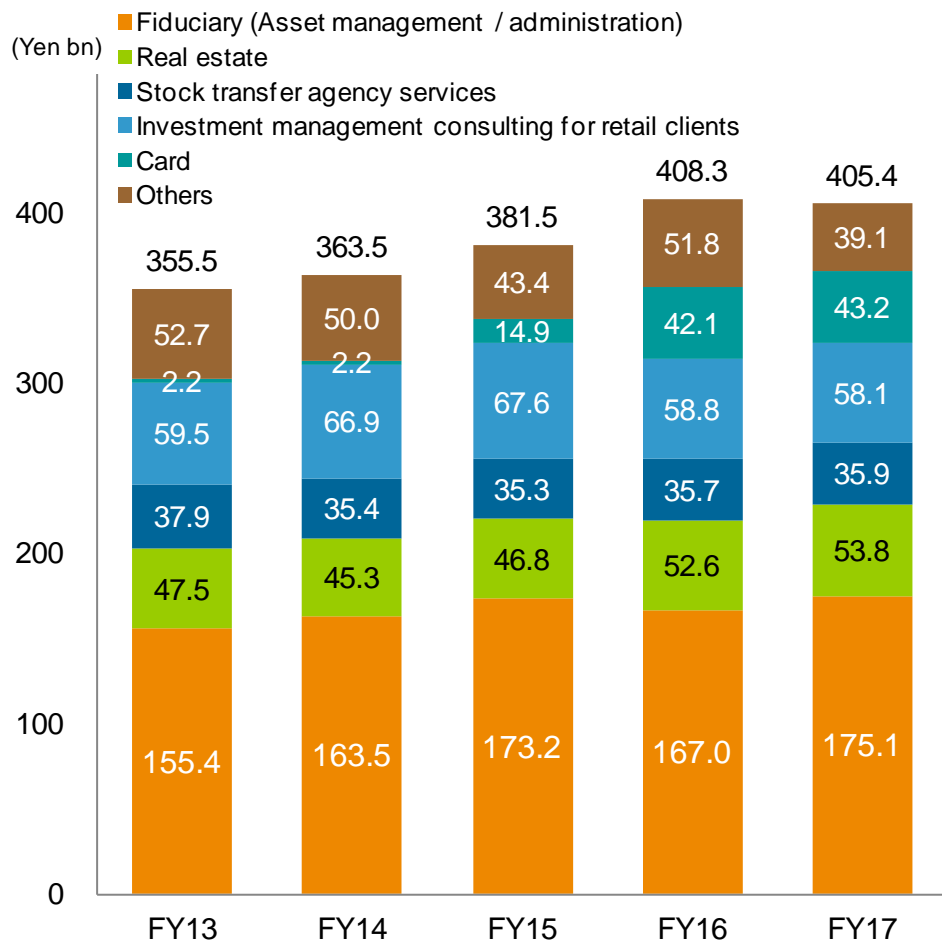
5

### Preparation for future risk

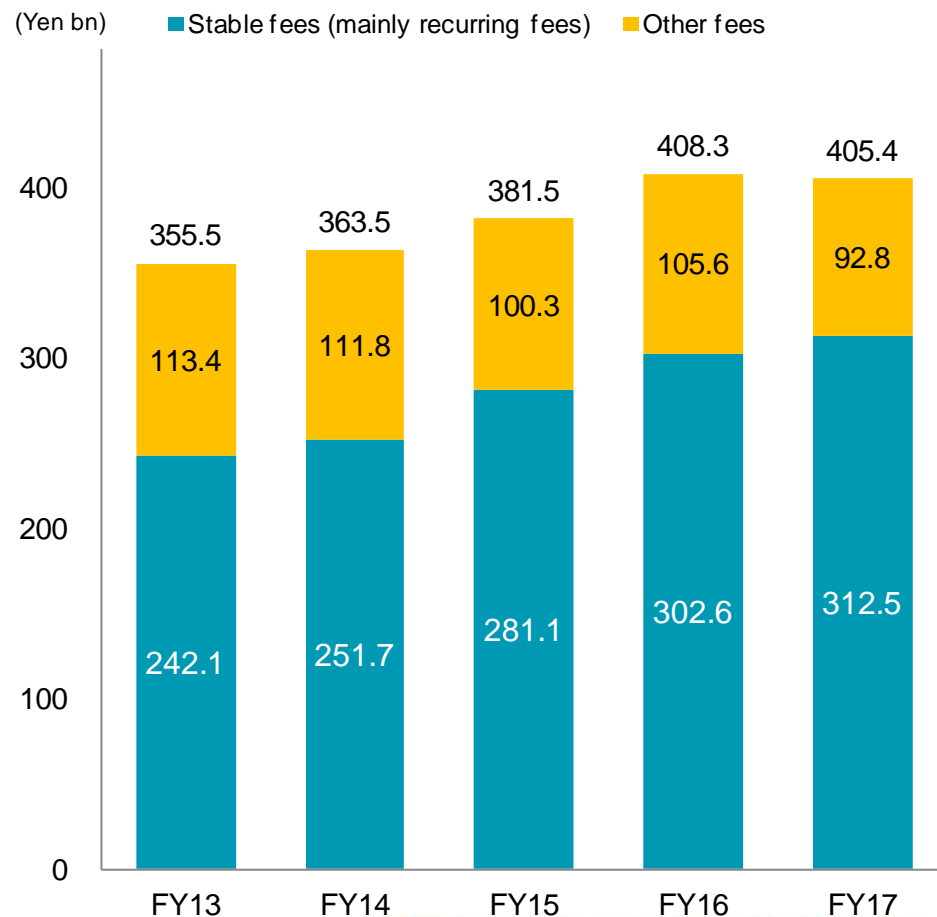
# Fee business: Status of fee business

- ✓ Fee income has increased steadily, creating a capital efficient profit structure
- ✓ Growth lead by businesses where stable, recurring fee income can be expected

## Transition of fee income



## Efforts to stabilize income stream





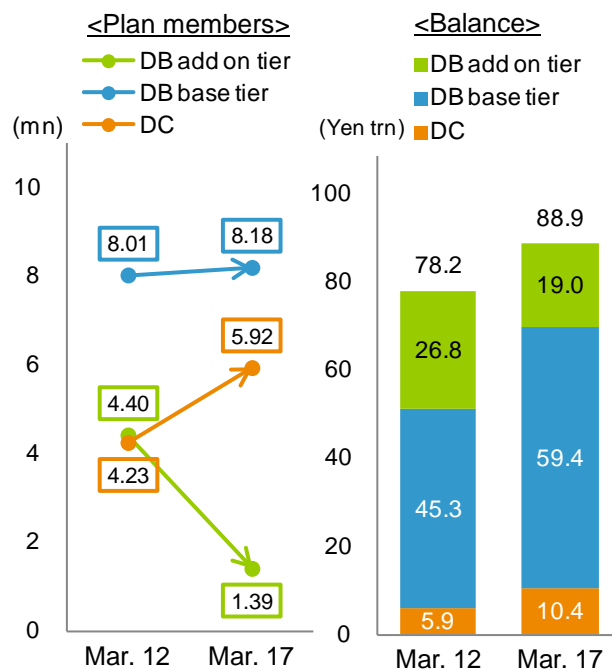
# Fee business: Asset management business (environment)

- ✓ Upsurge of asset management needs from individuals such as DC and financial institutions, room to expand asset management business
- ✓ As No.1 institution in asset management and administration, we have huge potential to expand our business

Social/economic tailwind to accelerate growth of this business

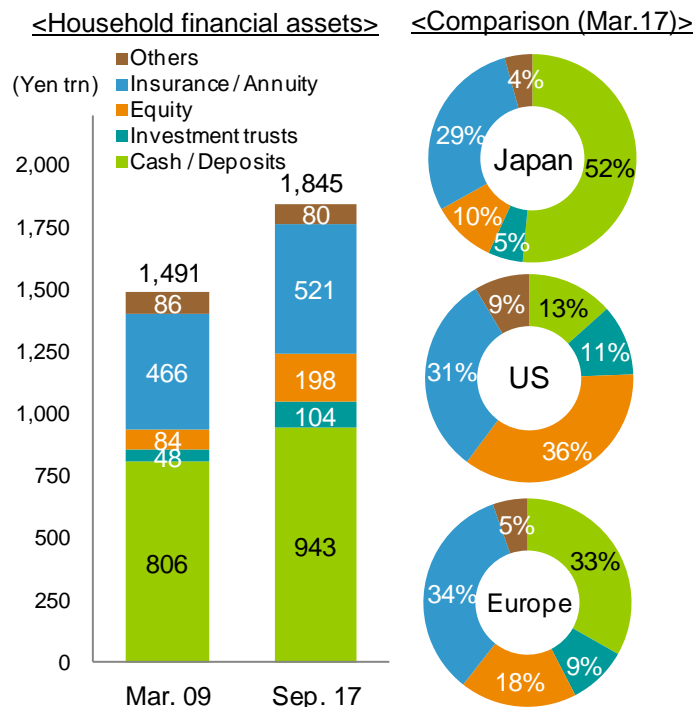
## Corporate Pensions

Substantial increase of DC plan members, AUM increase



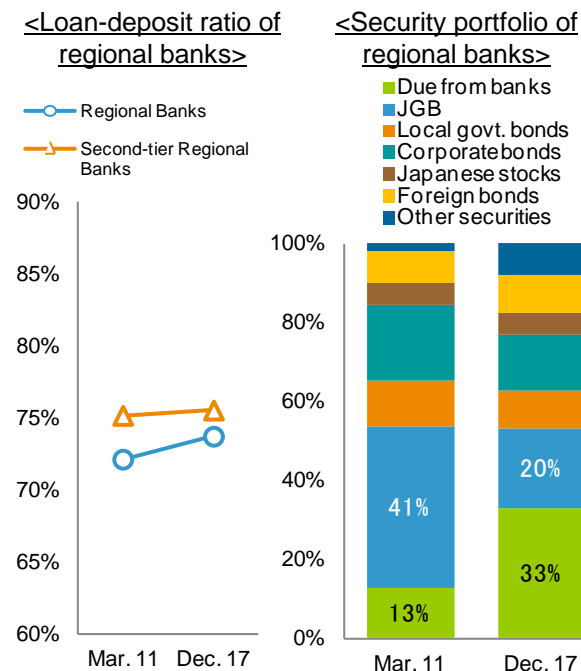
## Individuals

Household financial assets exceed ¥1,800trn  
Investment trust holdings have exceeded ¥100trn  
Room for growth when compared to US/Europe



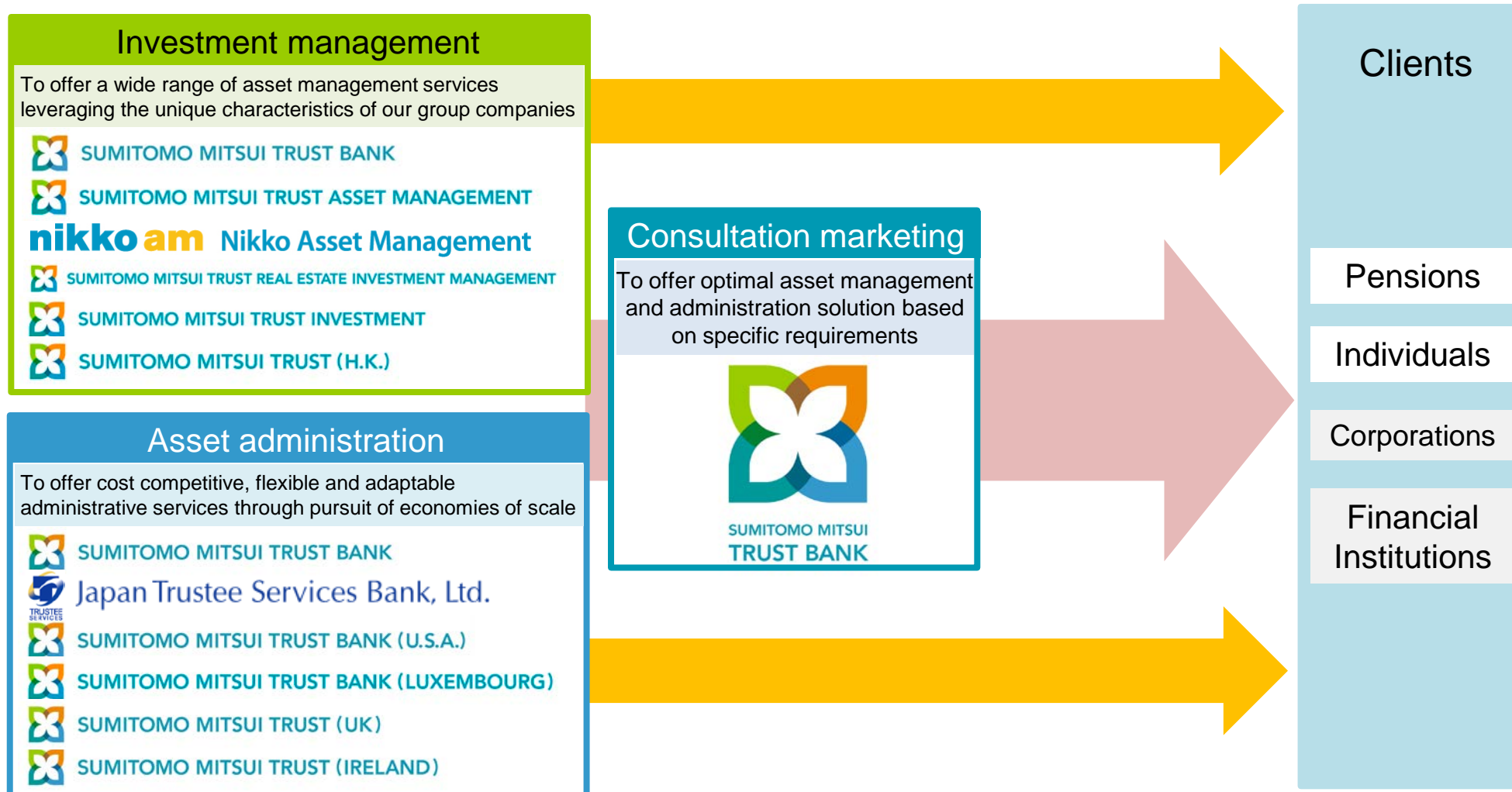
## Financial Institutions

Loan-to-deposit ratio of regional banks have stagnated  
Due to fall in JGB yields, asset management needs have surged/diversified



# Fee business: SuMi TRUST's asset management business

- ✓ To develop asset management business from three angles as “investment management”, “asset administration”, and “consultation marketing”
- ✓ Each function to enhance its expertise and leverage the mounting need for asset management as a growth driver



# Fee business: Asset management (Consultation marketing/Expanding business areas)

- ✓ Our competitive advantage is our consultation marketing taking the clients' overall asset and liability into account
- ✓ Utilize knowhow nurtured through our pension business to other areas in conjunction with our trust functionalities

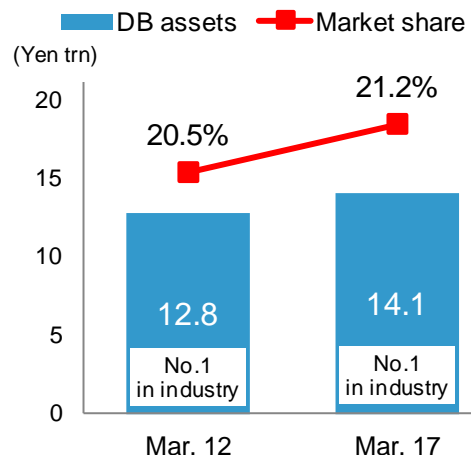
## To establish firm business foundation for corporate pension client business

### High quality service

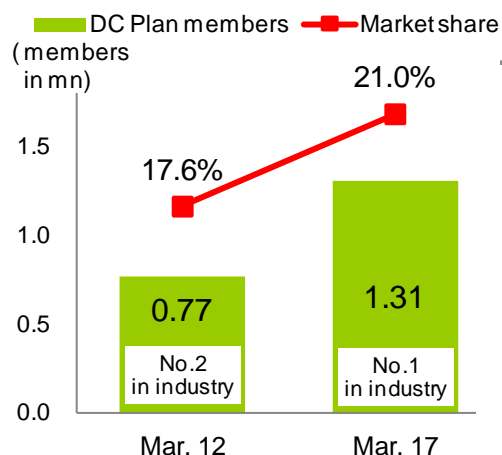
- ✓ Comprehensive consultation encompassing scheme, asset management and administration
- ✓ To offer optimal management solution for each client embracing open platform (including third party products) concept

### Robust business foundations

<DB>



<DC>



To extend our consulting knowhow to corporate and retail clients

### Retail Clients

To recommend long term diversified investment based on "Core & Satellite" strategy

Provide consultation marketing that captures each generation's B/S characteristics

### Corporate Clients

### Financial Institution Clients

Investment support for both management and administration

Appropriate product lineup based on specific needs

# Fee business: Asset management (Consultation marketing/Corporate pensions)

- ✓ Utilizing our corporate pension client base, to expand coverage from corporate pensions to individual's financial assets
- ✓ Pension scheme consulting and investment education as point-of-entry, expand DC client base and encourage voluntary asset formation

## To expand coverage of Pension Client Platform to boost profit opportunities

Encourage voluntary asset management mindset through sophistication of DC investment education

Investment trust selection rate of DC Plan members (Mar. 17)

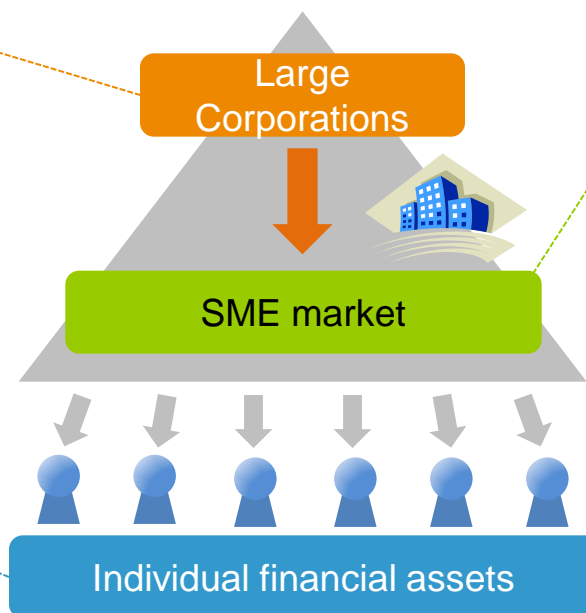
Average of SuMi TRUST Bank administered (*1)	56%
Of which mandated after FY12	69%
Market (*2)	46%

To transform DC investment education into a life planning seminar to encourage asset formation with personal funds

Selection rate of DC Matching (Mar. 17)

Average of SuMi TRUST Bank administered	39%
Of which mandated after FY12	75%
Market	27%

260 thousand of our plan members enrolled in DC matching investment plan (about 40% of total market)



To expand DC plan to medium and small enterprises due to effective closure of company employees' pension fund (Kosei Nenkin Kikin)

To propose DB+DC combination plan to replace company employees' pension fund

	Companies with DC Plans (SuMi TRUST administered)		
	Below 300	On or above 300	Total
Mar. 12	999	480	1,479
Mar. 17	3,378	753	4,131
	+2,379	+273	+2,652

One in three companies with DC plans administered by SuMi TRUST in FY16

To bolster trend "from savings to investments" not limited to DB/DC plans

(\*1) SuMi TRUST Bank mandated pension plan

(\*2) Industry Source: "Statistics on DC pension plans"

# Fee business: Asset management (Consultation marketing/Individuals)

- ✓ To support clients' medium/long-term asset formation, enhance recurring revenue
- ✓ Catering to diverse needs arising from clients' life-stage, to acquire transactions from a broad age group

## Aim of strategy

### Initiatives to stabilize income

Marketing style

Client-first consulting  
Medium to long-term asset formation

Expand recurring revenue

Client contact

Expand client contact opportunities  
Training of consultation staff

Diverse AM methods

▶ Instalment investments  
▶ Insurance  
▶ NISA

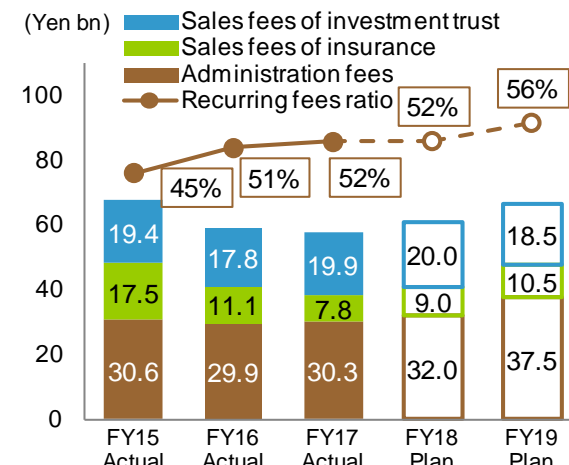
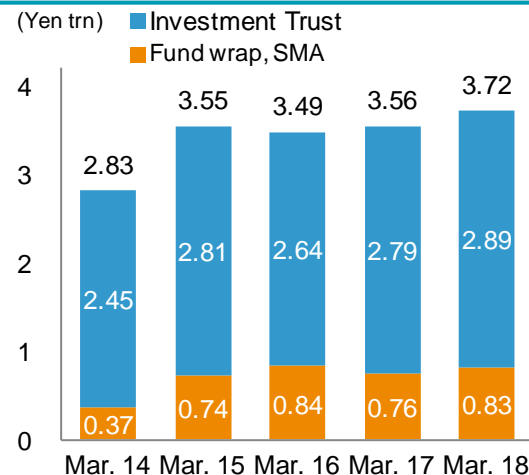
Diverse client needs

▶ Simple insurance for each generation  
▶ Inheritance / asset transfer

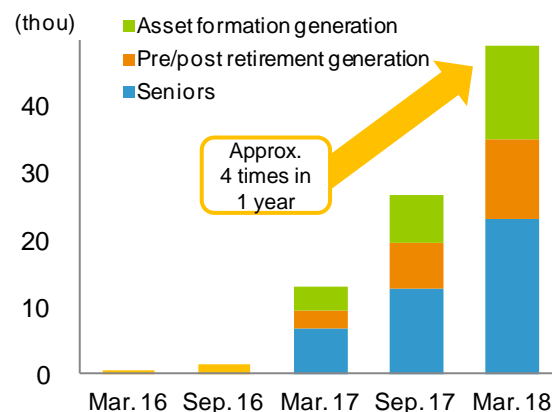
### Initiatives to expand client base

Opportunity for diverse client transactions

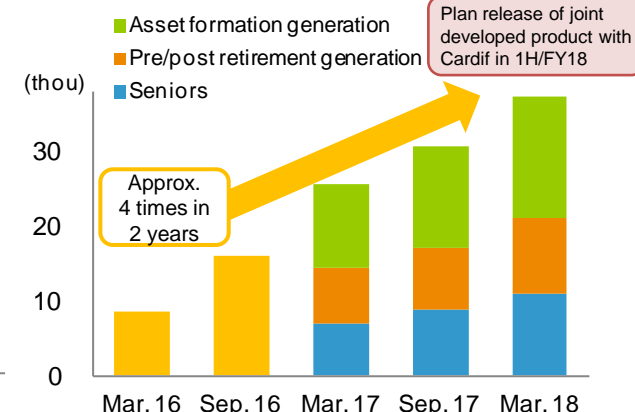
## Transition of balance and revenue



## Instalment investment plans



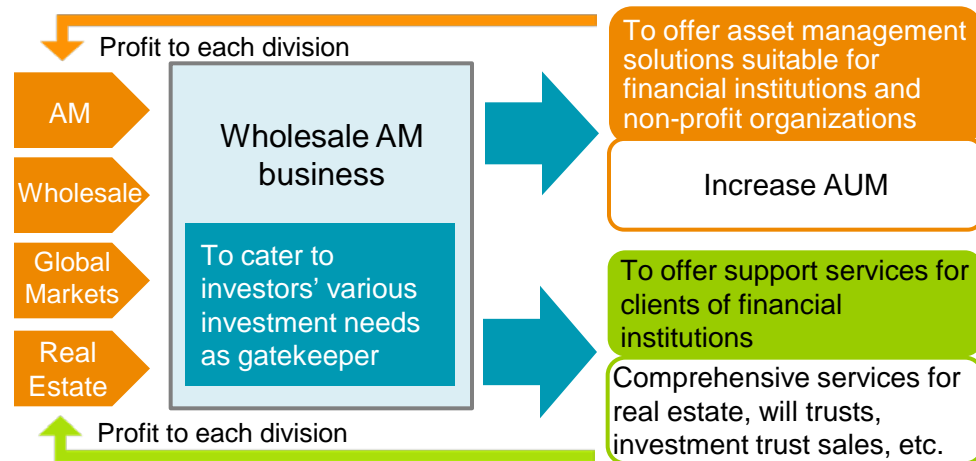
## Level premium insurance policies



# Fee business: Asset management (Consultation marketing/Corporations)

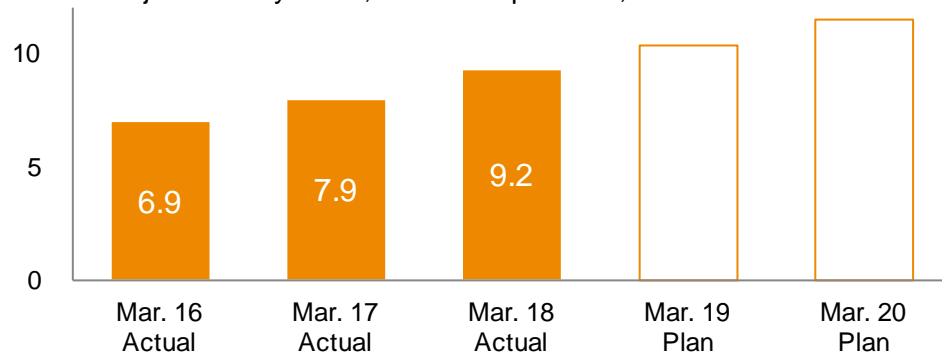
- ✓ As gatekeeper with investment experience in a wide range of asset classes, to support clients' overall investment process such as providing optimal solution for clients' investment needs and sophistication of risk management

## Outline of business



## Wholesale asset management business AUM (\*)

(\*) Private investment trusts, alternative funds, loan assets, joint money trusts, structured products, etc.

