



SuMi TRUST
SUMITOMO MITSUI TRUST GROUP

SuMi TRUST IR Day

October 2, 2019

What we seek to communicate today

Key messages

- ✓ There is a strong affinity between trust bank group's business and its sustainability initiatives.
- ✓ Our Group's business activities are contributing to the achievement of a sustainable society.

Agenda

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Our Group's framework and specific initiatives for promoting sustainability

Outline:

- Akiyo Inaba, Head of Sustainability Management Office, Corporate Planning Department, Sumitomo Mitsui Trust Holdings ("SuMi TRUST Holdings")

Specific initiatives:

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- Masato Ito, General Manager in charge of Environmentally Friendly Property, Real Estate Business Solution Department, Sumitomo Mitsui Trust Bank ("SuMi TRUST Bank")
- Seiji Kawazoe, Senior Stewardship Officer, Stewardship Development Department, Sumitomo Mitsui Trust Asset Management ("SuMi TRUST AM")

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Initiatives to strengthen governance of our client companies through stock transfer agency services business

- Satoshi Hasegawa, General Manager of Stock Transfer Agency Business Advisory Department, SuMi TRUST Bank

Our Group's framework and specific initiatives for promoting sustainability

Akiyo Inaba
Head of Sustainability Management Office
Corporate Planning Department
SuMi TRUST Holdings

Evolution of ESG in the financial sector

ESG first emerged in 2006 (as a concept under the UN Principles for Responsible Investment)

Expanded from equity investments to asset management in general, including bonds, real estate, and hedge funds

Expanded from the asset management industry to insurance and banking, with the financial industry as a whole taking a leading role

Principles for Responsible Investment (PRI) (2006)

Principles for Responsible Banking (PRB) (Sep 2019)

Principles for Sustainable Insurance (PSI) (2012)

Sustainable Finance (Integration of finance and sustainability)

The Idea that finance should assume a more responsible role in aiming to achieve a sustainable society



The SDGs prioritize key issues with 17 goals



COP21 • CMP11
PARIS 2015
UN CLIMATE CHANGE CONFERENCE

Climate change issues especially high priority

The SuMi TRUST Group's business and sustainability

- ✓ We will continue to provide high added value expected of a trust banking group to meet the changing needs of the society, contribute to the realization of a sustainable society, and achieve sustained and steady growth.

Social and economic issues as well as the demands of clients are constantly changing

Our Group's business attributes

Advanced and longstanding relationships of trust with clients (trustors and beneficiaries) that we have established as a trustee

A completely client-oriented approach to providing products and services that match the true interests of our clients

The ability to harness our various trust functions to deliver solutions that address the diverse issues faced by our clients

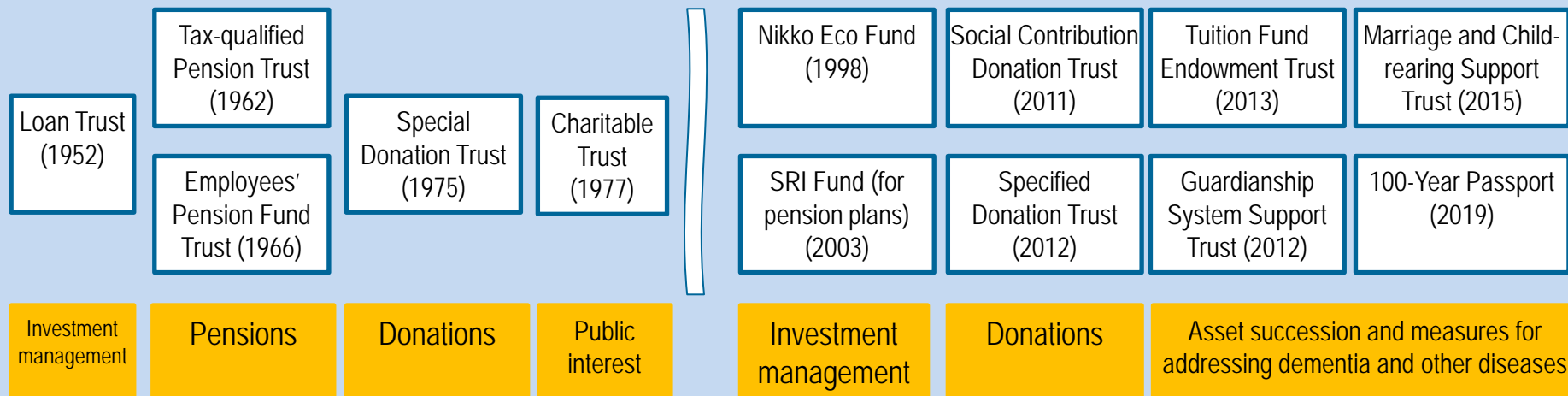
Providing high added value expected of a trust banking group to realize a sustainable society and solve the issues of our clients