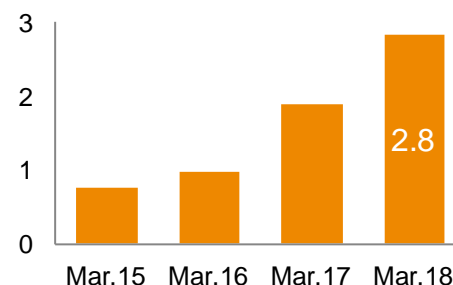


## Lead our group's fee revenue growth by expanding services / AUM to financial institutions

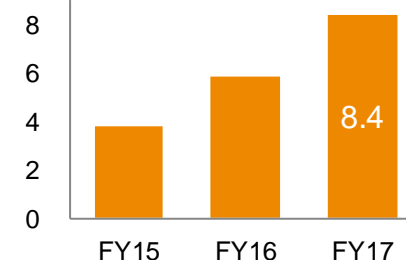
- ✓ To offer a broad range of investment products/services fully utilizing our group's functionality

Private investment trusts/alternative assets AUM for financial institutions/fee income

(Yen trn)

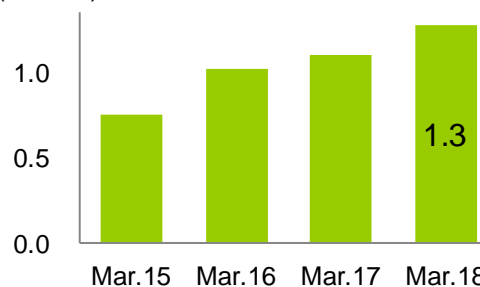


(Yen bn)



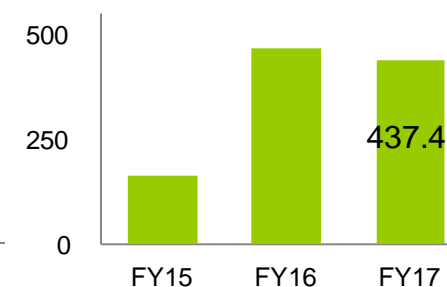
## Joint money trusts

(Yen trn)



## Loan asset sales

(Yen bn)

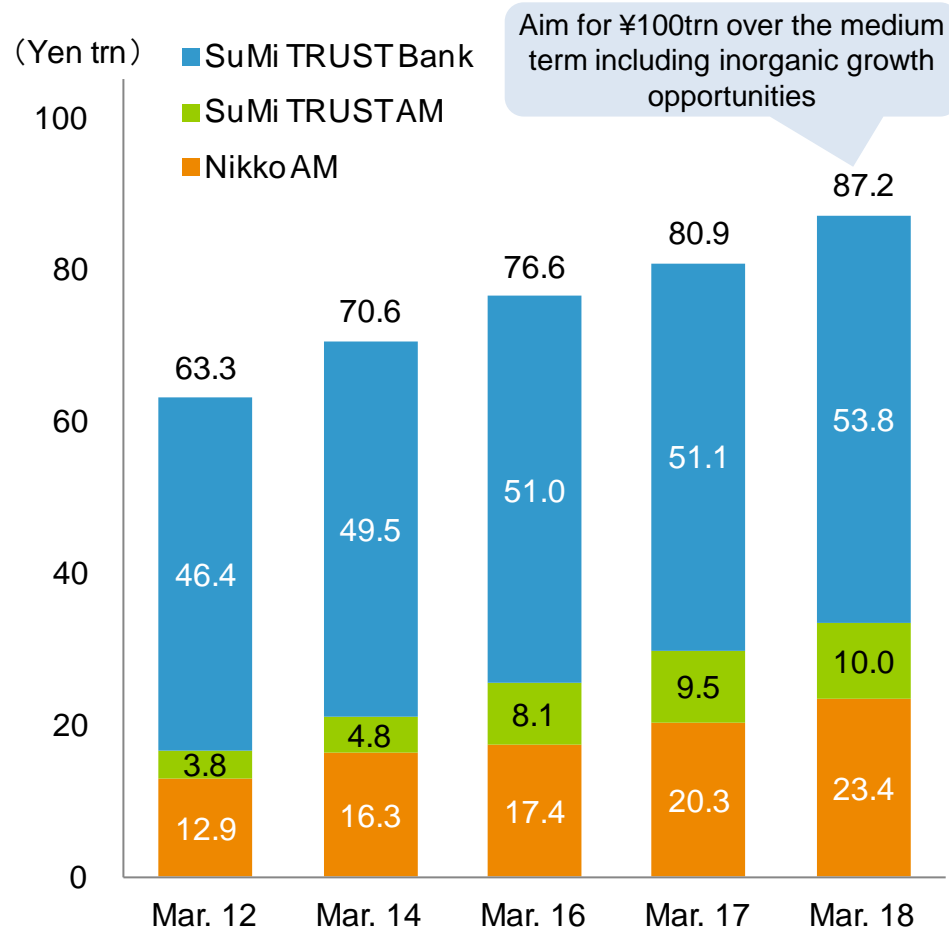




# Fee business: Asset management (Investment management)

- ✓ Asset management business is expanding from the combined effort of the trust bank and group companies each leveraging on their unique features
- ✓ With the aim to enhance investment and product development capability, to split SuMi TRUST Bank's asset management business to integrate with SuMi TRUST AM in October 2018

## Asset Under Management (AUM)



## Business strategy leveraging each AM's strength

### SuMi TRUST Bank

【AUM】JPY53.8trn

Corporate (DB)	13.3
Public (DB)	31.3
Other domestic	7.6
Overseas	1.4

### Corporate pension #1 market share (\*1)

Robust foundations in domestic market, wide coverage from traditional to alternative assets. Short term strategy to expand alternative asset mandate in Japan, for overseas markets, to target Japanese and international equities mandates

### SuMi TRUST AM

【AUM】JPY10.0trn

Individuals	3.4
Of which DC	1.0
Financial Institutions	6.5

### DC pension I/T #1 market share (\*2)

Investment trust sales to branch retail network, DC plans and mandates from financial institutions expanding. Short term strategy to emphasize balance funds such as Core-Wrap and introduction of specialty fund such as "THE 5G"

### Nikko AM

【AUM】JPY23.4trn

Individuals	5.3
DB	2.9
Financial Institutions	2.4
ETF/MMF	9.6
Overseas	3.1

### Unique product development capability

Unique product development capability by utilizing knowhow of overseas asset managers, operates independent retail network that does not rely on group. "Global Robotics Equities" series surpassed the ¥1trn mark. No.1 net sales for domestic investment trusts in 2017 (\*3)

(\*1) As of Mar. 2018 (\*2) As of Dec. 2017 (\*3) Excluding ETFs (estimated using statistics of JITA (The Investment Trust Association, Japan))

# Fee business: Asset management (Split and integration of asset management function)

- ✓ Aim to become a nationally recognized AM brand for medium/long-term investment
- ✓ To strengthen AM and product development capability by concentrating human resources and knowhow, and to target growth opportunity from the expansion of the market by applying investment knowhow acquired from institutional investor market to the retail market

## Split of SuMi TRUST Bank's AM function / Integration with SuMi TRUST AM

SuMi TRUST Bank	SuMi TRUST AM
AUM: JPY53.8trn	AUM: JPY10.0trn
Corporate pension (DB)	Individuals
Public pensions (DB)	Corporate pension (DC)
Overseas	Financial Institutions

## Concentration of investment function to SuMi TRUST AM

- ✓ To enhance investment capability by devising diverse investment ideas
- ✓ To foster corporate culture where investment professionals can thrive

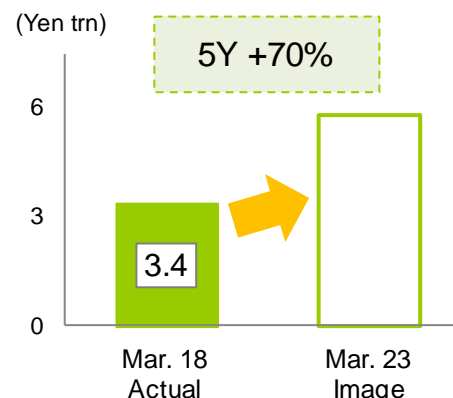
To bolster coordination with SuMi TRUST Bank, in charge of client relationship

- ✓ Swift product planning and development
- ✓ Strengthen marketing ability by agile offering of proposals

## New AM company

The largest institutional investor in Japan AUM: ¥63.8trn  
To become a nationally recognized brand for medium/long-term investment

## Growth in retail market



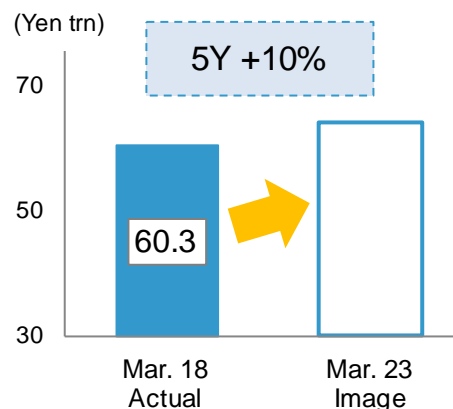
### Individuals

Expand marketing channel to non-affiliates

### DC

Concentrate on Core balance and passive funds, maintain No.1 share in DC investment trust AUM

## Growth in institutional investor market



### DB / Financial institutions

To offer bespoke solution products based on each clients' needs

### Overseas

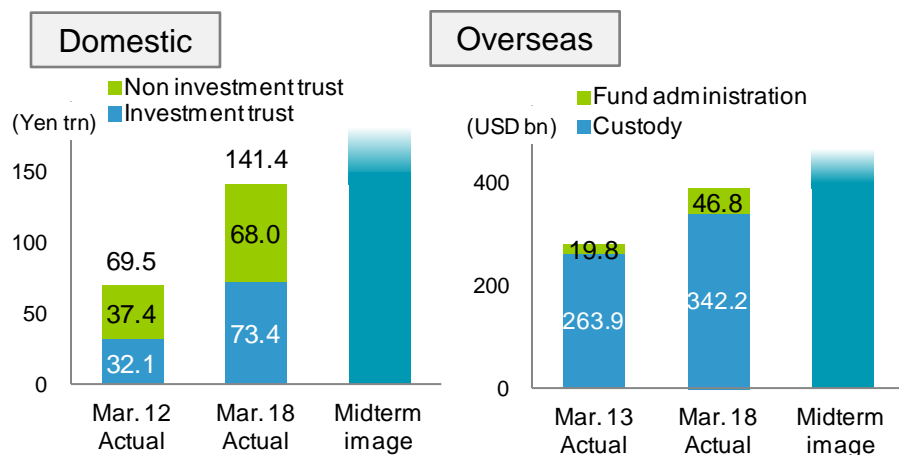
To expand dealings with SWF and PB marketing agents with emphasis on passive and active Japanese equity funds



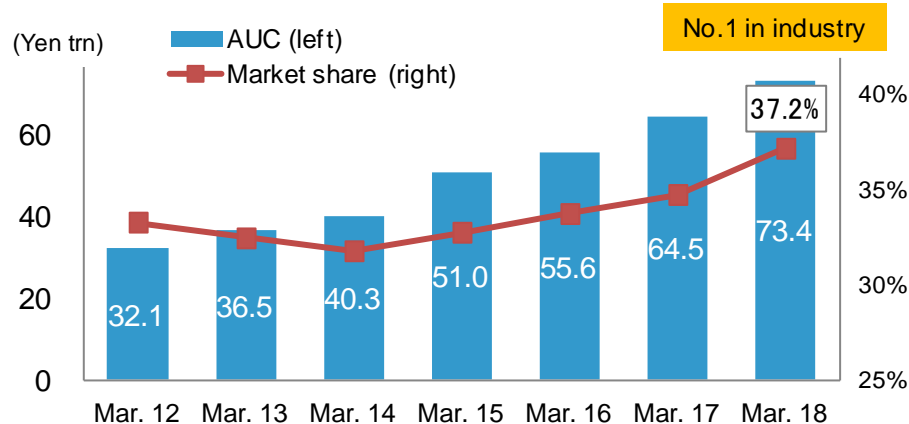
# Fee business: Asset management (Administration)

- ✓ To cater to sophistication/outsourcing needs of asset administration
- ✓ To pursue rationalization/sophistication of services through economies of scale to enhance our competitiveness

## Growth trajectory of group AUC



## Balance of investment trust under custody



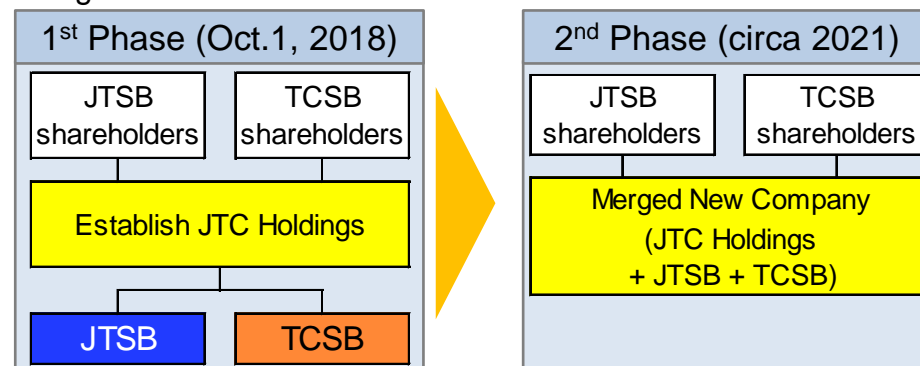
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## Pursue economies of scale

In-principle agreement between the major shareholders of JTSCB and TCSB (\*1) to merge the two prominent asset custodian services companies

To leverage the economies of scale to rationalize/enhance service level

### <Merger structure>



### <Company profile> (\*2)

JTSCB		TCSB	
JPY309 trn	AUC	JPY384 trn	
JPY276 trn	Trust assets	JPY141 trn	
JPY33 trn	Trustee services	JPY243 trn	
SuMi TRUST 66.6%	Major shareholders	Mizuho FG 54%	
Resona 33.3%		Life insurers 46%	

### <Shareholding Ratio %>

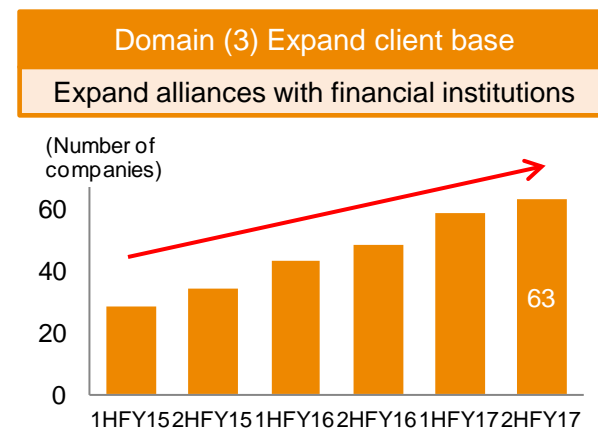
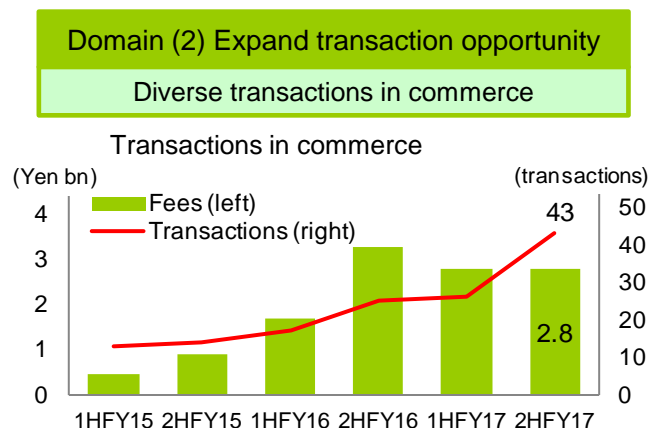
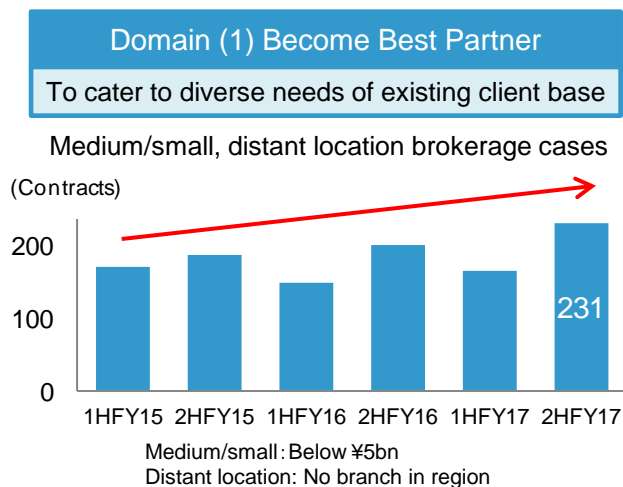
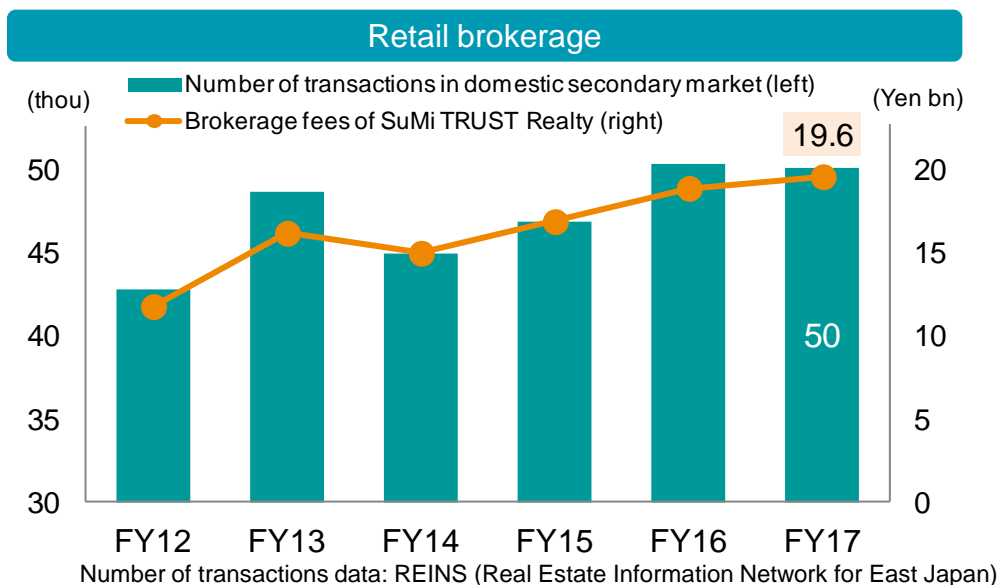
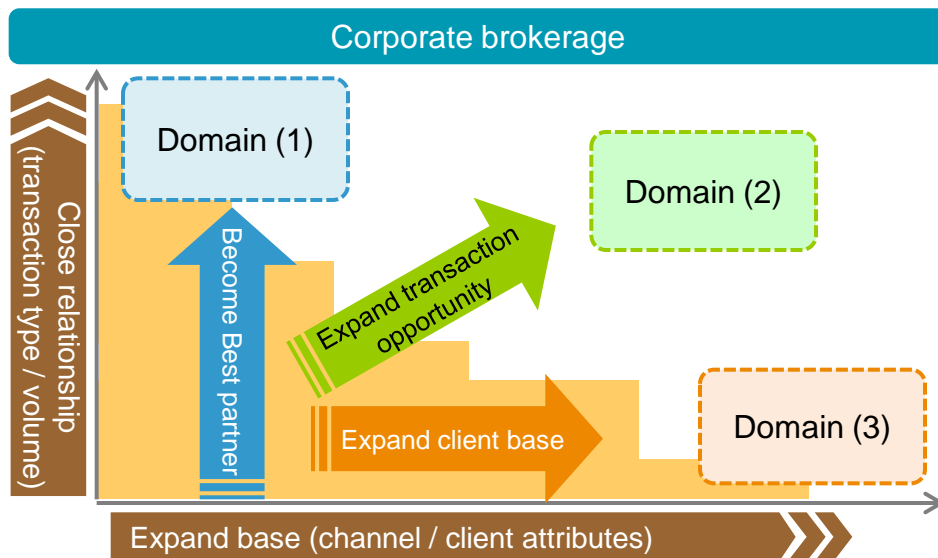
JTC Holdings	
SuMi TRUST	33.3%
Mizuho FG	27.0%
Resona	16.7%
Life insurers	23.0%

(\*1) JTSCB: Japan Trustee Services Bank, TCSB: Trust & Custody Services Bank

(\*2) As of Dec. 2017

# Fee business: Real estate

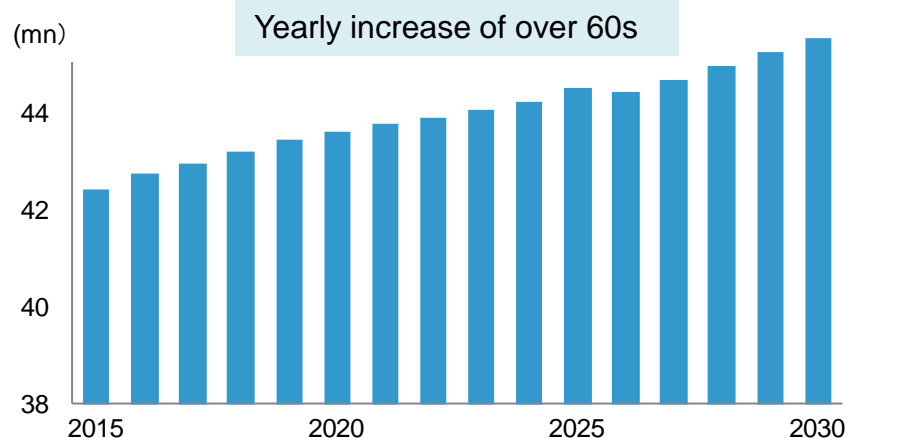
- ✓ To expand brokerage for corporate clients by increasing transactions with existing clients, grasping the needs of potential transaction opportunity and cultivating new clients
- ✓ Retail brokerage to enhance revenue through group-wide collaboration to expand coverage



# Fee business: Will / Inheritance

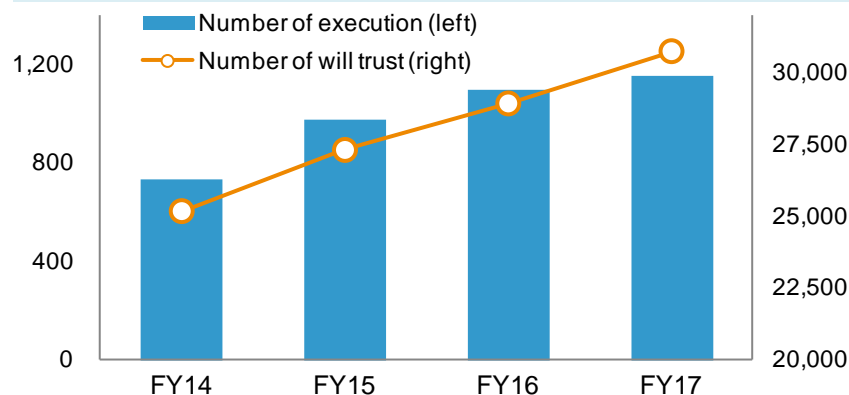
- ✓ Will trusts have business opportunity both before and after occurrence of inheritance event
- ✓ To encourage transfer of assets to the next generation as a unique business of a trust bank

## Social and economic conditions

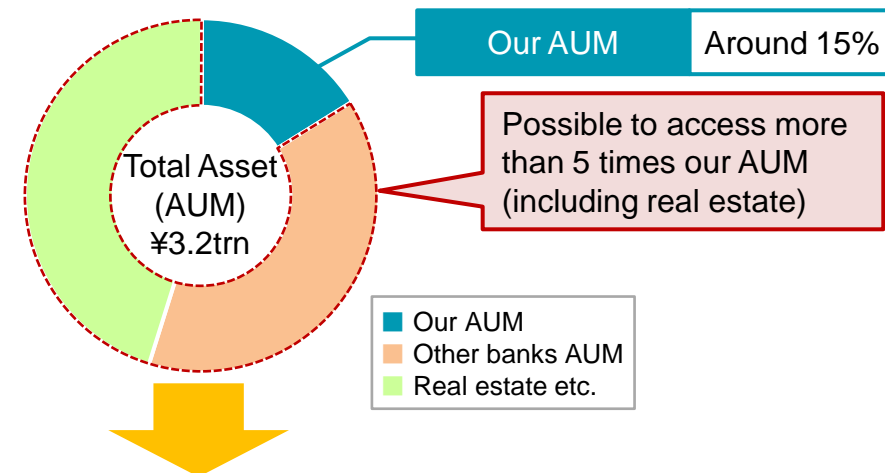


(Source) National Institute of Population and Social Security

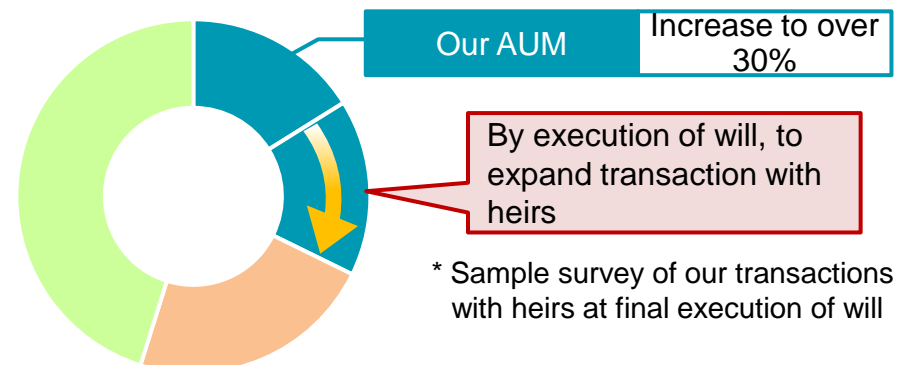
## Execution of Will Trust increasing in proportion to number of wills under custody



## AUM of Will Trusts



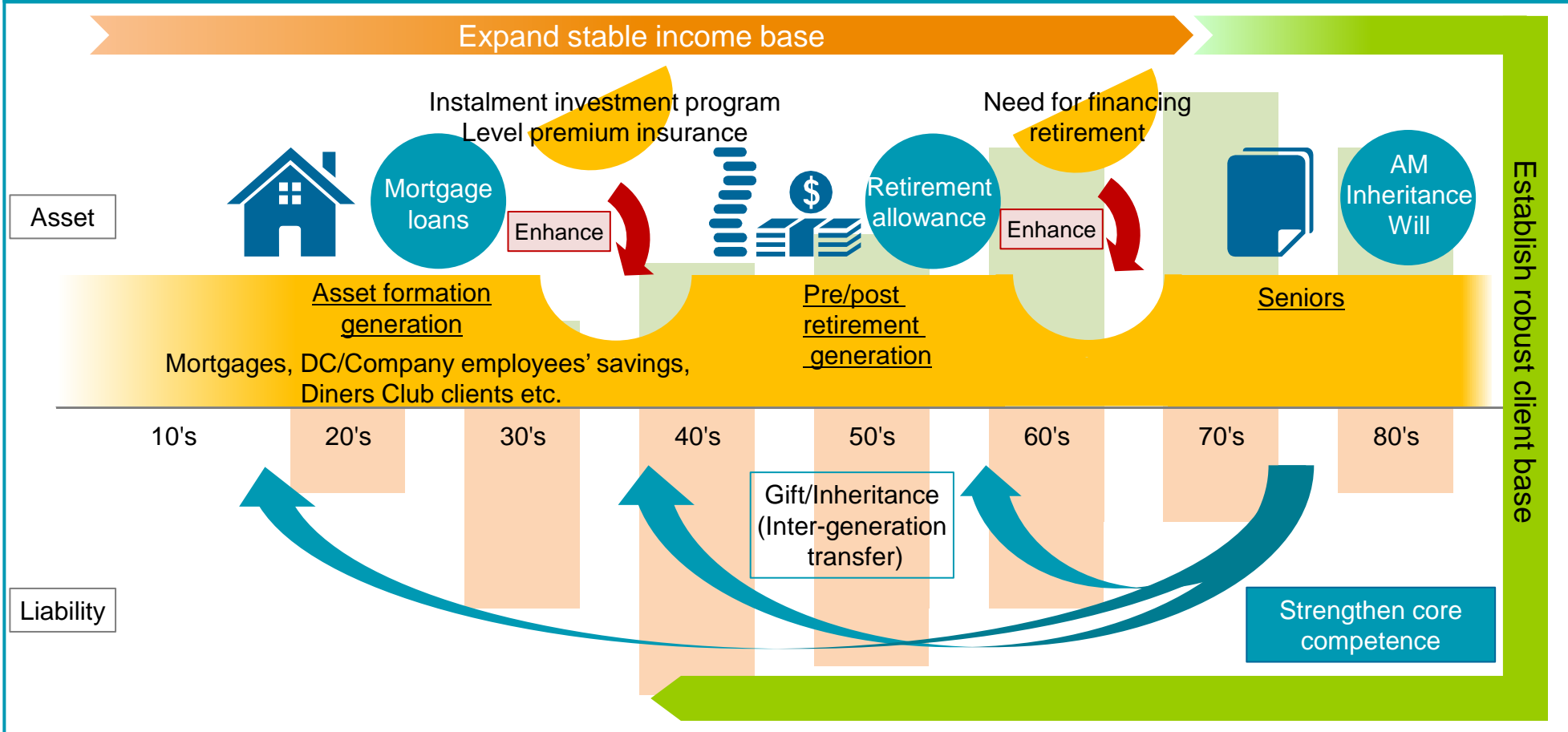
## At timing of will execution



## (Reference) Fee Business (Obtain client base and promote generational cycle)

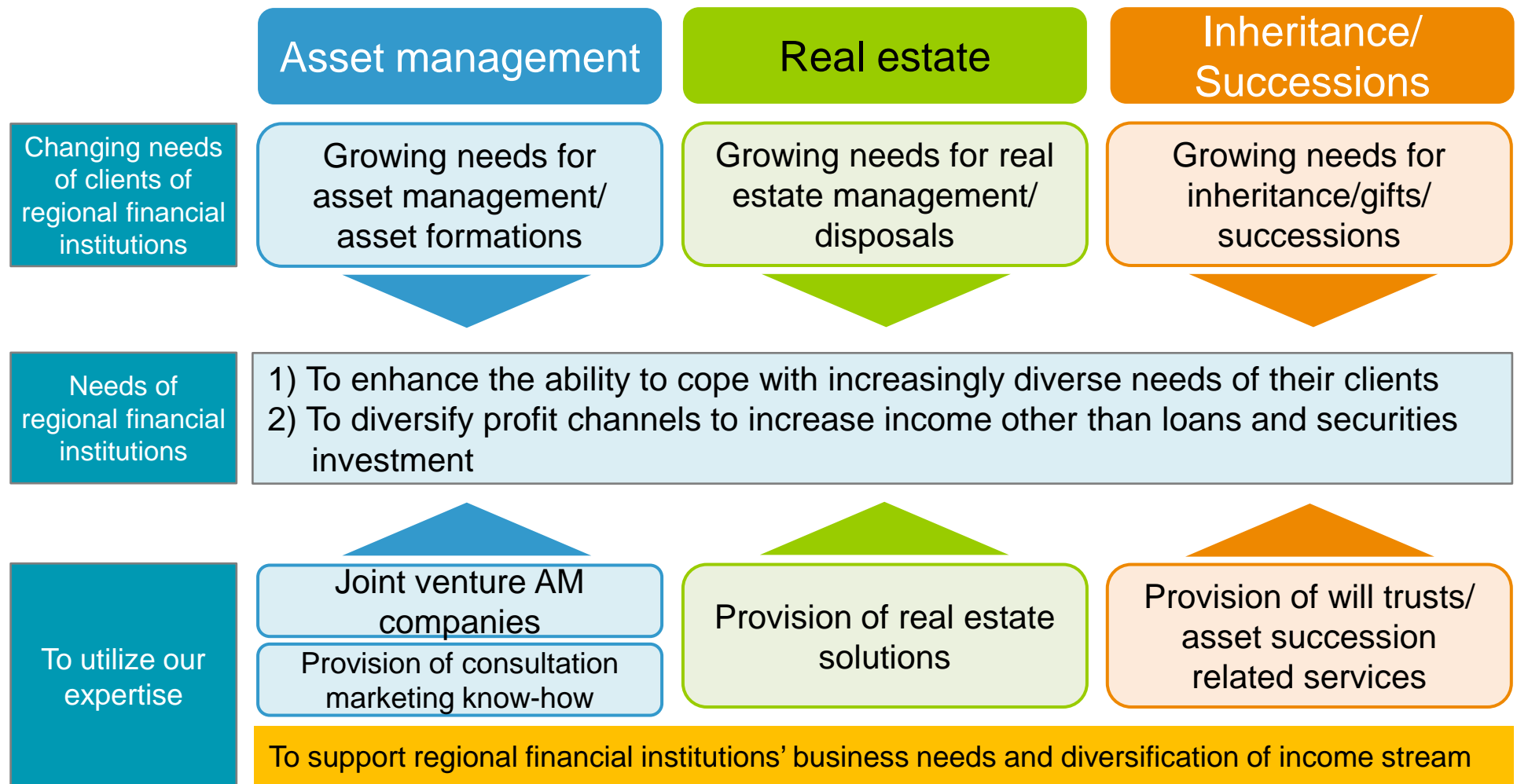
- ✓ Client base: Expand client base centering on Seniors and Pre/post retirement generation to asset formation generation
- ✓ Inter-generation transfer: Utilizing inheritance related products as a point-of-entry, promote inter-generational shift of our client base to achieve sustainable growth

### Total solution marketing model for retail clients



## Fee business: Alliances with regional financial institutions

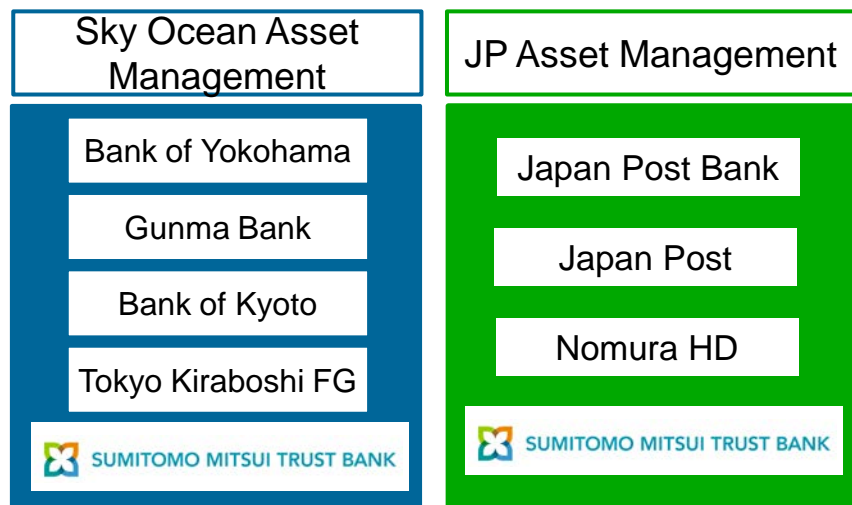
- ✓ To establish a win-win relationship with regional financial institutions by offering our expertise in areas such as asset management, real estate and inheritance



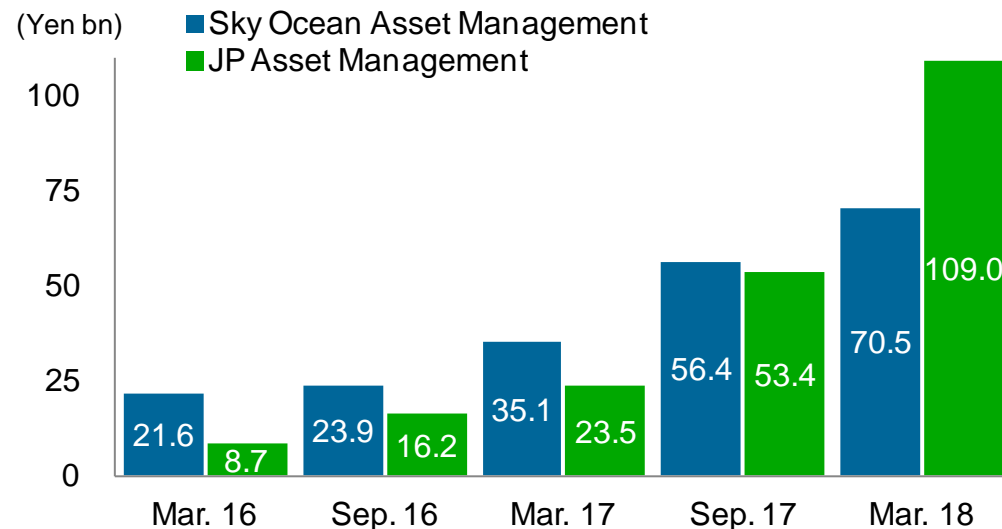
# Fee business: Alliance with regional financial institutions

## Asset management

### Management of Joint venture AM companies

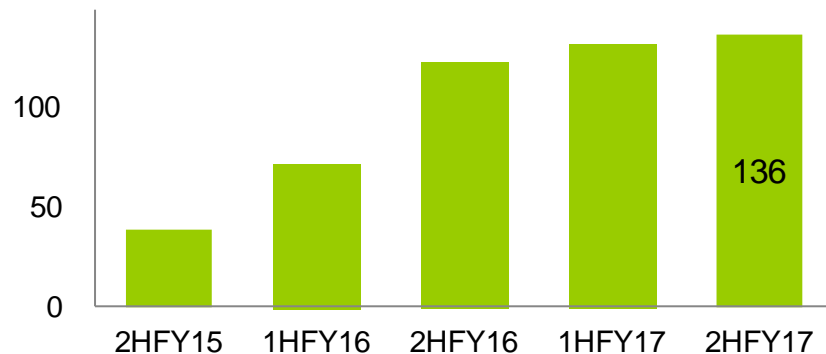


### AUM of joint venture AM companies



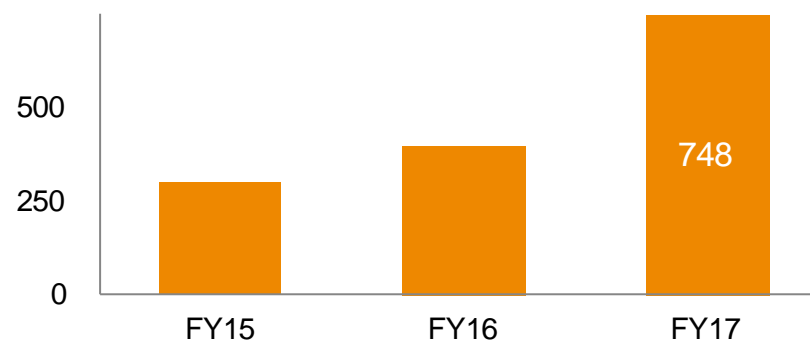
## Real estate

### Real estate solutions (cases)



## Inheritance

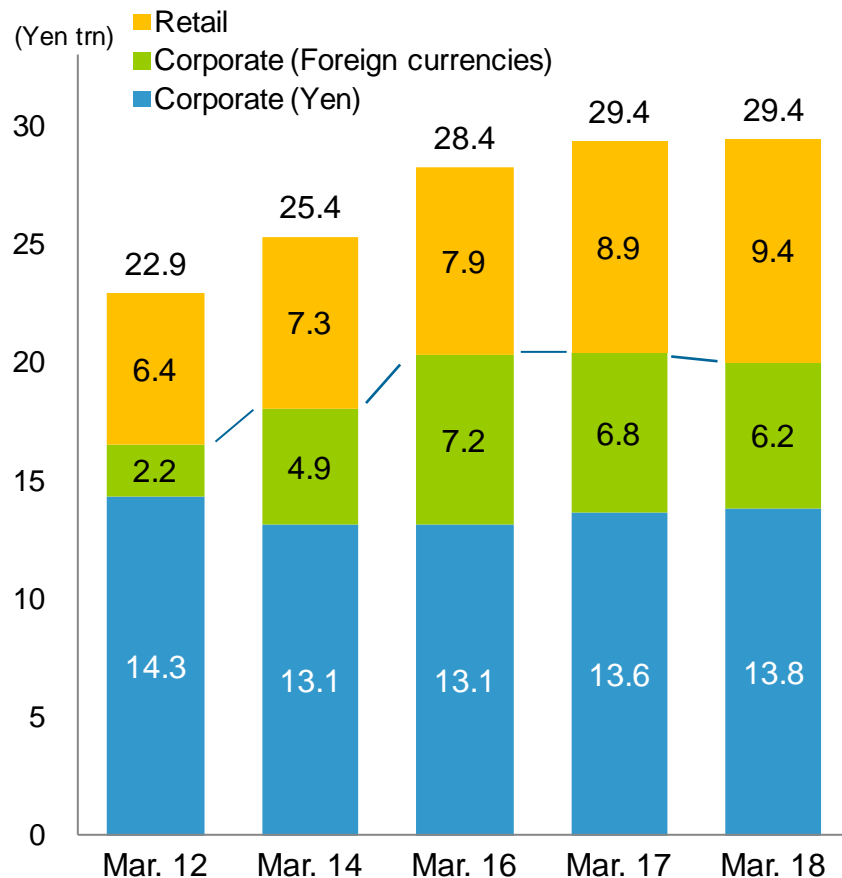
### Inheritance related (cases)



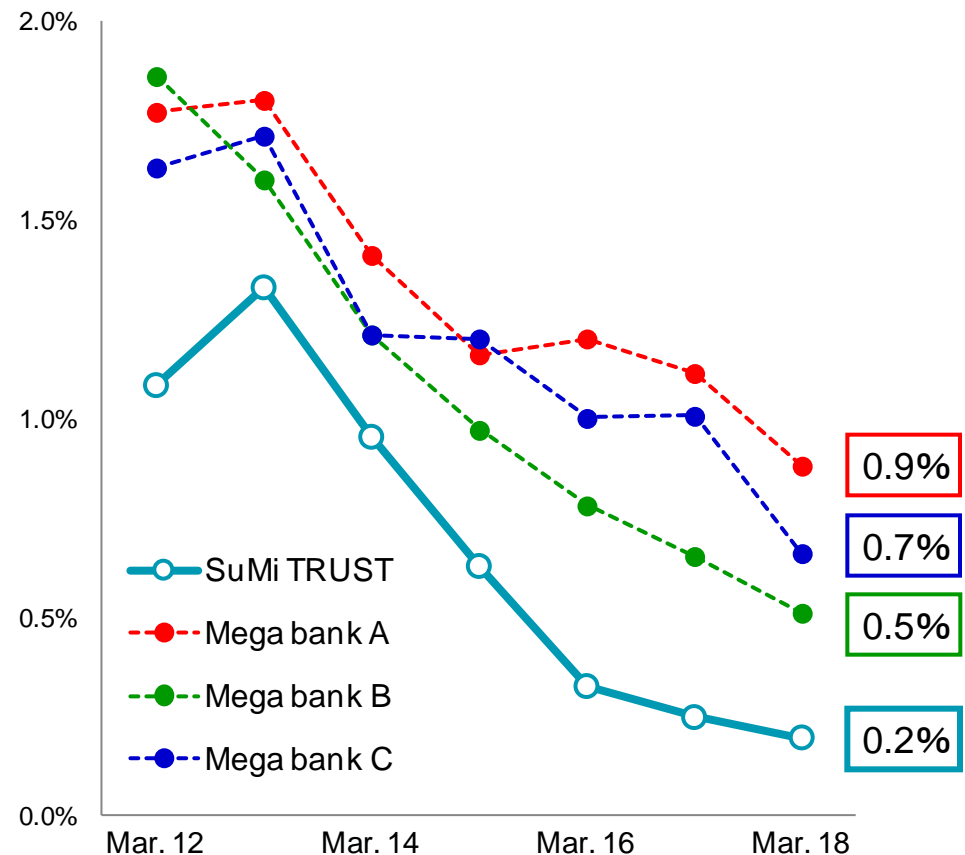
# Loan/investment business: Domestic Credit portfolio (SuMi TRUST Bank)

- ✓Retail: Steady increase centered on residential mortgages
- ✓Corporate: Yen loans are mainly for large domestic corporations, foreign currency (Non-Japanese) portfolio is centered on high quality product-based assets

Credit portfolio balance



Problem loan ratio % of major banks

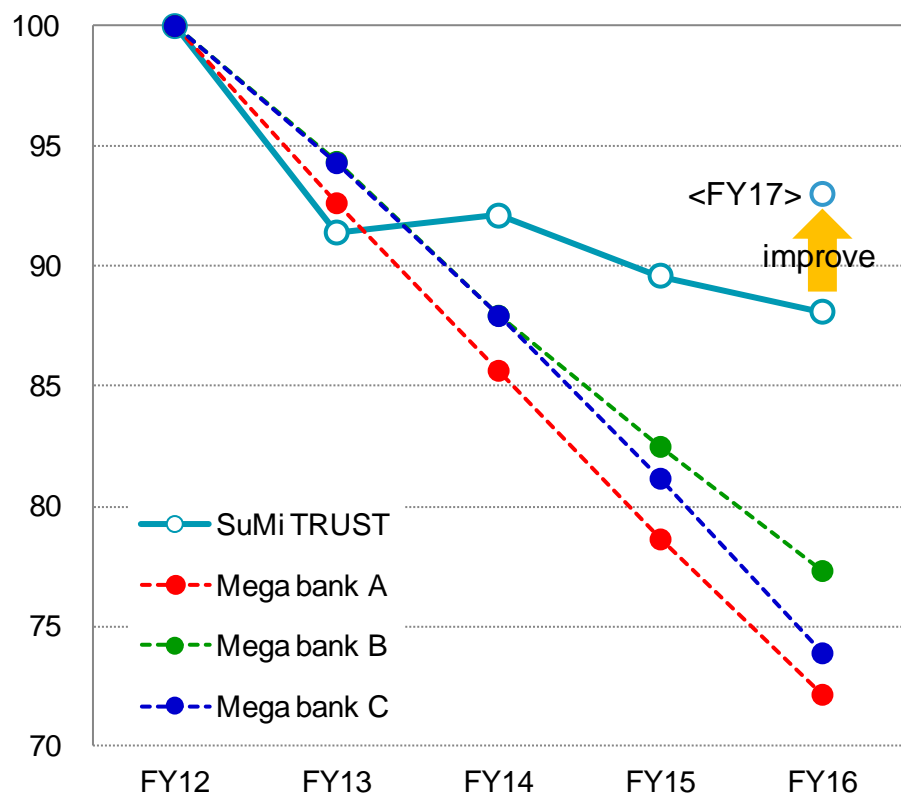


# Loan/investment business: Domestic loan-deposit margin (SuMi TRUST Bank)

✓ Domestic loan-deposit margin has been bottoming out due to restraint of funding cost and relentless efforts to improve lending margin

## Income from domestic loan-deposit business (\*1, \*2)

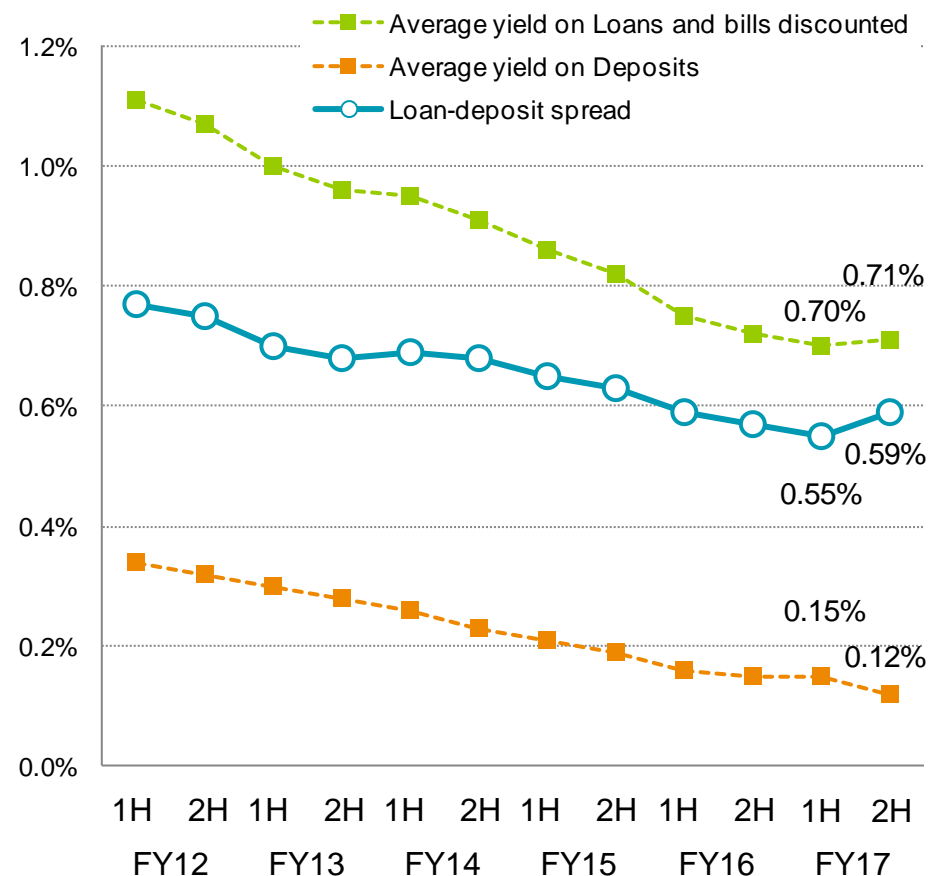
(Index FY12=100)