Owing to the strong affinity between our Group's business model and our sustainability initiatives, we are helping achieve a sustainable society through our business activities

Our Group's sustainability initiatives

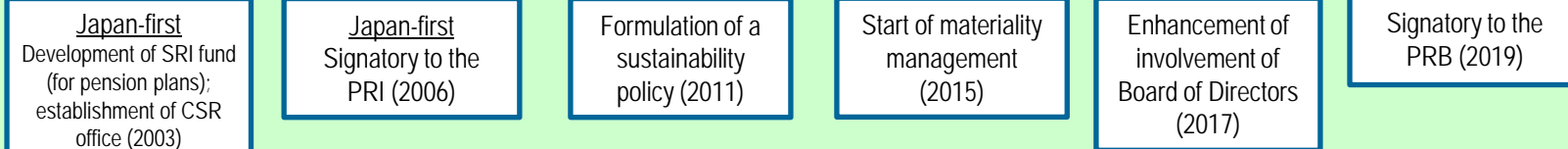
Providing high added value expected of a trust banking group in line with the times as an instrument that contributes to sustained growth of the society

Providing functions that contribute to the society



Since 2003, the dawn of CSR in Japan, we have continued to promote sustainability with proactive and management-level initiatives

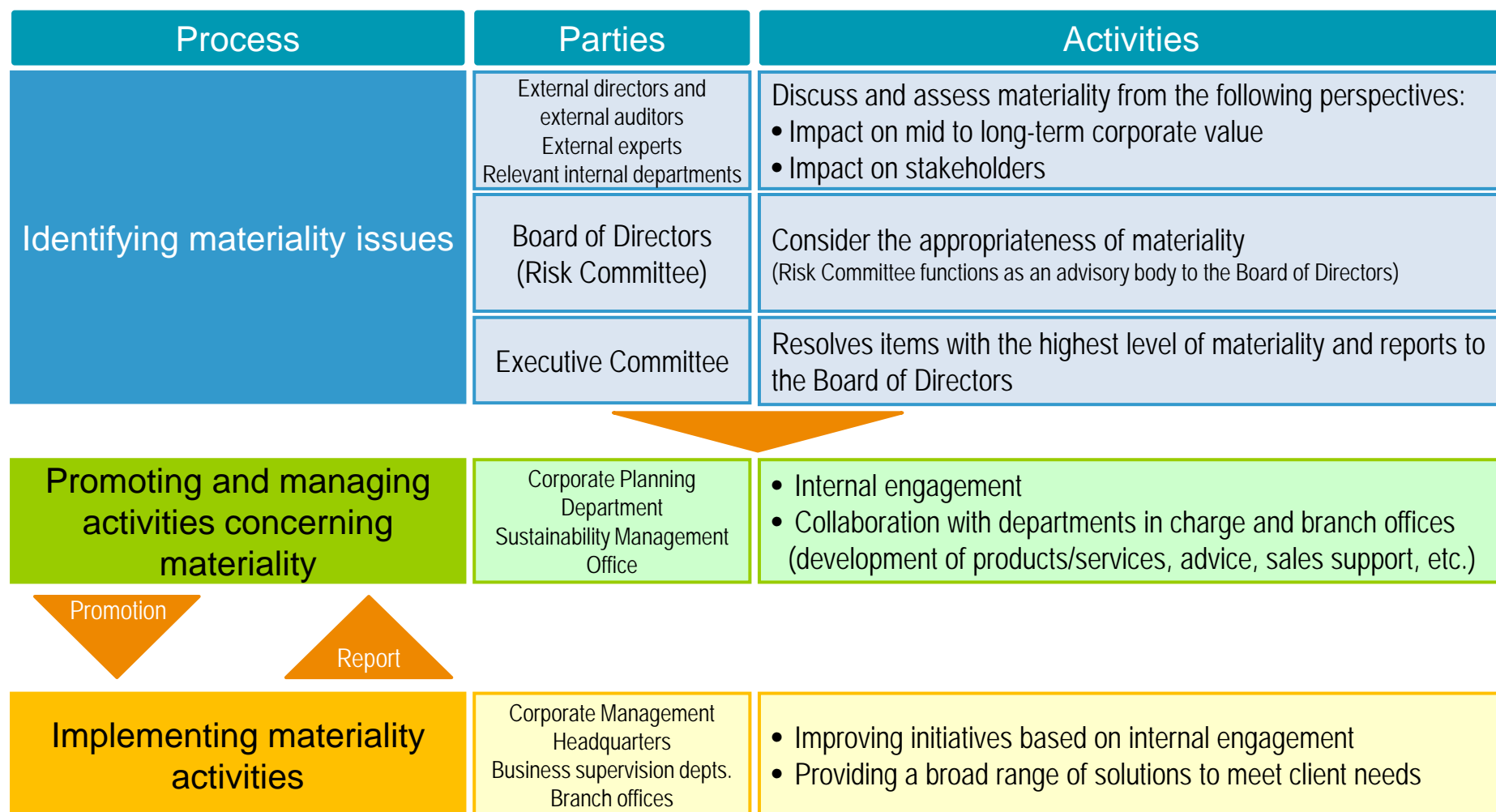
Group initiatives



*1 Stewardship Code
*2 Corporate Governance Code

Sustainability promotion structure

- ✓ In order to enhance corporate value, we take ESG investor viewpoints into consideration to identify materiality issues that need to be prioritized, and implement governance at the top level of management involving the Board of Directors.