(\*1) Income in domestic business =  
Loan interest income – deposit interest – interest from NCD

(\*2) Mega banks: sum of bank subsidiaries

## Domestic loan-deposit gross margin

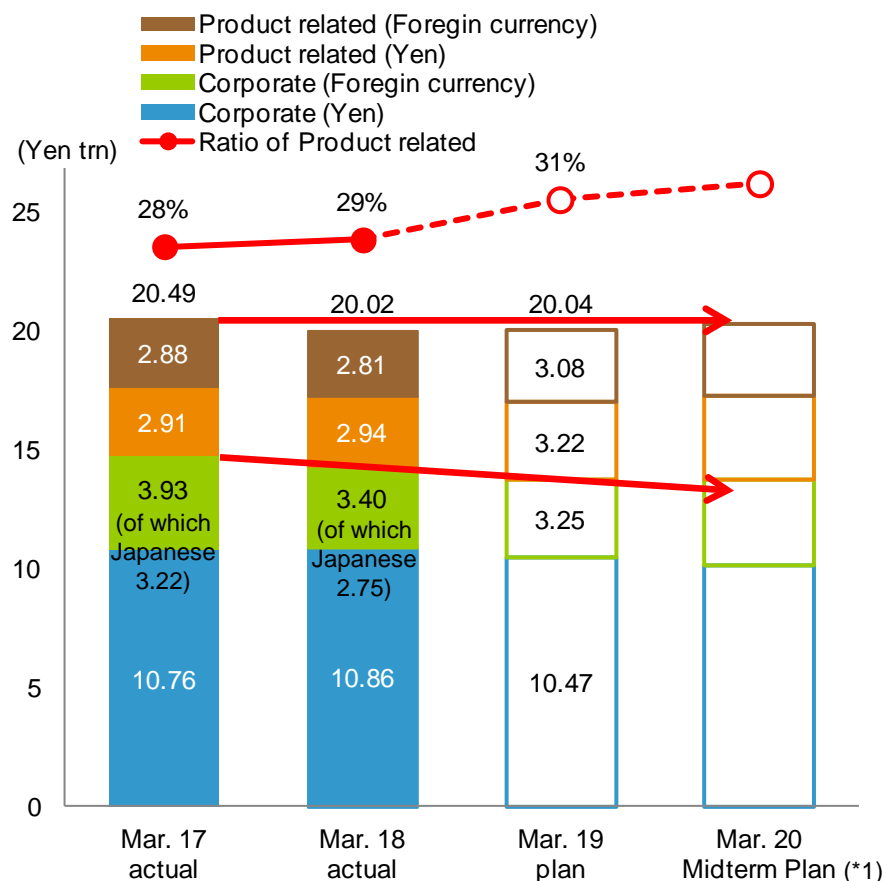




# Loan/investment business: Corporate lending/investment (SuMi TRUST Bank)

- ✓ Reformation of credit portfolio in progress, through reduction of low profitability assets centered on corporate loans (foreign currency) and margin improvement of foreign currency portfolio
- ✓ Regarding product related assets in focus, selective investments with emphasis on quality (recovery rate, tenor)

## Corporate credit portfolio plan



(\*1) Foreign currency balance of Mar. 20 assumes same FX rate as Mar. 17

## Profitability improvement of credit portfolio

### Strengthen product lending

Active investment in areas where we have expertise

Plan to market these products to clients

Aircraft

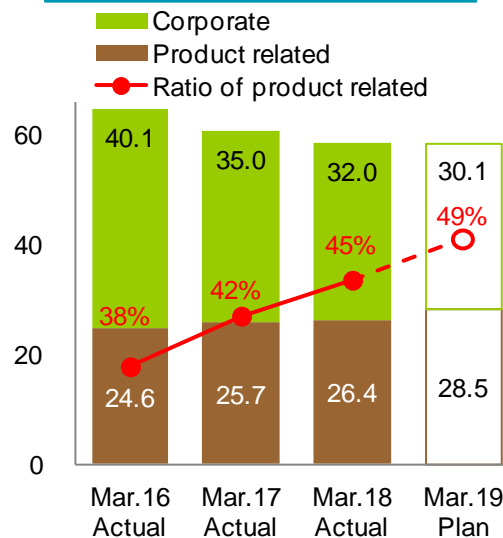
Shipping

Real Estate NRL

Project Finance

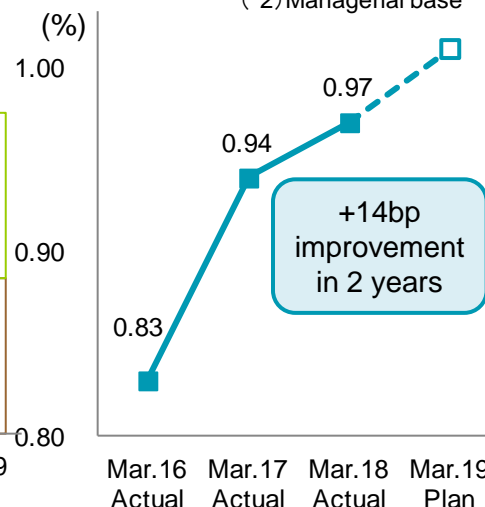
Trade/Commodity Finance

### Management of foreign currency B/S (US\$Bn)



### Foreign currency portfolio margin (\*2)

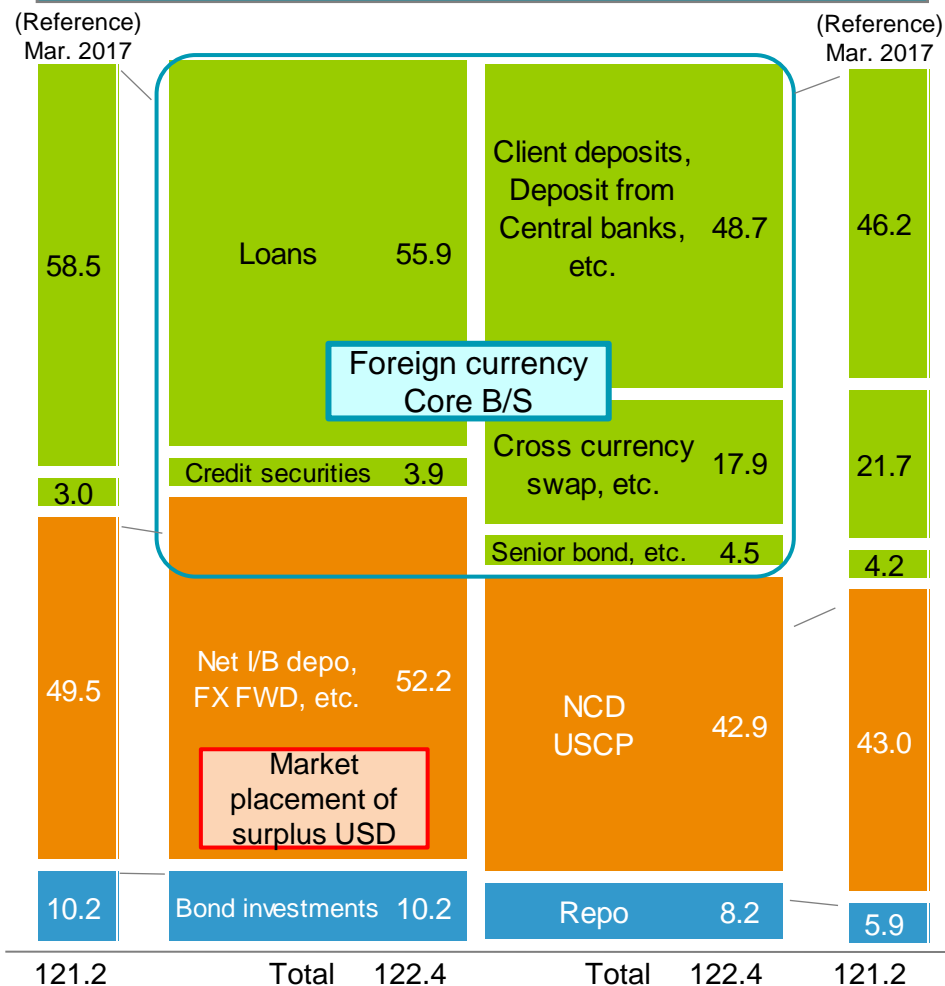
(\*2) Managerial base



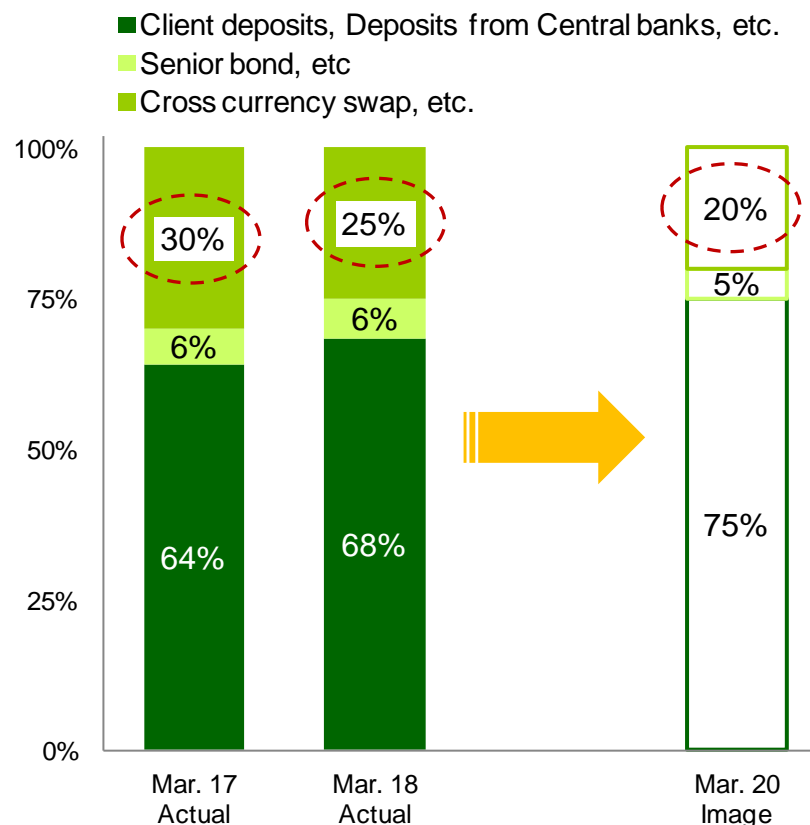
# Loan/investment business: Status of foreign currency B/S (SuMi TRUST Bank)

- ✓ Liquidity risk and funding cost of foreign currency core B/S is managed carefully, while reducing funding via CCS
- ✓ Short term funds sourced through NCD/USCP markets are categorized as contingent funding buffer, and the funds are utilized as short-term funds in the inter-bank or foreign exchange market

Foreign currency B/S (as of Mar.18) (USD bn)



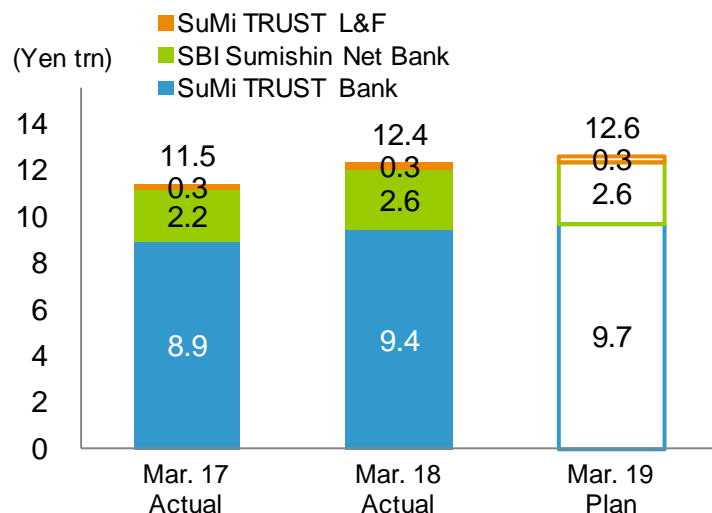
Funding structure of Foreign currency core B/S



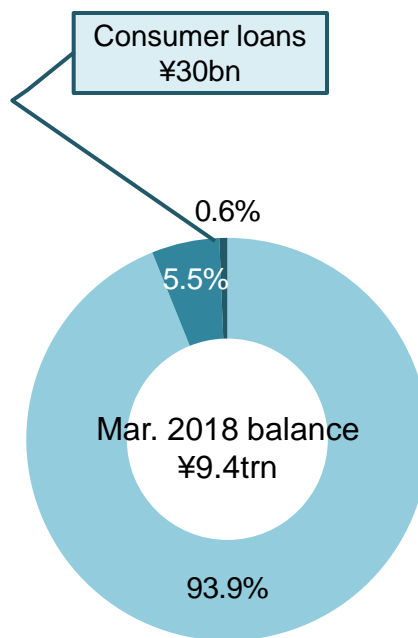
# Loan/investment business: Personal loans

- ✓ Construct high quality client portfolio by competitive pricing and efficient marketing channels
- ✓ Using mortgages as point-of-entry, to cross-market other products to clients based on their requirements during various stages of their lives

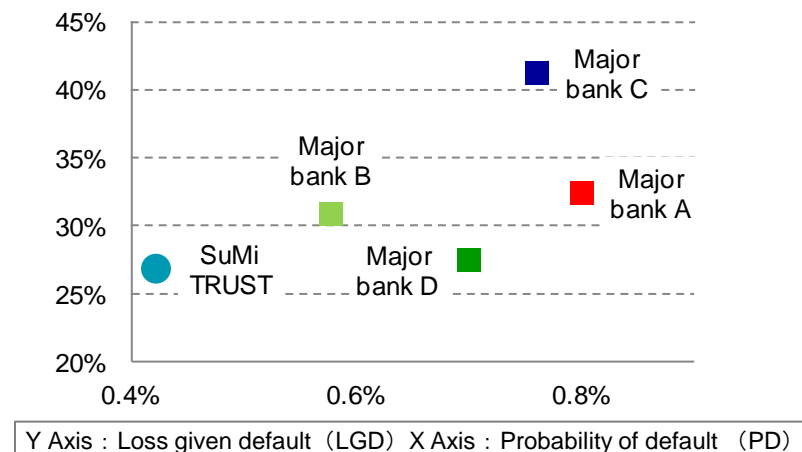
## Balance of loans to individuals



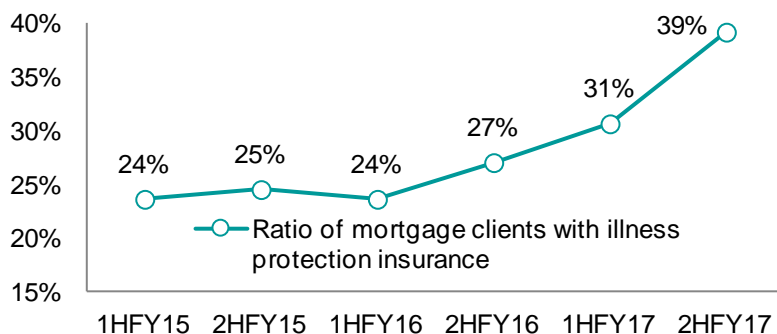
## By product (Non-consolidated)



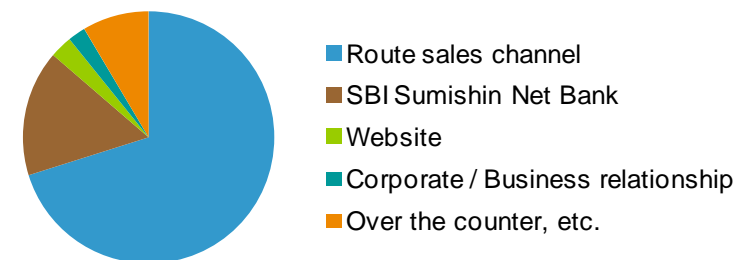
## High quality mortgage borrowers



## Expand services with mortgage as entry point

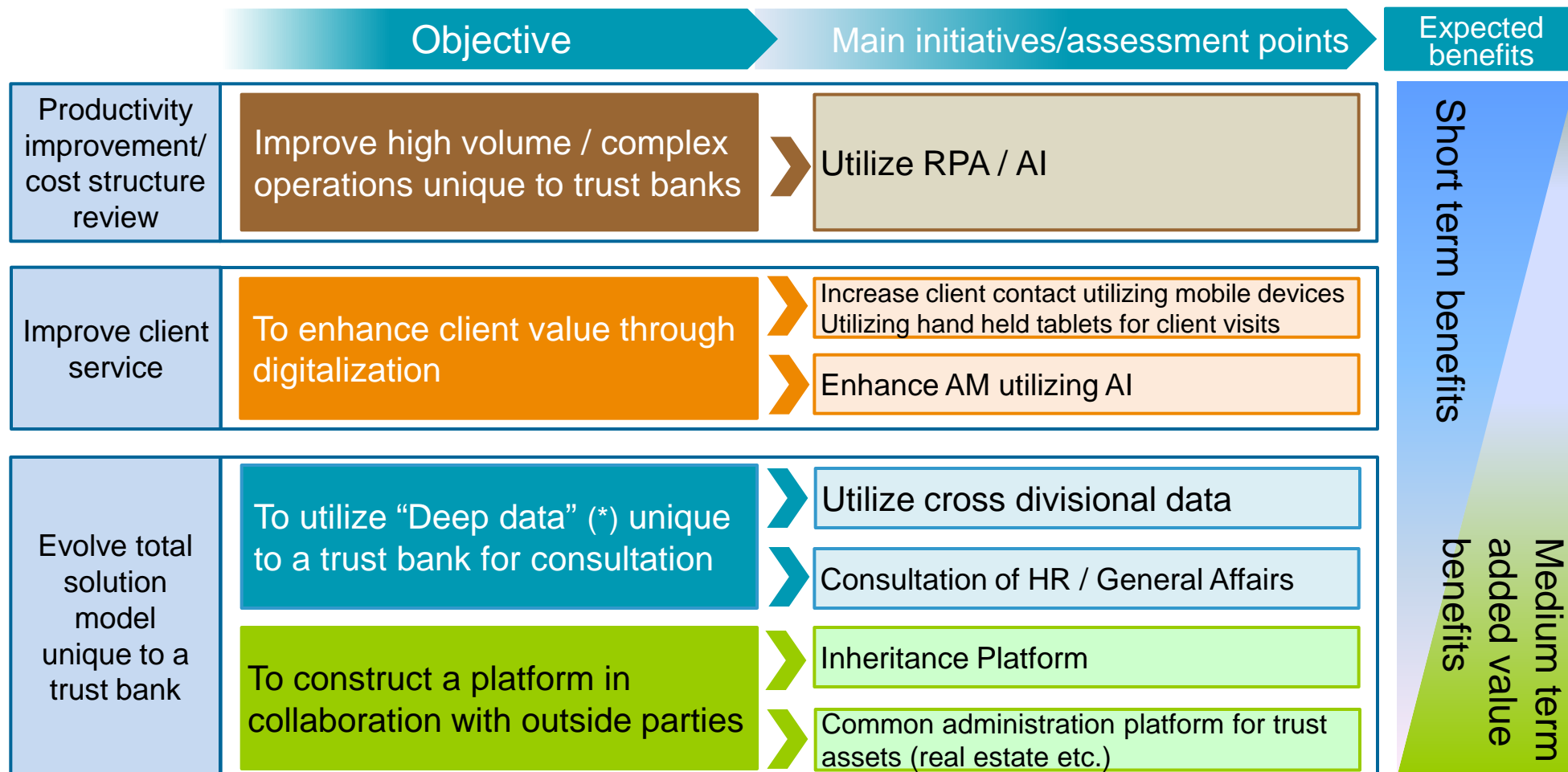


## Efficient marketing channels (Mortgages)



# Digitalization strategy

- ✓To strengthen and rationalize existing workflow such as productivity, OHR, and improvement of client services
- ✓Add value to clients by utilizing data and knowhow unique to a trust bank

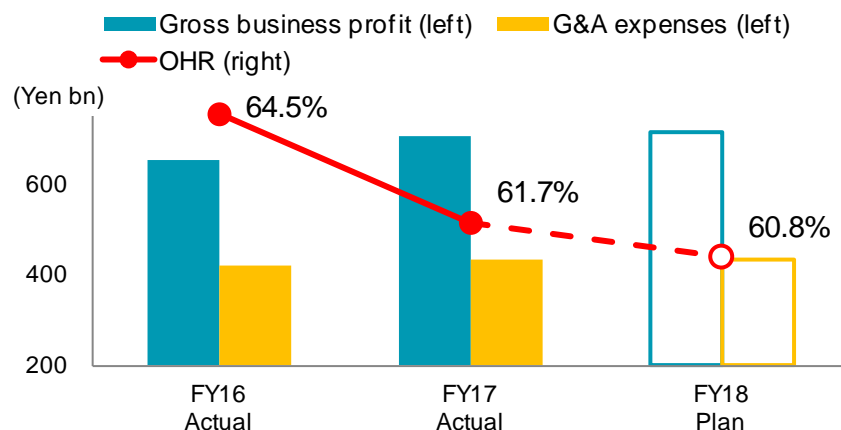


(\*) Detailed data for specific segments such as trust related businesses

# OHR Improvement

✓ While aiming for reduction in expenses and improved efficiency, to pursue improvement in OHR in conjunction with gross profit improvement

## Expenses forecast



## Efforts to reduce expenses

### RPA

- RPA/AI to reduce workload for hi-mix/low-volume trust transactions
- FY2018 to aim for 150 thousand hours reduction

### Office relocation

- To divest 2 office buildings in FY2017
- To reallocate AM functions to optimize office allocation and release leased space in FY2018

### Group governance

- To reduce duplicate functionalities, strengthen cross-group latitudinal controls

## Branch Strategy

### < Phase 1 >

10% reduction in backoffice work and 10% increase in client marketing time achieved by introduction of host-DB linked client visit tablet

Accomplished

### < Phase 2 >

To reduce backoffice work by 50% by expanding tablet functionality

Development on-going

### < Phase 3 >

Further digitalization to reduce backoffice work to zero

Method for 70% reduction in sight (Create around 1,600 staff equivalent in 5 years)

Topline growth

$$\text{Topline growth} = \# \text{ contacts} \times \text{Success Rate} \times \text{Transaction Value}$$

## Next generation type branch

### Core function

Counter

Client visit

Loan  
Life Planning

Backoffice

### Optional functions

High counter

Safe deposit box

ATM

Concept space

Functionality depending on market

Zero backoffice operations

# Preparation for future risk

- ✓ Mitigation of risk from US interest rate rise by utilizing bear-type bond investment trust and derivatives
- ✓ To implement hedging operations to reduce equity risk and control economic value of stock holdings
- ✓ Credit portfolio to restrain concentration risk to maintain a high quality, downside resilient portfolio

## US interest rate rise

Restrained management of US treasury positions  
Hedge transactions (bear-type bond investment trusts, bond futures)

Utilize bear-type bond investment trusts and derivatives to tactically control risk

Portfolio management mindful of interest rate rise

US interest rate (10BPV) risk transition (Non-consolidated)

## Stock market correction

Reduction of cross shareholdings  
Hedge transactions (bear-type investment trusts)

To implement hedging operations to reduce equity risk and control economic value of stock holdings

Hedge ratio of around 70% as of Mar. 2018

Strategic shareholdings / CET1 ratio (\*1)

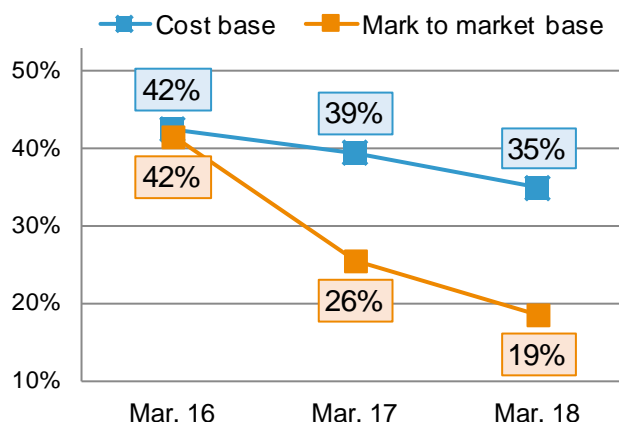
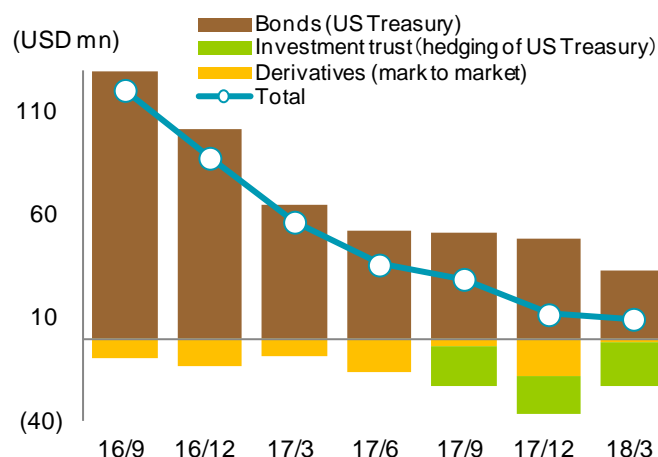
## Economy slowdown/recession