Process for initiatives aimed at solving materiality issues

- ✓ Through internal engagement, we are working to further increase awareness within SuMi TRUST Group about non-financial matters.
- ✓ Through our business activities, we are helping to solve materiality issues.

Internal engagement

External



Dialogue and engagement
centering on financial matters

SuMi
TRUST
Holdings

Internal

Engagement centering on
non-financial matters

Human Resources
Dept.

Corporate Secretariat

Wholesale Business
Planning Dept.

Sustainability
Management
Office
(In-house quasi-investor)

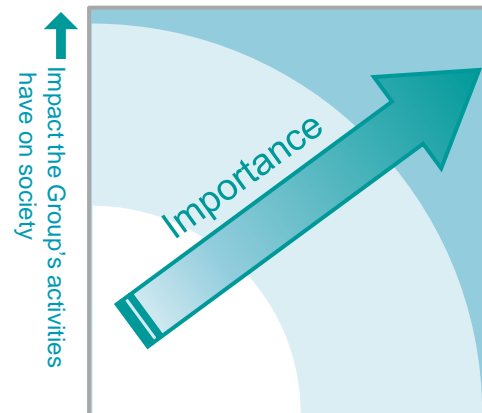
Strengthening human capital and
enhancing corporate value

Corporate governance

Climate change issues

Taking materiality (priority issues) to the business level

The Group's materiality map



Materiality
identification

Focus on solving
issues through
business activities

(1) Super-aging
society issues

(2) Climate change
issues

(3) Natural capital
(biodiversity
issues)