To restrain concentration risk  
Portfolio management taking overheating of some markets into account

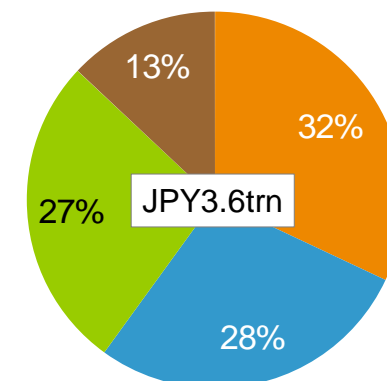
Mitigate concentration of region, risk profile and timing  
Asset selection with focus on safety (recovery, tenor)

High quality portfolio mindful of downside risk

Regional diversification of non-Japanese credit \*(2)



North America Europe  
Asia and Oceania Others



(\*1) Cost base: Japanese stocks (cost) / CET1 capital (excluding valuation differences on AFS securities)  
Mark to market base: [Japanese Stocks (fair value) – hedging effect equivalent] / CET1 capital

(\*2) Based on final exposure (as of Mar. 18)

# Financial / Capital Policy

✓ In accordance with our Midterm Management Plan and current Shareholder Return Policy, while upholding profit growth and capital efficiency, to enhance shareholder returns over the medium term

Self-assessment														
Target for sufficiency	<ul style="list-style-type: none"> <li>✓ Regulatory requirement 7.5%, financial / management buffer 2.5% (*1)</li> <li>✓ To maintain certain level of comparative advantage due to long-term nature of services offered as trust business</li> </ul>	CET1 ratio of around 10% (Finalized Basel III reforms basis)												
Current status	<ul style="list-style-type: none"> <li>✓ Current regulatory requirement basis 11.3%, finalized Basel III reforms basis around 9% (*2)</li> </ul>	Capital accumulation stage to meet requirement for finalized Basel III reforms basis												
Near-term capital policy	<ul style="list-style-type: none"> <li>✓ ROE improvement through steady implementation of the Midterm Management Plan (To pursue profit growth and capital-efficient business model)</li> <li>✓ While accumulating capital, to manage it with both pursuit of growth opportunities and strengthening of shareholder return in accordance with profitability taken into consideration</li> </ul>	<p>While accumulating capital, consider balance between profit growth, capital efficiency and shareholder return</p> <table> <tr> <th>【KPI】 (*3)</th><th>FY17 Actual</th><th>FY19 Midterm Plan</th></tr> <tr> <td>Profit growth</td><td>JPY153.9bn</td><td>JPY180bn</td></tr> <tr> <td>Capital efficiency</td><td>7.4%</td><td>Approx. 8%</td></tr> <tr> <td>Shareholder return</td><td>37.4%</td><td>Approx. 40%</td></tr> </table>	【KPI】 (*3)	FY17 Actual	FY19 Midterm Plan	Profit growth	JPY153.9bn	JPY180bn	Capital efficiency	7.4%	Approx. 8%	Shareholder return	37.4%	Approx. 40%
【KPI】 (*3)	FY17 Actual	FY19 Midterm Plan												
Profit growth	JPY153.9bn	JPY180bn												
Capital efficiency	7.4%	Approx. 8%												
Shareholder return	37.4%	Approx. 40%												
Our medium / long-term view	<ul style="list-style-type: none"> <li>✓ In the future, after capital accumulation has reached a level that is prudently sufficient, we will review our growth prospects and stock valuation, and consider the appropriate capital policy / shareholder return</li> <li>✓ On top of shareholder distribution commensurate with earnings, share repurchases to improve capital efficiency to be considered as well</li> </ul>													

(\*1) Required ratio of CET1 capital required against risk weighted assets (\*2) CET1 ratio (As of Mar. 2018) Current regulatory requirement basis is preliminary, Finalized basis is pro forma

(\*3) Profit growth: Net income, Capital efficiency: Shareholder ROE, Shareholder return: Total payout ratio



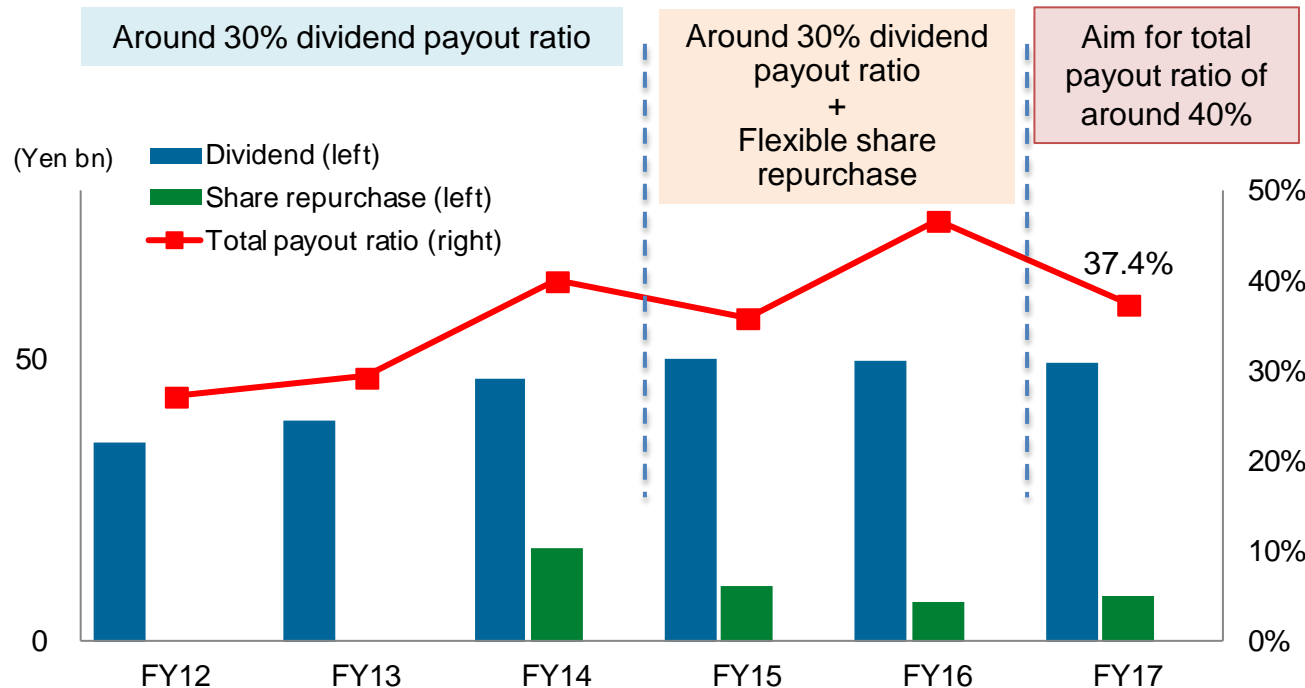
# Financial and capital policies: Shareholder return policy

By maintaining dividend payout commensurate with earnings and share repurchases, we shall aim to enhance total payout ratio to around 40% over the medium term

## <Shareholder Return Policy>

As a means of returning shareholders' profits commensurate with earnings, we will maintain a dividend payout ratio of around 30% with respect to ordinary shares, while considering share repurchases based on the balance between profit growth opportunities and improvement in capital efficiency. In the medium term, we shall aim to gradually raise the total payout ratio to around 40% to enhance shareholder returns

### Shareholder return



### (Ref) Share repurchases

Repurchase timing	Repurchase Amount	Ratio against Net income (*1)
FY14 (Feb. 15)	JPY16.4bn	+10.4%
FY15 (Aug. 15)	JPY9.9bn	+6.0%
FY16 (May 16)	JPY6.9bn	+5.7%
FY17 (Aug. 17)	JPY8.1bn	+5.3%

(\*1) "Ratio against net income": Repurchased amount divided by fiscal year's net income when relevant share repurchase was executed

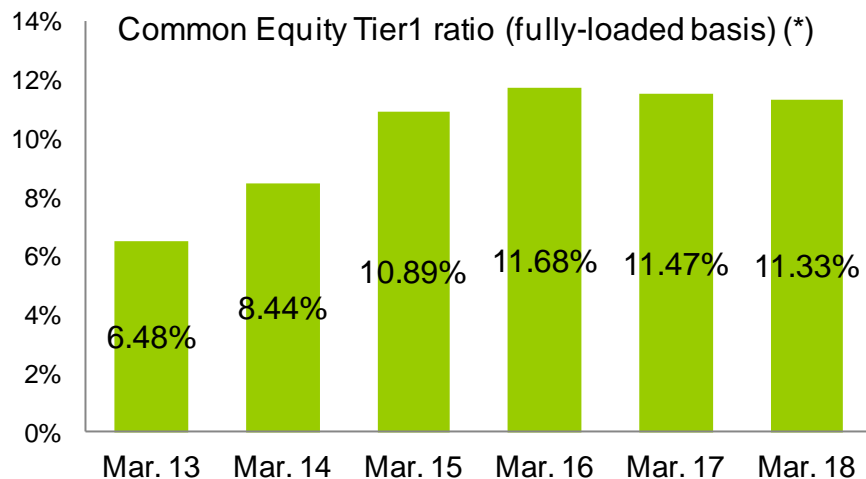
#### Resolved share repurchase in May 2018

Number of shares (Upper limit)	Up to 2 million shares (0.53% of total # of shares (*2))
Repurchase amount (Upper limit)	Up to JPY9bn (5.5% of FY18 net income)
Repurchase period	From May 14, 2018 to June 29, 2018

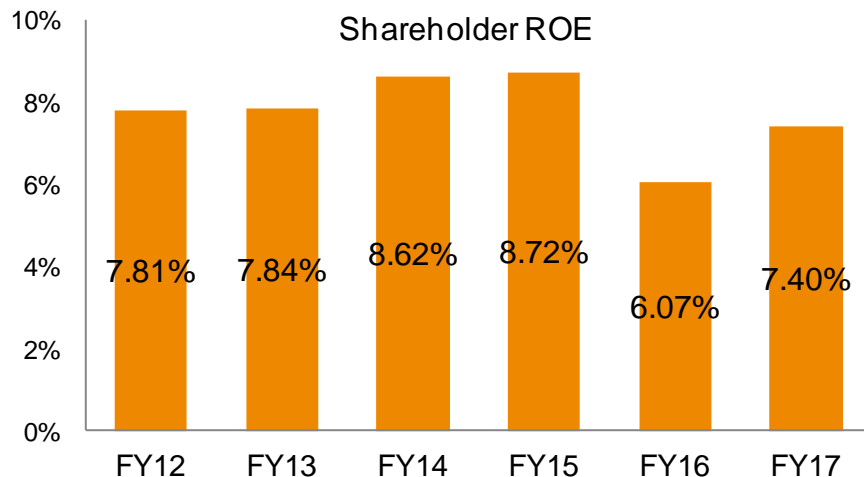
(\*2) Total number of shares in issue excluding treasury stock

# (Reference) Status of KPIs

## Capital adequacy



## Capital efficiency

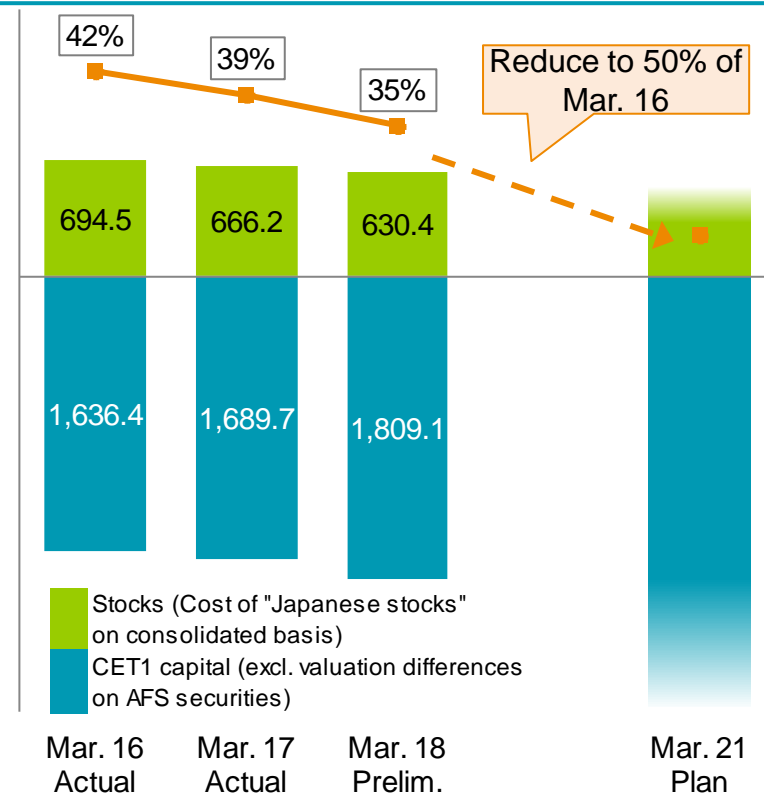


(\*) Provisional calculation without considering current regulatory requirement basis for adjustment items

## Reduction of strategic shareholdings

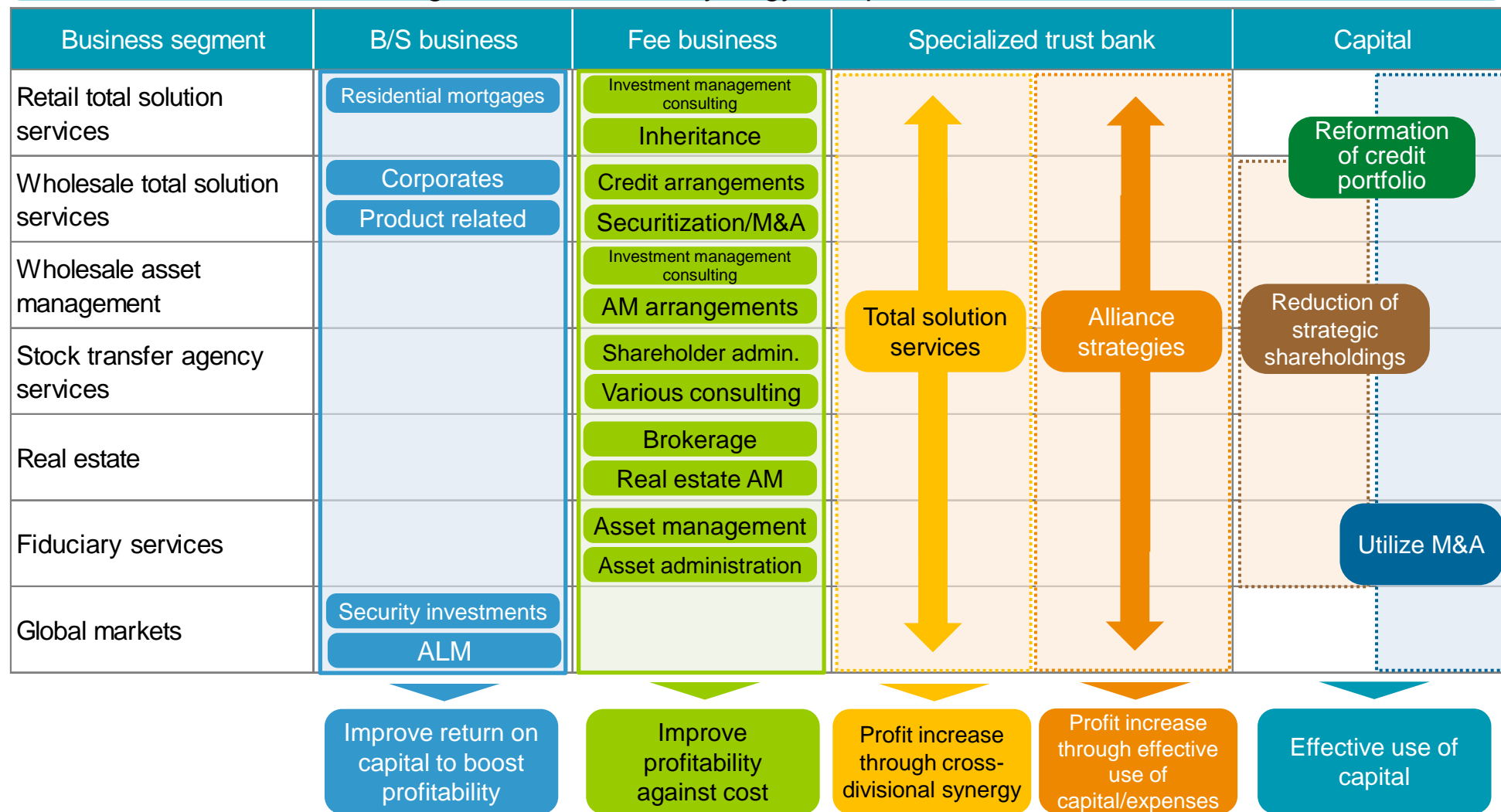
### Initiatives for strategic shareholdings

- ✓ Commencing from FY16, to reduce ratio of strategic shareholdings to Common Equity Tier1 capital (excluding valuation differences on AFS securities) by 50% in approx. 5 years
- ✓ Amount would be worth sales of approx. ¥150bn to ¥200bn on cost base by end of FY20



## (Reference) Initiatives of each business segment to improve ROE

- ✓ Implementation of Midterm Management Plan to bolster ROE
- ✓ Strengthen fee businesses, improve B/S efficiency and profitability through portfolio realignment, offer total solution services through cross divisional synergy and promote alliances



# Financial Results for FY2017

# Overview of profit

(Yen bn)		FY16	FY17	Change
1	Net business profit before credit costs (*1)	232.3	270.5	38.1
2	Substantial gross business profit (*1)	654.5	705.7	51.1
3	Net interest income and related profit	246.8	208.2	(38.6)
4	Net fees and commissions and related profit	408.3	405.4	(2.8)
5	Other profit	(0.6)	92.1	92.7
6	Substantial G&A expenses (*1)	(422.2)	(435.1)	(12.9)
7	Total credit costs	(28.5)	2.9	31.5
8	Net gains on stocks	36.4	6.3	(30.1)
9	Other net non-recurring profit	(43.9)	(47.2)	(3.3)
10	Ordinary profit	196.3	232.6	36.2
11	Extraordinary profit	(5.2)	6.1	11.4
12	Income before income taxes	191.1	238.8	47.6
13	Total income taxes	(56.9)	(73.0)	(16.1)
14	Income attributable to non-controlling interests	(12.7)	(11.7)	0.9
15	Net income	121.4	153.9	32.5
16	Return on shareholders' equity	6.07%	7.40%	1.33%
17	Dividend per share (DPS) (Yen)	130	130	-
18	Earnings per share (EPS) (Yen)	317	403	86
19	Number of shares issued (mn shares) (*2)	382.8	381.2	(1.5)

(\*1) "Net business profit before credit costs", "Substantial gross business profit" and "Substantial G&A expenses" are based on managerial accounting, taking gross income and expenses from affiliates into consideration.

(\*2) Average number of common shares outstanding (excluding treasury stocks) during the period.

## Net business profit before credit costs

- Increase of ¥38.1bn YoY, primarily due to non-recurrence of last year's fall in market related profit
- Effective loans/investments earnings improved due primarily to improvement of domestic loan-deposit margin (UP ¥1.8bn YoY, P39)
- Steady increase of fee income from asset management/administration and real estate businesses  
Effective net fees and commissions and related profit increased, excluding decrease from inheritance related fees which was temporarily boosted last year (DOWN ¥4.7bn YoY, P39)

## Total credit costs

- Limited instance of new bad loans
- Net profit of ¥2.9bn recorded from reversal of loan-loss reserves due to decrease in balances of problem loans from repayment by certain borrowers

## Net gains on stocks

- Progress made in reduction of strategic-shareholdings (reduction of ¥35.2bn, profit of ¥36.4bn from disposal), loss of ¥34.8bn recorded due to divestment and reinvestment of hedge investment trust positions with aim to improve average holding cost

## Other net non-recurring profit / Extraordinary profit

- Divestiture of office building (¥15.0bn profit) to optimize office utilization  
One-time write down of IT related expenses

## Net income

- Increase of ¥32.5bn YoY
- Steady progress for first year of Mid-Term plan (Planned ¥150bn, achievement ratio 103%)

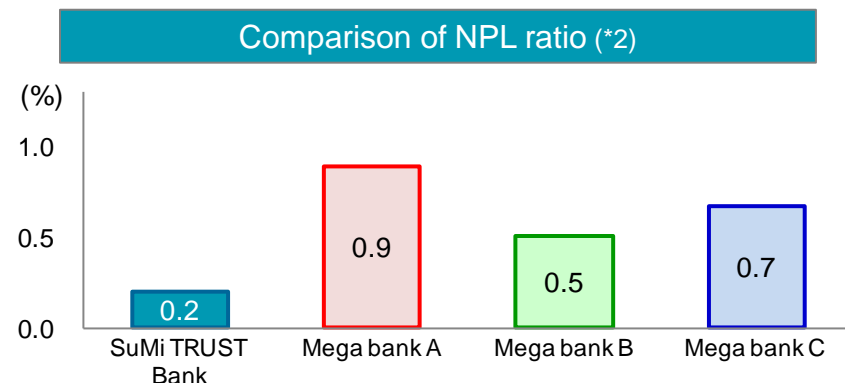
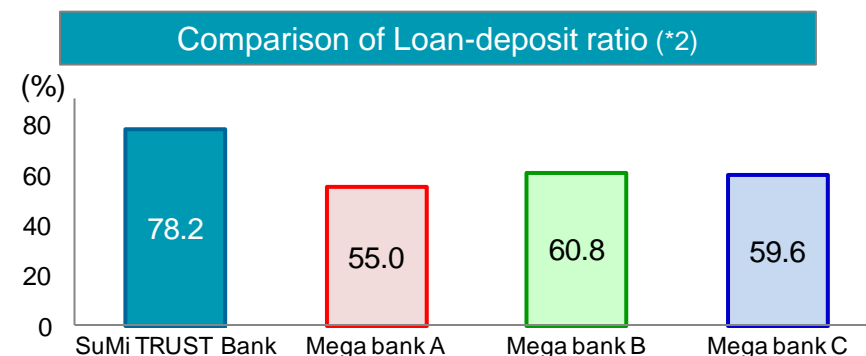
# Overview of balance sheet

	(Yen bn)	Mar. 2017	Mar. 2018	Change
1 Assets		65,453.7	68,356.7	2,903.0
2 Cash and due from banks		26,944.4	28,841.3	1,896.8
3 Securities		5,127.7	5,537.6	409.9
4 Loans and bills discounted		28,040.4	28,190.5	150.1
5 Other assets		5,341.0	5,787.2	446.1
6 Liabilities		62,662.0	65,484.4	2,822.4
7 Deposits and NCD		43,327.4	43,915.1	587.7
8 Borrowed money from trust account		10,274.1	11,070.7	796.5
9 Other liabilities		9,060.4	10,498.5	1,438.1
10 Total net assets		2,791.6	2,872.3	80.6
11 Total shareholders' equity		2,031.6	2,127.8	96.1
12 Total accumulated OCI		430.9	496.8	65.8
13 Minority interests, etc.		329.0	247.6	(81.4)
14 Net assets per share (BPS) (Yen)		6,437	6,897	459
15 Number of shares issued (mn shares) (*1)		382.5	380.5	(2.0)

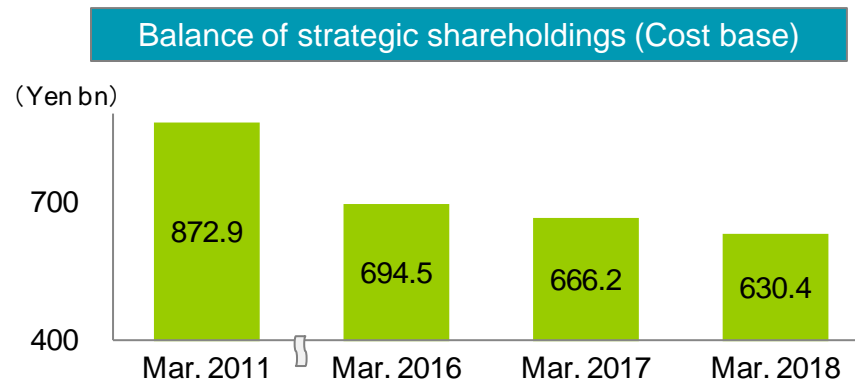
(Reference)

16 Loan-deposit ratio (SuMi TRUST Bank)	77.1%	78.2%	1.1%
17 NPL ratio (SuMi TRUST Bank)	0.2%	0.2%	(0.0%)

(\*1) Number of common shares issued (excluding treasury stocks) as of the date above



(\*2) As of Mar. 2018 Other Mega banks: Sum of bank subsidiaries



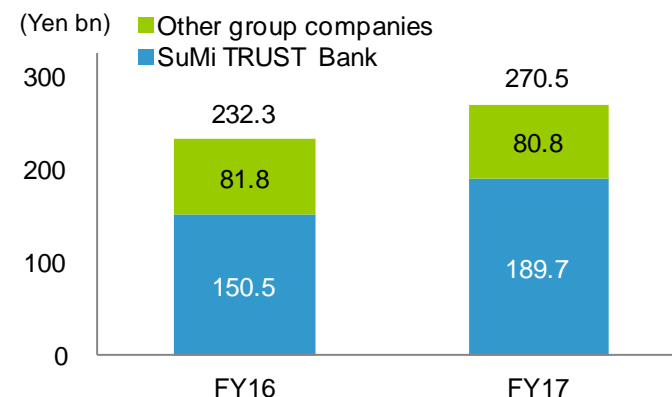
# Profit by group company

	(Yen bn)	FY16	FY17	Change
1 Net business profit before credit costs (*1)		232.3	270.5	38.1
2 o/w SuMi TRUST Bank		150.5	189.7	39.2
3 SuMi TRUST AM		6.2	5.5	(0.7)
4 Nikko AM (*2)		9.1	13.3	4.1
5 SuMi TRUST Realty		4.8	5.8	0.9
6 SuMi TRUST Panasonic Finance (*2)		11.6	12.8	1.1
7 SuMi TRUST Loan & Finance		9.9	10.2	0.3
8 SBI Sumishin Net Bank (*2)		7.5	7.9	0.4
9 SuMi TRUST Guarantee (*2)		12.0	11.9	(0.1)
10 SuMi TRUST Club		5.6	2.9	(2.6)
11 Effect of purchase accounting method		(2.7)	(2.7)	(0.0)
12 Net income (*1)		121.4	153.9	32.5
13 o/w SuMi TRUST Bank		77.6	117.9	40.3
14 SuMi TRUST AM		4.3	3.7	(0.5)
15 Nikko AM (*2)		4.7	7.5	2.7
16 SuMi TRUST Realty		3.5	4.1	0.6
17 SuMi TRUST Panasonic Finance (*2)		5.8	5.1	(0.6)
18 SuMi TRUST Loan & Finance		6.8	6.9	0.0
19 SBI Sumishin Net Bank (*2)		4.9	5.2	0.2
20 SuMi TRUST Guarantee (*2)		7.9	8.3	0.3
21 SuMi TRUST Club		2.5	(0.2)	(2.7)
22 Effect of purchase accounting method		7.9	(0.4)	(8.3)

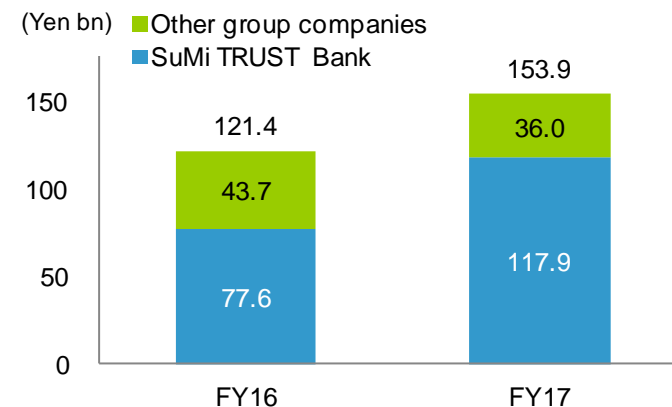
(\*1) Figures on the table above are contribution of group companies, which are substantive amount excluding consolidation adjustment that do not relate directly to the group companies' business results.

(\*2) Consolidated basis

## Breakdown of Net business profit before credit cost



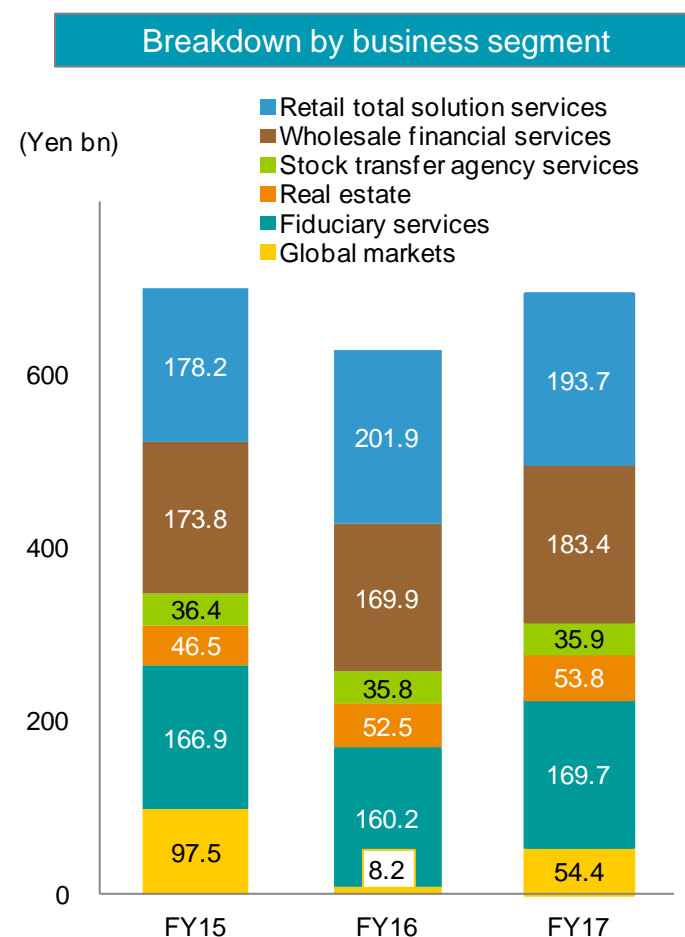
## Breakdown of Net income



# Profit by business segment

(Yen bn)		FY16	FY17	Change
1	Net business profit before credit costs	232.3	270.5	38.1
2	Substantial gross business profit	654.5	705.7	51.1
3	Retail total solution services	201.9	193.7	(8.2)
4	SuMi TRUST Bank	140.2	132.8	(7.4)
5	Other group companies	61.7	60.8	(0.8)
6	Wholesale financial services (*)	169.9	183.4	13.4
7	SuMi TRUST Bank	118.5	128.6	10.0
8	Other group companies	51.3	54.7	3.4
9	Stock transfer agency services	35.8	35.9	0.1
10	SuMi TRUST Bank	19.6	20.1	0.5
11	Other group companies	16.1	15.8	(0.3)
12	Real estate	52.5	53.8	1.3
13	SuMi TRUST Bank	32.0	32.1	0.1
14	Other group companies	20.4	21.6	1.1
15	Fiduciary services	160.2	169.7	9.5
16	SuMi TRUST Bank	61.2	62.7	1.4
17	Other group companies	98.9	107.0	8.0
18	Global markets	8.2	54.4	46.1
19	Substantial G&A Expenses	(422.2)	(435.1)	(12.9)
20	SuMi TRUST Bank	(232.7)	(237.0)	(4.3)
21	Other group companies	(189.4)	(198.0)	(8.6)

(\*) Combined total of Wholesale total solution services and Wholesale asset management





# Overview of profit (SuMi TRUST Bank)

	(Yen bn)	FY16	FY17	Change
1 Net business profit before credit costs		150.5	189.7	39.2
2 Gross business profit		383.3	426.8	43.5
3 Net interest income and related profit		216.7	176.5	(40.1)
4 Net fees and commissions and related profit		196.9	190.2	(6.6)
5 Net trading profit		17.0	10.4	(6.6)
6 Net other operating profit		(47.3)	49.5	96.9
7 o/w Net gains on foreign exchange transactions		28.6	45.3	16.7
8 Net gains on bonds		(96.9)	(5.7)	91.2
9 Net gains from derivatives (*1)		21.1	9.4	(11.7)
10 General and administrative expenses		(232.7)	(237.0)	(4.3)
11 Total credit costs		(24.9)	7.0	31.9
12 Other non-recurring profit		(8.2)	(23.8)	(15.5)
13 o/w Net gains on stocks		31.3	5.9	(25.3)
14 Amortization of net actuarial losses		(28.5)	(16.3)	12.2
15 Ordinary profit		117.3	172.9	55.6
16 Extraordinary profit		(5.9)	(8.3)	(2.3)
17 Income before income taxes		111.3	164.6	53.3
18 Total income taxes		(33.6)	(46.6)	(13.0)
19 Net income		77.6	117.9	40.3

(\*1) Net gains from derivatives other than for trading or hedging

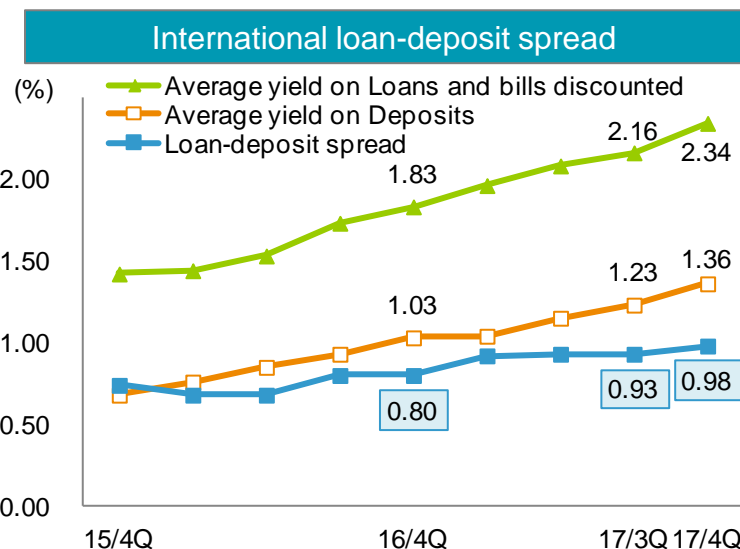
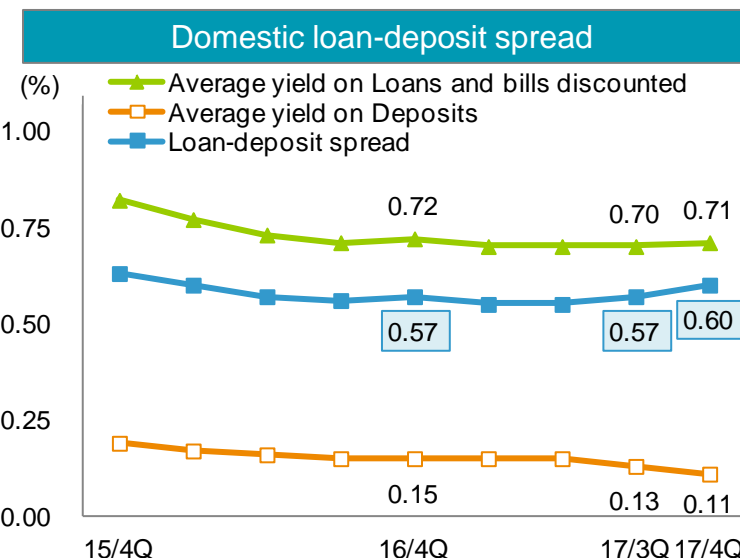
	FY16	FY17	Change
20 Net interest income and related profit	216.7	176.5	(40.1)
21 Net interest income	203.2	163.3	(39.9)
22 Domestic business	141.0	143.4	2.3
23 International business	62.1	19.8	(42.2)
24 o/w Profit from unwinding of asset swaps (hedge accounting)	28.6	-	(28.6)
25 Trust fees (*2)	13.4	13.2	(0.2)
26 o/w Profit attributable to deployment of surplus foreign currency funds	16.2	29.5	13.3
27 (Ref.) Effective interest related earnings (*3)	204.2	206.1	1.8
28 Net fees and commissions and related profit	196.9	190.2	(6.6)
29 o/w Investment management consulting	58.8	58.1	(0.6)
30 Asset management/administration	61.2	62.7	1.4
31 Real estate brokerage	25.4	26.1	0.6
32 Stock transfer agency services	19.6	20.1	0.5
33 Inheritance related services	9.4	4.6	(4.7)
34 Wholesale credit related	36.0	34.4	(1.5)
35 Net gains on bonds	(96.9)	(5.7)	91.2
36 Domestic bonds	1.6	0.0	(1.5)
37 Foreign bonds	(98.5)	(5.8)	92.7

(\*2) Trust fees from principal guaranteed trust a/c

(\*3) Net interest income and related profit - Profit from unwinding of asset swaps (hedge accounting) + Profit attributable to deployment of surplus foreign currency funds

# Net interest income (SuMi TRUST Bank)

		FY17					
		Average Balance	Change from FY16	Average Yield	Change from FY16	Income/ Expenses	Change from FY16
	(Average balance: Yen trn) (Income/Expenses: Yen bn)						
1	Net interest income					163.3	(39.9)
2	Domestic business			0.40%	0.00%	143.4	2.3
3	Interest-earning assets	35.68	2.58	0.57%	(0.05%)	204.4	(2.3)
4	o/w Loans and bills discounted	21.10	1.05	0.70%	(0.03%)	149.2	1.4
5	Securities	3.20	0.12	1.45%	(0.07%)	46.5	(0.5)
6	Income on swaps	---	---	---	---	2.7	(2.1)
7	Interest-bearing liabilities	35.10	2.68	0.17%	(0.03%)	(61.0)	4.7
8	o/w Deposits	23.12	0.25	0.14%	(0.02%)	(32.4)	4.5
9	Borrowings from trust a/c	2.67	-	0.49%	0.00%	(13.1)	0.1
10	International business			0.15%	(0.37%)	19.8	(42.2)
11	Interest-earning assets	11.95	(0.03)	1.74%	0.32%	208.3	37.4
12	o/w Loans and bills discounted	6.68	(0.54)	2.12%	0.48%	142.3	23.6
13	Securities	1.87	(0.17)	2.13%	0.41%	40.1	4.6
14	Interest-bearing liabilities	11.79	(0.22)	1.59%	0.69%	(188.4)	(79.7)
15	o/w Deposits	5.09	0.53	1.20%	0.30%	(61.2)	(19.8)
16	NCD / USCP	4.04	0.03	1.15%	0.35%	(46.5)	(14.1)
17	Repo	1.35	0.04	1.22%	0.60%	(16.6)	(8.3)
18	Expenses on swaps	---	---	---	---	(35.8)	(29.9)
19	(+) Trust fees from principal guaranteed trust a/c					13.2	(0.2)
20	(+) Profit attributable to deployment of surplus foreign currency funds					29.5	13.3
21	(-) Profit from unwinding of asset swaps (hedge accounting)					-	(28.6)
22	Effective interest related earnings					206.1	1.8
23	(Ref.) Loan-deposit spread / income in domestic business			0.56%	(0.01%)	116.7	6.0



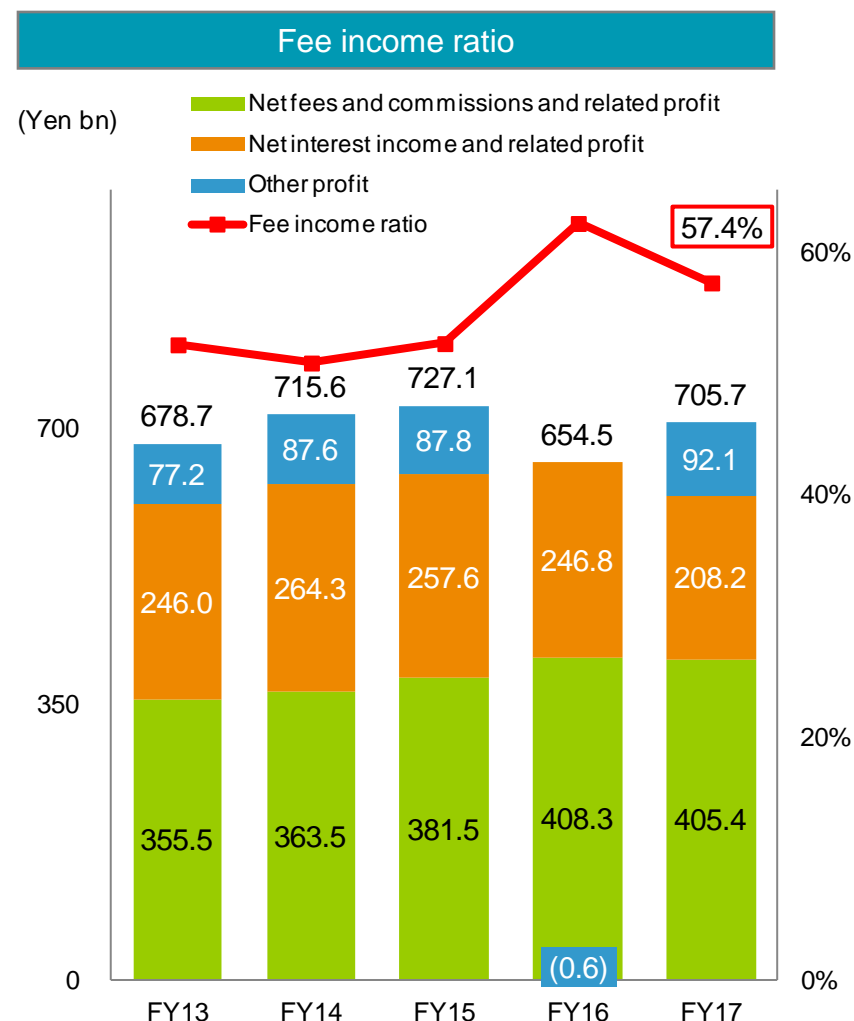
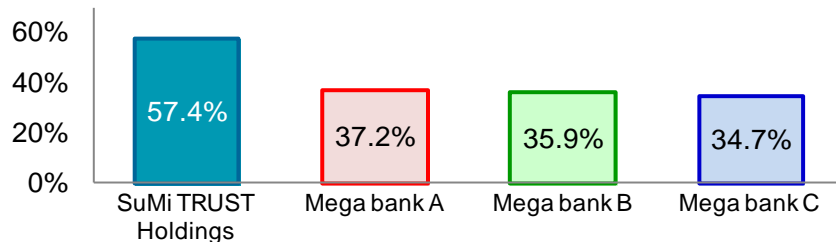
# Net fees and commissions and related profit

		SuMi TRUST Bank		SuMi TRUST Group (*1)	
		FY17	Change from FY16	FY17	Change from FY16
(Yen bn)					
1	Net fees and commissions and related profit	190.2	(6.6)	405.4	(2.8)
2	Investment trust and insurance sales	58.1	(0.6)	58.1	(0.6)
3	Card	-	-	43.2	1.1
4	Asset management / administration	62.7	1.4	175.1	8.0
5	Profit	93.1	2.3	185.0	7.9
6	Fees paid out for outsourcing	(30.3)	(0.9)	(9.9)	0.0
7	Stock transfer agency services	20.1	0.5	35.9	0.1
8	Profit	30.0	0.3	35.9	0.1
9	Fees paid out for outsourcing	(9.9)	0.1	0.0	0.0
10	Real estate	32.1	0.1	53.8	1.1
11	Others (Loan arrangement fees, etc.)	17.1	(8.0)	39.1	(12.6)
12	Fee income ratio (*2)	44.5%	(6.8%)	57.4%	(4.9%)

(\*1) Figures are after eliminations of intra-group transactions

(\*2) Net fees and commissions and related profit / Gross business profit

## Comparison of fee income ratio between major banks

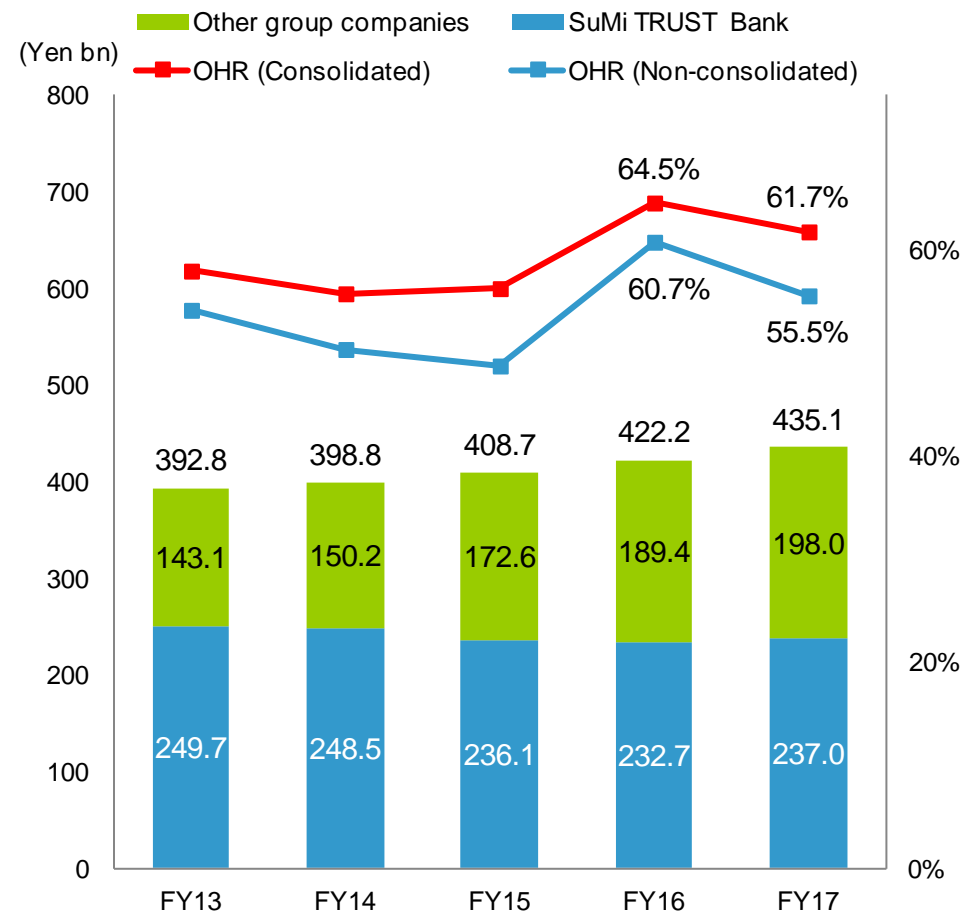


# Expenses

[SuMi TRUST Group]				
		(Yen bn)	FY16	FY17
				Change
1	Personnel expenses		(194.2)	(202.7)
2	Non-personnel expenses excluding taxes		(210.2)	(214.4)
3	Taxes other than income taxes		(17.7)	(17.9)
4	Substantial G&A expenses		(422.2)	(435.1)
5	Overhead ratio		64.5%	61.7%
				(2.8%)

[SuMi TRUST Bank]				
		(Yen bn)	FY16	FY17
				Change
6	Personnel expenses		(106.7)	(109.5)
7	Salaries etc.		(101.5)	(102.4)
8	Retirement benefit expenses		12.0	10.0
9	Others		(17.1)	(17.2)
10	Non-personnel expenses excluding taxes		(112.5)	(114.8)
11	IT system related costs		(34.0)	(38.8)
12	Others		(78.4)	(75.9)
13	Taxes other than income taxes		(13.5)	(12.6)
14	G&A expenses		(232.7)	(237.0)
15	Overhead ratio		60.7%	55.5%
				(5.2%)

## Breakdown of G&A expenses



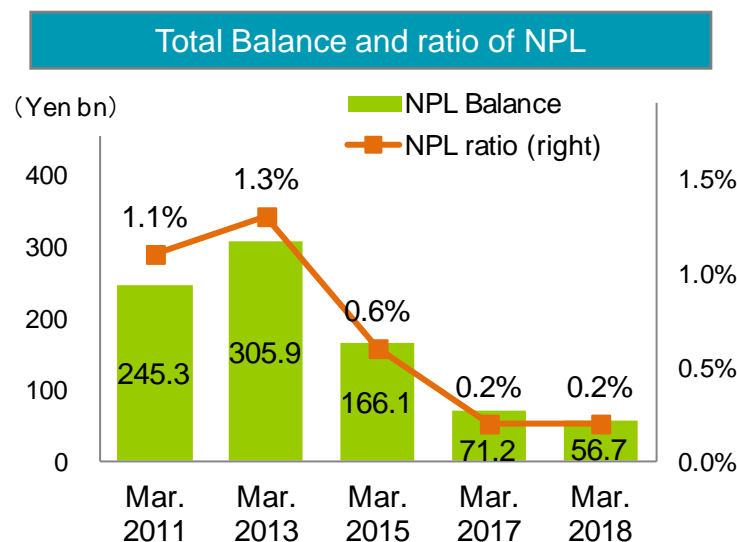
# Total credit costs and problem assets

[Total credit costs]		FY16			FY17	Major factors (FY17)
(Yen bn)			1H	2H		
1	SuMi TRUST Bank	(24.9)	5.3	1.7	7.0	<div>Downgraded: Approx. (8.0) Upgraded: Approx. +4.0 Decrease in loan balance, etc. (including recoveries): Approx. +11.0</div>
2	General allowance for loan losses	(27.9)	6.1	4.5	10.6	
3	Specific allowance for loan losses	1.9	0.1	(2.9)	(2.8)	
4	Recoveries of written-off claims	1.7	0.2	0.5	0.8	
5	Losses on sales of claims, written-off	(0.6)	(1.2)	(0.3)	(1.6)	
6	Other group companies, etc.	(3.5)	(0.7)	(3.3)	(4.0)	SuMi TRUST Panasonic Finance (2.1), SuMi TRUST Club (1.3)
7	Total	(28.5)	4.6	(1.6)	2.9	

[NPL (SuMi TRUST Bank)]		Mar. 2018	Coverage ratio (*1)	Allowance ratio (*2)	Change from Mar. 2017
(Yen bn)					
8	NPL	56.7	95.8%	78.4%	(14.5)
9	NPL ratio (ratio to Total loan balance)	0.2%	---	---	(0.0%)
10	Bankrupt and practically bankrupt	12.0	100.0%	100.0%	4.1
11	Doubtful	27.0	92.9%	74.6%	(8.4)
12	Substandard	17.7	97.4%	34.7%	(10.2)
13	Other special mention debtors	548.5	---	---	(7.1)
14	Ordinary assets	28,213.3	---	---	104.9
15	Total loan balance	28,818.4	---	---	83.3

(\*1) (Collateral value + allowance for loan losses) / Loan balance

(\*2) Allowance for loan losses / (Loan balance - Collateral value after considering haircuts)



# Securities portfolio

## [Securities with fair value]

(Yen bn)		Costs		Unrealized gains/losses (*1)	
		Mar. 2018	Change from Mar. 2017	Mar. 2018	Change from Mar. 2017
1	Available-for-sale securities	4,362.1	392.7	739.2	53.6
2	Japanese stocks	630.4	(35.8)	876.2	145.7
3	Japanese bonds	815.8	(29.9)	2.2	0.5
4	Others	2,915.7	458.5	(139.2)	(92.6)
5	Held-to-maturity debt securities	264.9	(79.7)	21.9	(4.9)

## [Securities with fair value (SuMi TRUST Bank)]

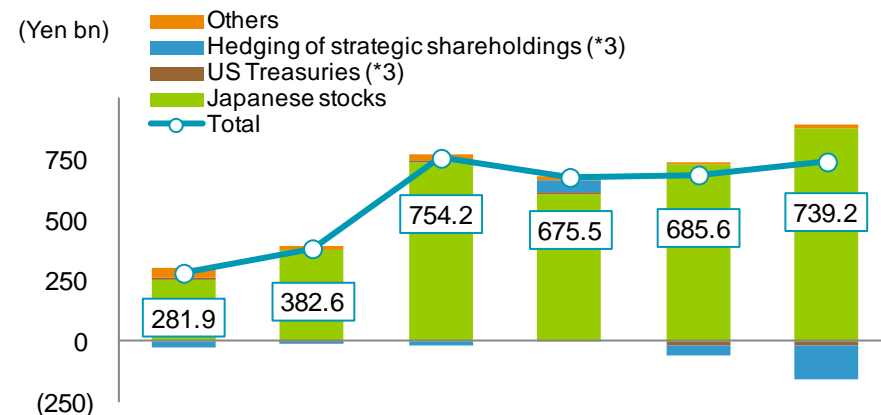
6	Available-for-sale securities	4,361.3	440.0	754.0	49.9
7	Japanese stocks	606.4	(33.3)	897.2	143.0
8	Japanese bonds	887.7	8.1	0.9	0.7
9	o/w Government bonds	241.3	70.8	0.1	0.2
10	Others	2,867.2	465.2	(144.2)	(93.7)
11	Domestic investment	82.1	(11.5)	1.7	(0.1)
12	International investment	1,254.0	(75.8)	(16.8)	(0.9)
13	o/w US Treasury	496.1	(285.9)	(18.7)	(1.4)
14	Others (Investment trust, etc.)	1,530.9	552.6	(129.1)	(92.5)
15	o/w for hedging of strategic shareholdings (*2)	1,346.6	469.5	(134.3)	(97.5)

(\*1) Figures for "Japanese stocks" are based on average daily prices in the month which the record date belongs to.