(4) Environmentally
friendly property

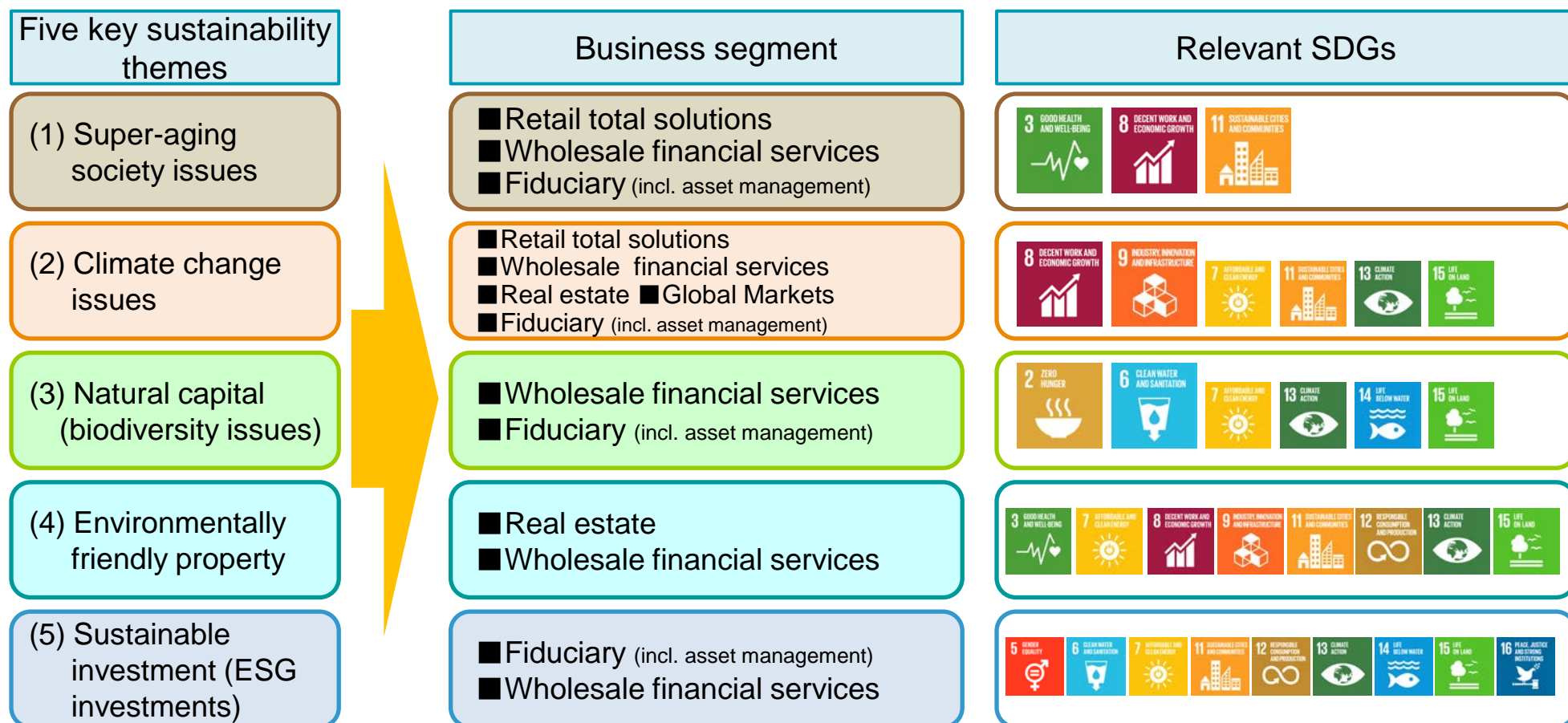
(5) Sustainable
investment
(ESG investments)

Emphasis on five key
sustainability themes

Sustainability initiatives in our business activities

- ✓ Particularly for our initiatives on the five key sustainability themes, we make full use of our trust banking group functions to contribute to the realization of a sustainable society with specific business activities.

Our Group's business segments and sustainability initiatives



Sustainability initiatives in our business activities (Key theme 1/5: Super-aging society issues)

- ✓ We provide high value-added services and products to meet the needs arising from an aging society.
- ✓ By providing a wide range of information and organizing awareness campaigns, we seek to address problems related to dementia and help patients actively participate in the society.

Providing products and services to meet various needs

Asset management for clients with dementia

- ✓ Anshin Support Trust
- ✓ Security Trust
- ✓ 100-year Life Solution Trust (100-Year Passport)



Secure asset succession for the next generation

- ✓ Annual Donation Support Trust
- ✓ Tuition Fund Endowment Trust
- ✓ Will Trust (execution course)



Broad array of information offering and awareness activities

Addressing dementia issues

- ✓ Dementia supporter training courses
- ✓ Having all branch general managers undertake a gerontology certification exam
- ✓ Digest reports for seniors



Silver College

- ✓ A place of learning for seniors to help them enjoy a reassuring and fulfilling "second life"; a total of 160 classes have been held at 62 branches nationwide
- ✓ First-rate instructors host seminars about money, health, dementia, living, etc.

Example of seminar topic:
"Making satisfactory preparations to live and die well"



Providing added value unique to the SuMi TRUST Group

- ✓ We are preparing for the approaching super-aging society and providing peace of mind with high-level consulting and high value-added products and services that leverage our unique trust banking group functionality and skills

Sustainability initiatives in our business activities (Key theme 2/5: Climate change issues)

- ✓ We provide solutions utilizing trusts and capabilities of the Group to help solve climate change issues.