(\*2) Of which hedging effect under capital regulation is recognized: Costs JPY882.1bn, Unrealized gains/losses JPY(110.6)bn

16	Held-to-maturity debt securities	193.5	(69.8)	21.8	(5.0)
17	o/w Government bonds	119.1	(20.8)	19.8	(0.2)
18	International investment	35.7	(46.2)	1.4	(5.1)

## Unrealized gains/losses of AFS securities with fair value



Mar. 2013 Mar. 2014 Mar. 2015 Mar. 2016 Mar. 2017 Mar. 2018

(\*3) SuMi TRUST Bank

## Reduction of strategic shareholdings (\*4)

(Yen bn)	FY16	FY17	
		1H	2H
19 Reduction amount	32.2	13.3	21.9

(Ref.) Cumulative reduction since merger(from FY11 to FY17): ¥281.4bn

Cumulative reduction based on current plan (from FY16 to FY20): ¥67.4bn

(\*4) Purchase cost of listed shares

## Securities portfolio of Global markets (\*5)

(Yen bn)	10BPV (*6)		Duration (years) (*6)	
	Mar. 2018	Change from Mar. 2017	Mar. 2018	Change from Mar. 2017
20 JPY	2.6	0.6	6.8	0.8
21 Others	2.9	(4.8)	4.0	(4.0)

(\*5) Managerial reporting basis; "HTM debt securities" and "AFS securities" are combined

(\*6) In the calculation of 10BPV and duration, investment balance hedged by derivatives transactions, etc. were excluded and hedging effect utilizing investment trust taken into consideration



# Capital

- ✓ Common Equity Tier 1 capital ratio: UP 0.29 percentage points from Mar. 2017 to 11.33%, though risk assets increased, increase in retained earnings contributed to accumulation of common equity. 0.14 percentage point increase YoY on a fully loaded basis
- ✓ Leverage ratio and liquidity coverage ratio both improved from Mar. 2017. We have maintained levels well in excess of regulatory requirements

<Capital and total risk-weighted assets> (Yen bn)		Mar. 2017 Actual	Mar. 2018 Preliminary	Change
1	Total capital ratio	16.42%	16.31%	(0.11%)
2	Tier 1 capital ratio	13.54%	13.74%	0.20%
3	Common Equity Tier 1 capital ratio	11.04%	11.33%	0.29%
4	Total capital	3,185.8	3,348.1	162.3
5	Tier 1 capital	2,625.7	2,821.4	195.6
6	Common Equity Tier 1 capital	2,141.8	2,325.8	183.9
7	Instruments and reserves	2,360.8	2,602.7	241.9
8	Regulatory adjustments	(218.9)	(276.9)	(57.9)
9	Additional Tier 1 capital	483.8	495.5	11.7
10	Tier 2 capital	560.1	526.7	(33.3)
11	Total risk-weighted assets	19,391.9	20,522.9	1,131.0
12	Credit risk	17,855.8	18,352.1	496.3
13	Market risk	551.4	1,163.8	612.4
14	Operational risk	984.6	1,006.8	22.2

< Reference > Fully-loaded basis (\*1)

15	Common Equity Tier 1 capital ratio	11.19%	11.33%	0.14%
16	Common Equity Tier 1 capital	2,166.5	2,325.8	159.2
17	Accumulated other comprehensive income (*2)	430.9	496.8	65.8
18	Total risk-weighted assets	19,352.6	20,522.9	1,170.3

(\*1) Fully-loaded basis: Pro forma figures without considering transitional arrangements concerning "Regulatory adjustments", etc.

(\*2) Valuation differences on Available-for-Sale Securities(Mar. 2018): ¥516.6bn

< Major factors of change in capital>

(1) Common Equity Tier 1 capital: +¥183.9bn

- Net income: +¥153.9bn
- Dividends and repurchase of own shares: ¥(57.6)bn
- Accumulated other comprehensive income: +¥135.1bn

< Major factors of change in total risk-weighted assets>

(2) Credit risk: +¥0.5trn

- Increase in investment trusts holdings (including temporary position to be closed)

(3) Market risk: +¥0.6trn

- Due to modification of risk measurement model, etc.

<Other ratios required in prudential regulations>

(Yen bn)		Mar. 2018 Preliminary	Chg. from Mar. 2017
19	Leverage ratio	3.98%	0.11%
20	SuMi TRUST Bank (Consolidated) (*3)	4.59%	0.14%
21	Tier 1 capital	2,821.4	195.6
22	Total exposure	70,807.8	2,964.4
23	Liquidity coverage ratio (*4)	131.9%	(4.8%)
24	SuMi TRUST Bank (Consolidated) (*3)	163.6%	(25.6%)
25	Total high-quality liquid assets	27,250.0	3,270.9
26	Net cash outflows (*5)	20,657.1	3,121.3

(\*3) Excluding the impact of funds inflow into the banking account from trust account at JTSE

(\*4) Average figures in 4QFY 17. "Change from Mar. 2017" represents the comparison to figure for 4QFY 16 calculated in the same manner

(\*5) As for figure of Mar. 2018 Preliminary, Month-end data used for some items instead of daily data to calculate figures

# Fee business: Investment management consulting

- ✓ Total sales amount increased by ¥368.3bn from previous year to ¥1,736.9bn due to increased investment appetite of clients due to favorable equity market conditions
- ✓ Revenues were in line with previous year at ¥58.1bn, decrease in revenue from insurance related products were offset by increase in investment trust marketing commissions

## Income for distributor of investment products

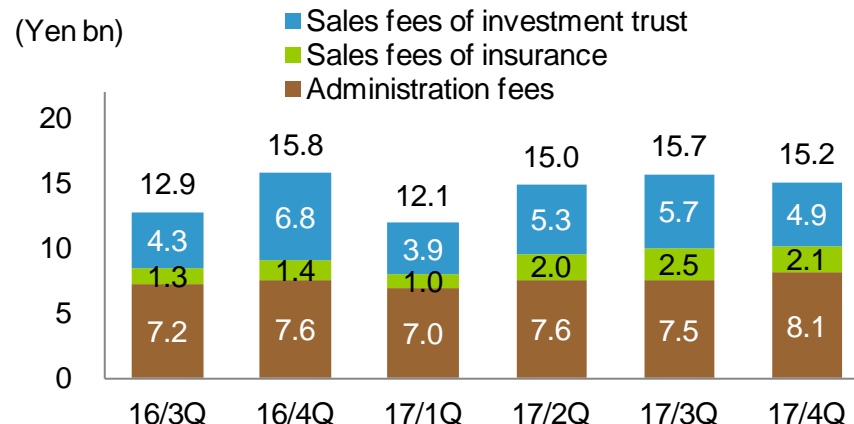
	(Yen bn)	FY17		FY18 Plan
		Actual	vs FY16	
1 Income total		58.1	(0.6)	61.0
2 Sales fees of investment trust		19.9	2.1	20.0
3 Sales fees of insurance		7.8	(3.3)	9.0
4 Administration fees		30.3	0.4	32.0

## Sales volume / balance

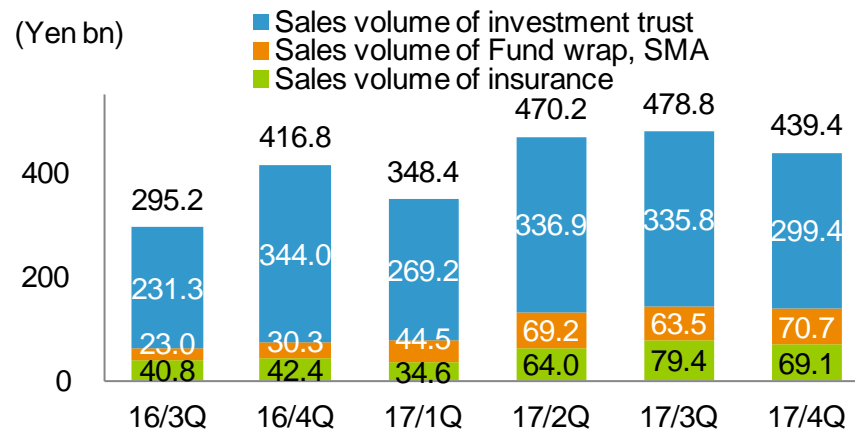
	(Yen bn)	FY17		FY18 Plan
		Actual	vs FY16	
5 Sales volume total		1,736.9	368.3	1,785.0
6 Investment trust		1,241.5	242.4	1,255.0
7 Fund wrap, SMA		248.0	132.0	240.0
8 Insurance		247.3	(6.1)	290.0

	(Yen bn)	Mar. 2018		Mar. 2019 Plan
		Actual	vs Mar. 17	
9 Balance total		6,158.9	170.7	6,380.0
10 Investment trust		2,891.5	94.9	3,020.0
11 Fund wrap, SMA		830.9	65.4	870.0
12 Insurance		2,436.3	10.3	2,490.0
13 Wrap Selection		1,669.4	69.6	1,730.0

## Income for distributor (quarterly)



## Sales volume (quarterly)



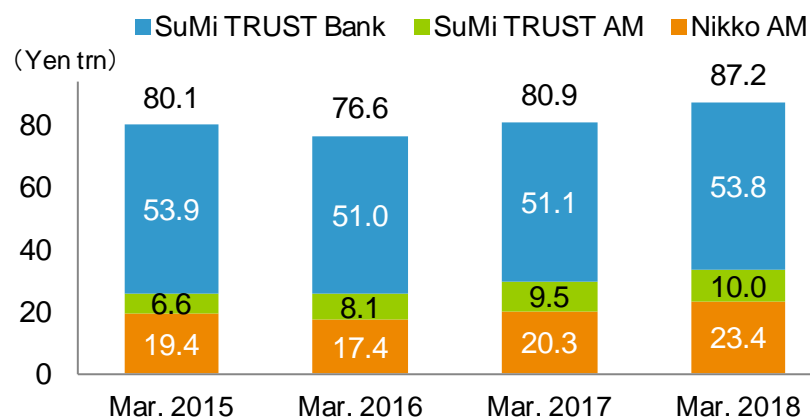


# Fee business: Asset management/administration (Fiduciary services)

- ✓ AUM: increased by ¥6.3trn from Mar. 2017 to ¥87.2trn due to increase in market value, though pension trust balance decreased due to dissolution of company pension plans
- ✓ AUC: increased for both domestic and overseas assets compared to Mar. 2017

## Assets under management (AUM)

		Mar. 2017	Mar. 2018	Change
(Yen trn)				
1	Assets under management	80.9	87.2	6.3
2	SuMi TRUST Bank	51.1	53.8	2.6
3	Corporate pension trust	15.0	13.6	(1.3)
4	Public pension trust	10.7	11.8	1.1
5	Discretionary investment	25.4	28.2	2.8
6	Subsidiaries	29.8	33.4	3.6
7	SuMi TRUST AM	9.5	10.0	0.5
8	Nikko AM	20.3	23.4	3.0



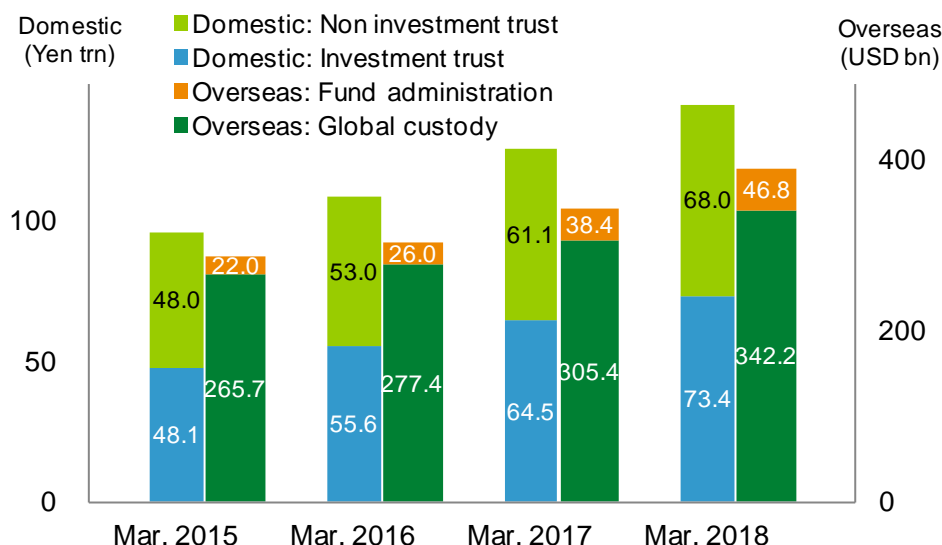
USD/JPY	120.18	112.63	112.15	106.24
TOPIX	1,543.11	1,347.20	1,512.60	1,716.30

## Assets under custody/administration

		Mar. 2017	Mar. 2018	Change
[Domestic] (Yen trn)				
9	Investment trust (*1)	64.5	73.4	8.8
10	Non investment trust (*1)	61.1	68.0	6.8
[Overseas] (USD bn)				
11	Global custody (*2)	305.4	342.2	36.7
12	Fund administration	38.4	46.8	8.3

(\*1) Entrusted balance of SuMi TRUST Bank

(\*2) Combined figures of SuMi TRUST Bank (U.S.A.), SuMi TRUST (UK) and SuMi TRUST Bank (Lux.)



# Fee business: Real estate

- ✓ Real estate brokerage fees from corporate clients (SuMi TRUST Bank): UP ¥0.6bn YoY to ¥26.1bn due to contribution from large-size transactions
- ✓ Real estate brokerage fees from retail clients (SuMi TRUST Realty): UP ¥0.7bn YoY to ¥19.6bn due to robust demand for housing

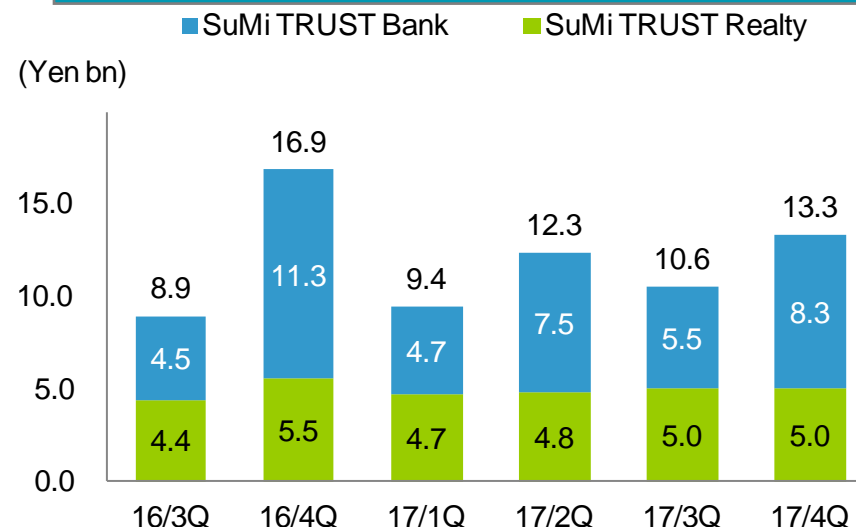
## Income

		FY17		FY18 Plan
(Yen bn)		Actual	vs FY16	
1	Real estate brokerage fees	45.7	1.3	47.0
2	SuMi TRUST Bank	26.1	0.6	27.0
3	SuMi TRUST Realty	19.6	0.7	20.0
4	Real estate trust fees, etc.	6.0	(0.1)	6.0
5	Net other real estate profit	1.9	0.0	2.0
6	SuMi TRUST Bank	(0.0)	(0.3)	0.0
7	Group companies	2.0	0.4	2.0
8	Total	53.8	1.3	55.0
9	o/w SuMi TRUST Bank	32.1	0.1	33.0

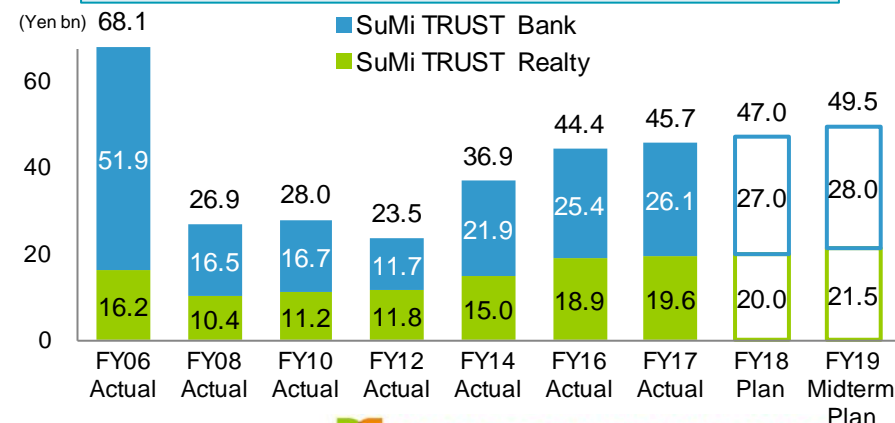
## Assets under management / administration

		Mar. 2018	
(Yen bn)		Actual	vs Mar. 17
10	Securitized real estate	15,320.0	1,177.2
11	Assets under custody from J-REITs	13,397.9	966.8
12	Assets under managemet	709.1	58.5
13	Private placement funds	438.2	25.9
14	J-REITs	270.8	32.5

## Real estate brokerage fees



## (Ref.) Historical trend



# Loan/investment business: Credit portfolio (SuMi TRUST Bank)

- ✓ Credit portfolio balance: ¥29.47trn, almost the same level as the end of March 2017
- ✓ Residential mortgages increased, while balance of credit to corporates decreased due to restrained management of foreign currency assets balance

## Advanced amount and balance to individuals

		FY17		FY18
		Actual	vs FY16	Plan
(Yen bn)				
1	Advanced amount of loans to individuals	1,316.8	(552.5)	1,150.0
2	o/w Residential mortgage loans	1,214.5	(534.5)	1,050.0

		Mar. 2018		Mar. 2019
		Actual	vs Mar. 17	Plan
(Yen bn)				
3	Balance of loans to individuals	9,450.4	523.5	9,700.0
4	o/w Residential mortgage loans	8,874.7	496.1	9,100.0

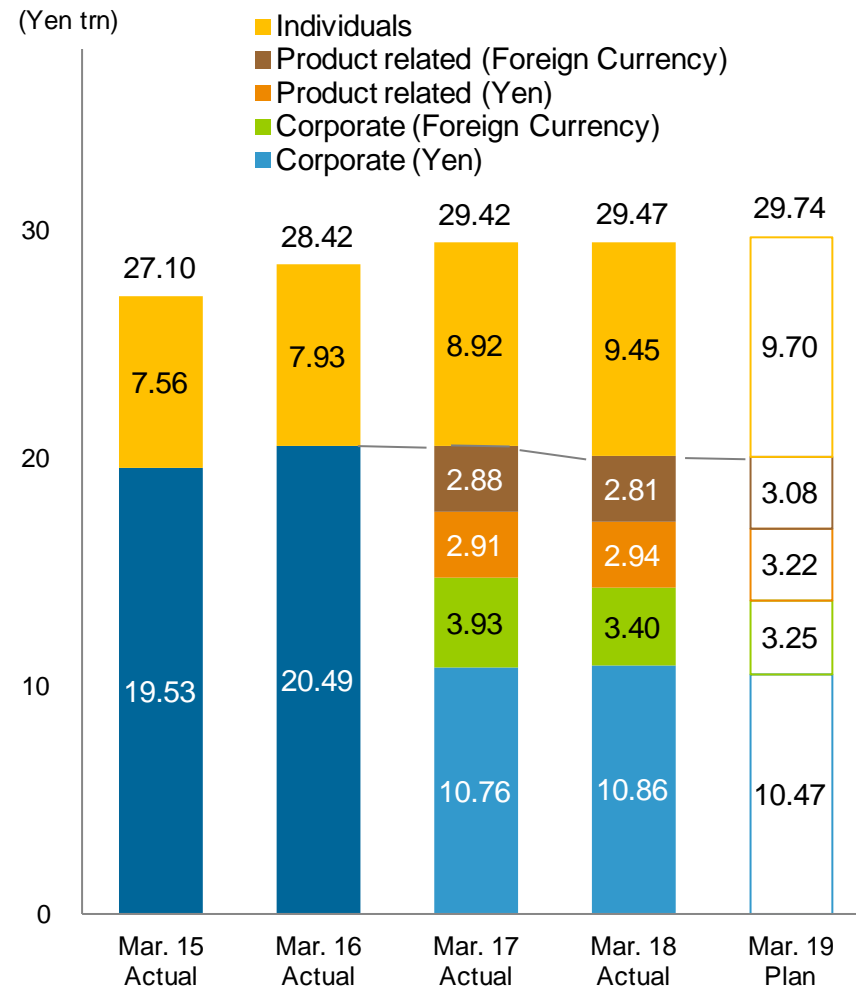
## Balance of credit to corporates

		Mar. 2018		Mar. 2019
		Actual	vs Mar. 17	Plan
(Yen bn)				
5	Corporate (Yen)	10,866.8	98.7	10,470.0
6	Corporate (Foreign Currency)	3,401.9	(530.6)	3,250.0
7	Product related (Yen)	2,946.5	33.4	3,220.0
8	Product related (Foreign Currency)	2,813.5	(68.8)	3,080.0
9	Total balance of credit for corporates	20,029.0	(467.2)	20,040.0
10	o/w Product related	5,760.1	(35.3)	6,300.0

USD/JPY	106.24	(5.91)	
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(Yen trn)



# Forecast for FY2018

# Forecast for FY2018

- ✓ Net business profit before credit costs and Net income both expected to exceed FY17 results
- ✓ Dividend on ordinary share forecast to be 130 yen per share, in line with the policy of consolidated dividend payout ratio of 30%

(Yen bn)		FY17 Actual	1H	FY18 Forecast	Change from FY17	
						Substantial (*)
1	Net business profit before credit costs	270.5	130.0	280.0	9.4	9.4 (1)
2	SuMi TRUST Bank	189.7	125.0	235.0	45.2	(*) 10.2
3	Substantial gross business profit	705.7	345.0	715.0	9.2	9.2
4	SuMi TRUST Bank	426.8	245.0	475.0	48.1	(*) 13.1
5	Other group companies	278.8	100.0	240.0	(38.8)	(*) (3.8)
6	Substantial G&A Expenses	(435.1)	(215.0)	(435.0)	0.1	0.1
7	SuMi TRUST Bank	(237.0)	(120.0)	(240.0)	(2.9)	(2.9)
8	Other group companies	(198.0)	(95.0)	(195.0)	3.0	3.0
9	Total credit costs	2.9	(10.0)	(20.0)	(22.9)	(22.9) (2)
10	SuMi TRUST Bank	7.0	(10.0)	(20.0)	(27.0)	(27.0)
11	Other group companies	(4.0)	0.0	0.0	4.0	4.0
11	Net gains on stocks	6.3	15.0	30.0	23.6	23.6 (3)
12	Other non-recurring profit	(47.2)	(10.0)	(35.0)	12.2	12.2 (4)
13	Ordinary profit	232.6	125.0	255.0	22.3	22.3
14	o/w SuMi TRUST Bank	172.9	130.0	230.0	57.0	(*) 22.0
15	Net income	153.9	80.0	165.0	11.0	11.0
16	o/w SuMi TRUST Bank	117.9	100.0	170.0	52.0	(*) 17.0
17	Dividend per common share (Yen)	130	65	130	±0	
18	Consolidated dividend payout ratio	32.1%	---	30.0%	(2.1%)	

(\*) Excluding dividend from group companies, which are planned to be paid in FY18 to improve their capital efficiency.

## 【Assumptions】

- (1) Net business profit before credit costs: +¥9.4bn YoY
  - Substantial gross business profit assumes increase, whereas substantial G&A expenses forecasted to remain in line with previous year
- (2) Total credit costs: forecast ¥(20.0)bn
  - Estimated to be around 7bp of total credit portfolio of ¥30trn
- (3) Net gains on stocks: forecast ¥30.0 bn
  - Assumes reduction of strategic shareholdings in accordance with current plan
- (4) Other non-recurring profit: forecast ¥(35.0)bn
  - Non-recurrence of one-time depreciation related to IT system in FY17

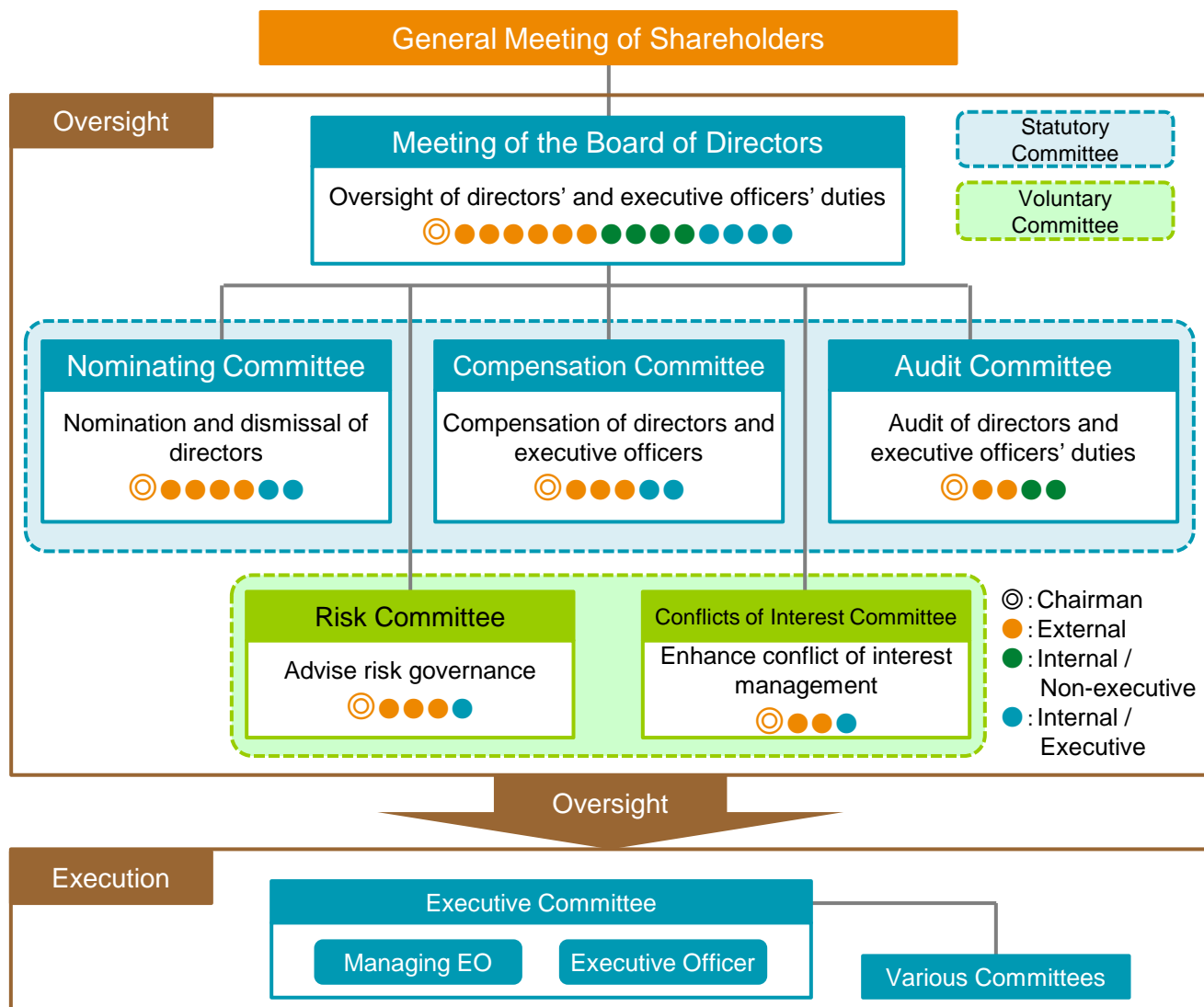
## (Reference) Breakdown by business segment

(Yen bn)		FY17 Actual	1H	FY18 Forecast	Change from FY17	FY19 Midterm Plan
1	Net business profit before credit costs	270.5	130.0	280.0	9.4	300.0
2	Substantial gross business profit	705.7	345.0	715.0	9.2	730.0
3	Retail total solution services	193.7	100.0	200.0	6.2	206.0
4	SuMi TRUST Bank	132.8	68.0	137.0	4.1	145.0
5	Other group companies	60.8	32.0	63.0	2.1	61.0
6	Wholesale financial services	183.4	90.0	186.0	2.5	191.0
7	SuMi TRUST Bank	128.6	63.0	130.0	1.3	128.0
8	Other group companies	54.7	27.0	56.0	1.2	63.0
9	Stock transfer agency services	35.9	19.0	37.0	1.0	37.0
10	SuMi TRUST Bank	20.1	11.0	21.0	0.8	21.0
11	Other group companies	15.8	8.0	16.0	0.1	16.0
12	Real estate	53.8	25.0	55.0	1.1	57.0
13	SuMi TRUST Bank	32.1	14.0	33.0	0.8	34.0
14	Other group companies	21.6	11.0	22.0	0.3	23.0
15	Fiduciary services	169.7	82.0	171.0	1.2	169.0
16	SuMi TRUST Bank	62.7	29.0	63.0	0.2	63.0
17	Other group companies	107.0	53.0	108.0	0.9	106.0
18	Global markets	54.4	27.0	55.0	0.5	52.0
19	Substantial G&A expenses	(435.1)	(215.0)	(435.0)	0.1	(430.0)
20	SuMi TRUST Bank	(237.0)	(120.0)	(240.0)	(2.9)	(232.0)
21	Other group companies	(198.0)	(95.0)	(195.0)	3.0	(198.0)
22	Ordinary profit	232.6	125.0	255.0	22.3	275.0
23	Net income	153.9	80.0	165.0	11.0	180.0

# Management Base

# Corporate governance enhancements: Organizational structure

## Corporate Governance after transition to a company with three committees



## Initiatives for FY2017

### Governance Enhancements

- ▶ By transitioning to a company with three committees, complete segregation of responsibility between oversight and execution
- ▶ Meeting of the Board of Directors to concentrate on discussing important business matters pertaining to the management of the entire group

### Enhancement to the Meeting of the Board of Directors

- ▶ External Director elected as Chairman of the Board
- ▶ External Directors and non-executive Directors to hold majority
- ▶ Female External Director selected to promote diversity

### Establishment of voluntary committees

- ▶ Conflicts of Interest Committee established as part of sophisticated conflict of interest management expected of a trust bank group
- ▶ Risk Committee established to pursue risk governance and foster corporate culture towards risk taking suitable to our bank



# Corporate governance enhancements: Improvement of effectiveness of Board of directors

- Strengthen corporate governance through proactive involvement of external directors and enhancement of operations of Meeting of the Board

## Composition of Board of Directors



External directors: 7

Internal directors: 8

Non-executive directors: 11

Executive directors: 4

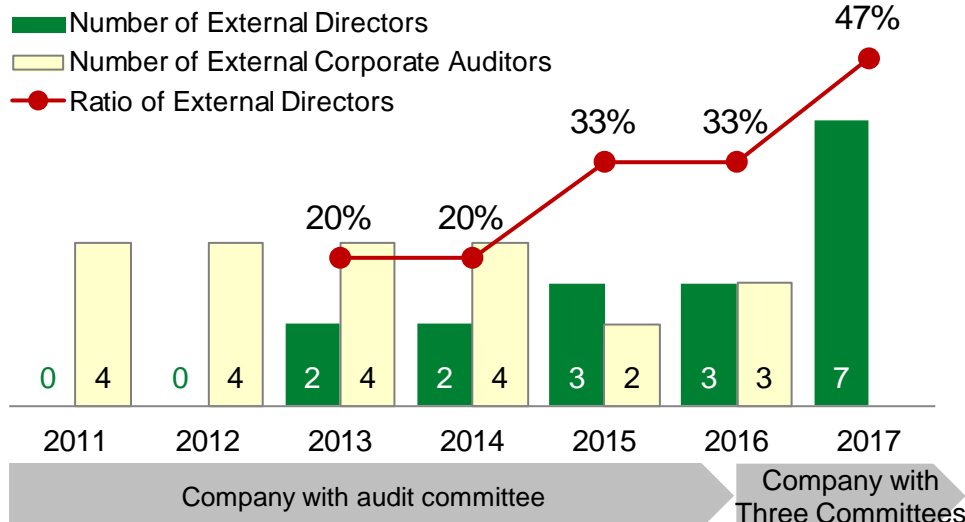
External director %

47%

Non-executive director %

73%

## Transition of external directors



## Examples of external directors' involvement in corporate governance issues

### Introduction of External Directors' Meeting

A new forum created exclusively for external directors to discuss and evaluate governance issues

### Communication between the Chairmen

Shared evaluation results of effectiveness of Meeting of the Board and discussed the countermeasures at Meeting of the Board

### Strengthen monitoring of trust bank

In addition to quarterly update on status of the overall group, commenced supplementary reporting regarding trust bank, the group's core operation

## Streamlining of discussion agenda

### Delegation to executive officers

All decision-making delegated to executive officers unless specific legal requirement exists

More focus on agenda specific to supervision

### Report from executive officers

Individual cases reported by category by executive officers in charge

Efficient proceeding of Meeting of the Board

### "Management theme" discussions

Have commenced discussions regarding important management themes and issues for the medium / long-term

Utilizing knowledge of external directors

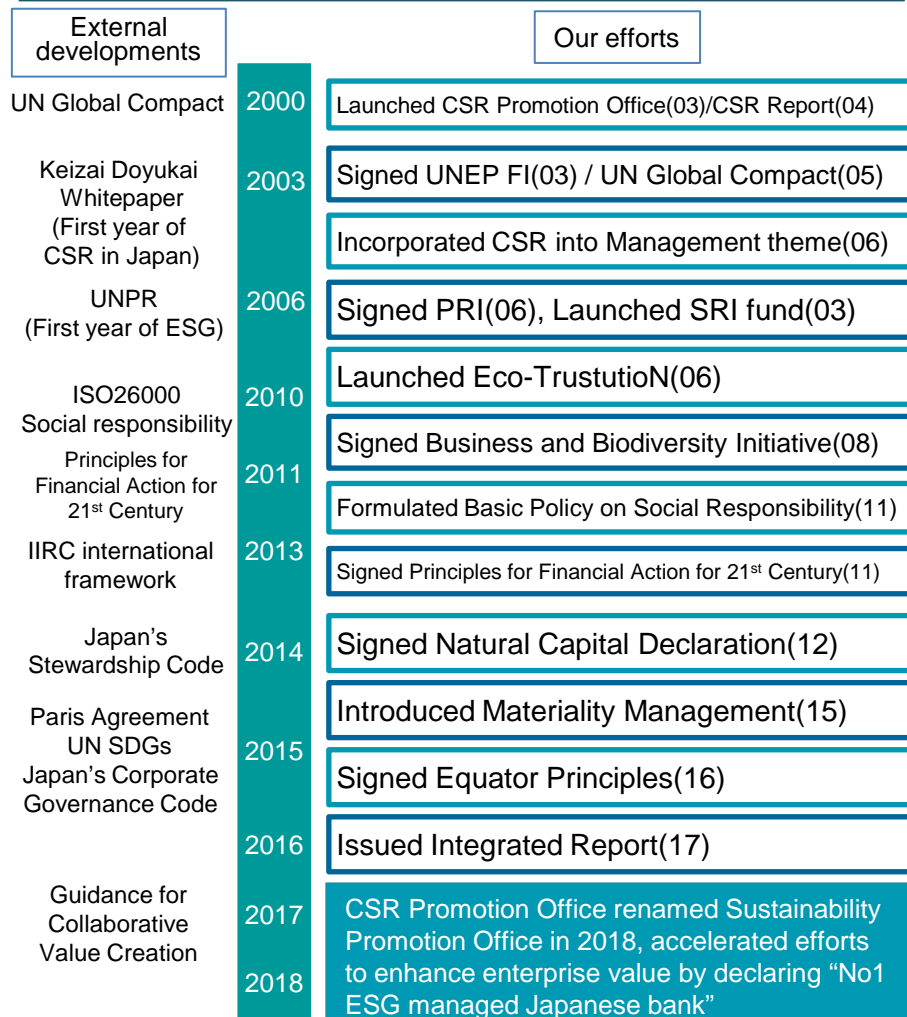
# Fiduciary duties / Conflicts of interest

- ✓ Continuous efforts to provide easy to understand materials to clients have been recognized, entering a virtuous circle of self-improvement
- ✓ To raise the effectiveness of conflict of interest management, to refine rules and improve the actual workings of committee

		Ongoing Initiatives	Future Refinements
FD	Client Explanation	<ul style="list-style-type: none"> <li>▶ Provide easy to understand documents reflecting comments from clients</li> <li>▶ Strengthen training for client explanation</li> </ul>	<ul style="list-style-type: none"> <li>▶ Revision of brochures for sophisticated products such as fund-wrap to make them easier to understand</li> <li>▶ Feedback from staff training and discussion reflected to improve policy</li> </ul>
	Strengthen Control	<ul style="list-style-type: none"> <li>▶ External evaluation institution for investment trust and insurance established and commenced operations</li> <li>▶ Training and discussion session to further understanding of FD</li> </ul>	<ul style="list-style-type: none"> <li>▶ To offer superior products based on evaluation of external institutions</li> <li>▶ Further penetration of “Client First” philosophy</li> </ul>
	Enhance value for client	<ul style="list-style-type: none"> <li>▶ Steady progress to improve KPI</li> <li>▶ To extend holiday/office opening hours (to increase client contact)</li> <li>▶ Service improvement reflecting comments from clients</li> </ul>	<ul style="list-style-type: none"> <li>▶ Review of KPI parameters, action plan to enhance client value</li> <li>▶ To analyze comments from clients to reflect them to our products &amp; services, to create virtuous cycle of symbiosis</li> </ul>
Conflicts of Interest	Organizational Changes	<ul style="list-style-type: none"> <li>▶ To strengthen control based on discussions held in Conflicts of Interest Management Committee</li> <li>▶ To disclose summary minutes of the Committee to enhance transparency</li> </ul>	<ul style="list-style-type: none"> <li>▶ Smooth proceeding of the Conflicts of Interest Committee and discussion of forward looking agenda over the medium/long term</li> <li>▶ Organizational acceptance of enhanced conflict of interest management</li> </ul>
	Strengthen Control	<ul style="list-style-type: none"> <li>▶ Organizational acceptance of conflict of interest management in AM divisions</li> <li>▶ Real-time review by enhancing product approval process</li> </ul>	<ul style="list-style-type: none"> <li>▶ Conflict of interest management framework to cope with split of AM function</li> <li>▶ Review of conflict of interest management rules for M&amp;A transactions</li> <li>▶ First line of defense as conflict of interest management managers to acclimatize to their roles</li> </ul>

# Sustainability initiatives: ESG management/Top rating among Japanese banks for product lineup

- ✓ First-mover among Japanese banks. Incorporated original style materiality management into ESG
- ✓ Top class lineup of products resolving social issues among Japanese banks



## Top class rating for ESG among Japanese banks

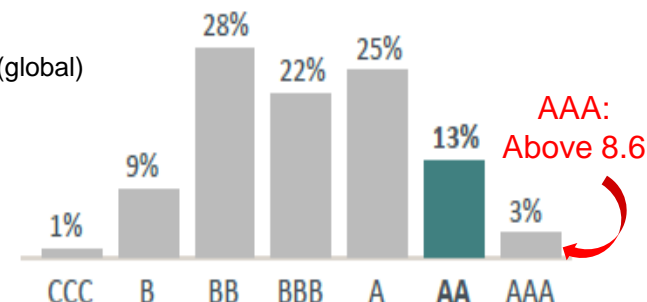
### 【MSCI evaluation】

Rating distribution of banking sector (global)

**Score 8.5 Rating AA**

**No.1 Japanese Bank**

(Ranked highest among Japanese financial institutions)



### 【Evaluation by NPO】

Rating by Fair Finance Guide(NPO)

**Score 3.1**

**No.1 Japanese Bank**



2018 overall points (Revised in Dec.17)



## Focused on key issues to offer lineup of social issue solving products

Devised product lineup based on market-in (demand based) approach, rather than product-out (supply based) approach

As a result of this approach, product offering has affinity with SGD targets



# Examples of social issues solving type products

## ESG investments

### Our endeavors as pioneer of ESG investment

- Investment performance improvement utilizing non-financial metrics evaluation tool MBIS
- Stock transfer agency consulting incorporating our knowhow of ESG/CSR implementation and investor perspective

AUM of ¥25trn is one of the largest in Japan

## Climate Change

### Renewable energy assistance program

- 2015: Establishment of renewable energy fund
- 2016: Leasing of micro-hydro power generation units for closed water conduits
- 2018: Establishment of domestic renewable energy fund for institutional investors

## Natural Capital

### Leadership in the field of natural capital

- 2010: Commenced sales of Biodiversity Fund for Supporting Companies
- 2013: Natural capital evaluation type lending with environmental rating assigned
- 2017: Development of forestry trusts

## Environmentally Friendly Property

### Leadership in creating a new market

- Consultation for environmentally friendly building construction
- CASBEE Consulting for environmentally efficient building certification
- Assistance for designing of “smart” cities and visualization of its benefits

## Issues for super-aged society

### 3 projects for the individual market

- Nationwide hosting of silver college for senior clients by first-class lecturers
- Marketing assistance based on clients' preferred choice of residence
- Dementia prevention in collaboration with Kyoto Prefectural University of Medicine

## Community Assistance

### 3 projects we are involved as a group

- 2004: Support for national trusts commenced
- 2012: ESD (Environmental education) project commenced
- 2013: Foster parent for ISAK summer school students

## ESG related activities



UNEP Finance Initiative  
(UNEP FI)



UN Principles for  
Responsible  
Investment (PRI)



Equator  
Principles



Natural Capital  
Finance Alliance



The United Nations  
Global Compact



Principles for Financial  
Action for 21<sup>st</sup> Century

# Sustainability initiatives : Materiality management and Internal engagement

- ✓ Create a "common value" that simultaneously enhances social value and enterprise value by implementing materiality (important issues) management incorporating the viewpoint of long-term investors who value ESG as the foundation of corporate value creation
- ✓ Based on feedback from ESG investors (research institutions), internal engagement with division headquarters has been held continuously since 2015. Check and balance function effective in contributing to enhancement of enterprise value and preventing organizational groupthink

Select materiality issues from view-point of long term investors

Promote efforts to enhance long term enterprise value

Steps

Step1

Select issues based on LT investors' perspective

Step2

Input from external and internal authority

Step3

Create and share materiality map

Step4

Conduct internal engagement

Step5

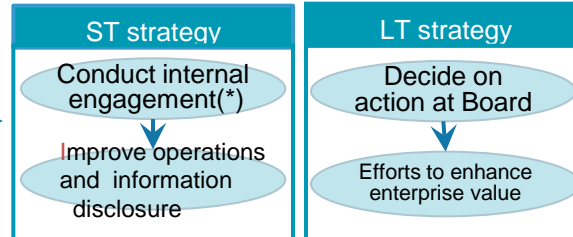
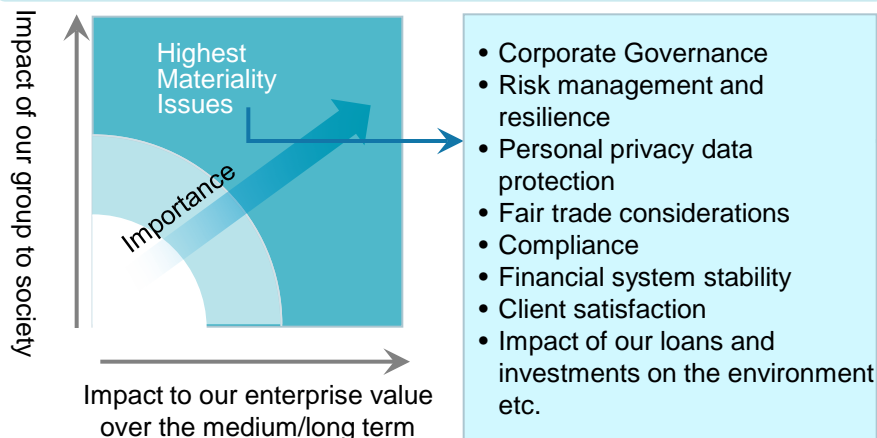
Multi-faceted discussion at Board level

Creating Shared Value

Map materiality issues and share them at top management level

Promote continuous improvement of business practice and disclosure

Results



Create social and enterprise value at the same time

[Internal Engagement Topics o FY2017]

- Governance issues from viewpoint of ESG investor
- Human capital management and information disclosure that leads to increase in enterprise value
- Compliance with foreign anti-bribery rules
- Implications of international trends regarding global warming to our business
- New stewardship report published
- KPI parameters regarding client satisfaction



# Human resource policy

- ✓ In addition to promotion of policies to advance three pillars of work style reform, “diversity”, “health, productivity” and “rewarding work environment”, to foster a workplace culture where each individual could be motivated to devise their own value creative activity for their future

## Actual results for 1H/FY17

### Diversity

- ▶ Expand annual leave system to allow diverse work styles (Long term leave to cater for overseas posting of spouse etc.)
- ▶ Promote childcare holidays to be taken by male staff
- ▶ Gold medal in LGBT awareness evaluation “Pride Index” (\*)
- ▶ Join “Iku-Boss Corporate Alliance” (Iku-Boss = male supervisors taking childcare leave)
- ▶ Appointing female managers (Target 300 senior managers, 266 current appointments)

### Health, Productivity

- ▶ Working from home arrangement implemented
- ▶ Healthy workstyle “White 500” recognition obtained
- ▶ Thorough implementation of all employees overtime in compliance of designated limit (80 hours / month). Ensure minimum interval (9 hours) between work-days
- ▶ Business process reform and infrastructure improvement to assist productivity enhancement (introduction of new client visit support system, new administrative workflow model at branches, personnel evaluation system introduced)
- ▶ Quit smoking support and education, elimination of smoking rooms (October 2018)

### Rewarding Work Environment

- Divisional seminars to explain various trust businesses to entice challenges to new work opportunities for career development
- To provide opportunities for dialogue with the CEO and other executives to foster management mindset of employees
- To respond to low score items reported in employee awareness survey by introduction of new policies and procedures
- Revised remuneration for specialist staff

(\*) SuMi TRUST Bank

## New initiatives to foster workplace climate in FY18

### Diversity

### Health, Productivity

### Rewarding Work Environment

To foster climate that supports the three pillars

<Strategic thinking>

<Inner motivation>  
(duty / passion)

Management strategy lecture from top management

Bi-directional dialogue between management and employees

Management lessons by head of departments (Employee Integrated Report)

Management Action Declaration

Future creation activity

Foster risk culture

Project management ability (Work Breakdown Structure)

Increased productivity

<HR development>

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