Supplying liquidity to project financing market for solar power generation

Issues to be solved

- ✓ Providing new opportunities to active ESG investors to invest in renewable energy projects as a measure for combatting climate change

Specific initiatives for solving the issue

- ✓ Issued beneficiary rights in self-created trusts backed by loans receivable on solar power generation projects
- ✓ Obtained green finance evaluations on the beneficiary rights from a rating agency, making it easier for ESG investors to gain access to the market



Domestic mega solar power generation facility

Micro-power generation in water supply systems

Issues to be solved

- ✓ Promoting measures to tackle global warming by limiting the use of coal-fired power generation and making effective use of natural energy sources

Specific initiatives for solving the issue

- ✓ Under a leasing system, Sumitomo Mitsui Trust Panasonic Finance borrows water facilities from local governments and installs micro water power generation systems in its pipelines
- ✓ By keeping the power provider's initial investment to zero, this scheme promotes the effective use of natural energy



Micro-power generation in water supply systems

Providing added value unique to the SuMi TRUST Group

- ✓ In addition to straightforward financing, we are helping to expand the renewable energy market by making full use of our Group capabilities, including trust and leasing functions

- ✓ We make use of trust schemes to contribute to nature conservation and regional cooperation.

Natural capital initiatives

Forestry trusts

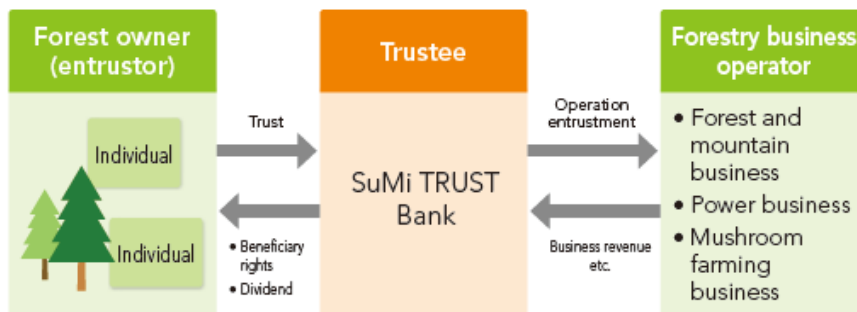
Issues to be solved

- ✓ Many of the forests that cover roughly two thirds of Japan's land have been neglected because of the decline of the forestry industry and the abandonment of privately owned forests owing to population aging and depopulation of rural areas
- ✓ The challenge of reviving the forestry industry by improving productivity and revitalizing the domestic lumber market

Specific initiatives for solving the issue

- ✓ SuMi TRUST Bank manages privately owned forests on behalf of individuals and local governments and streamlines this management by consigning operations to forestry companies
- ✓ We invested in a venture firm launched by Shinshu University to make use of its drone-based measurement technology essential for forest management

■ Overview of the forestry trust scheme

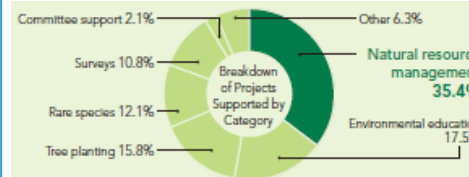


Charitable trusts

- ✓ **Suntory Fund for Bird Conservation**
Since its establishment in 1990, this fund has supported various bird conservation activities in Japan and overseas

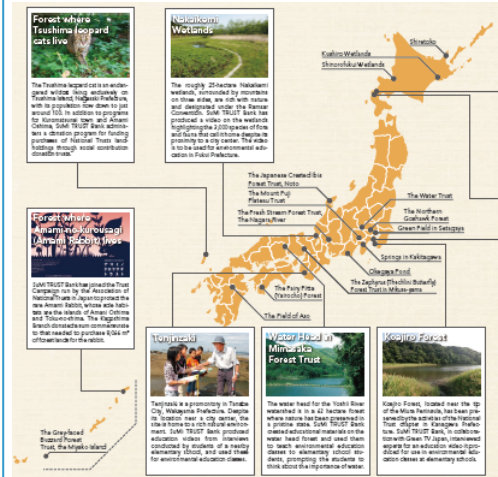


- ✓ Keidanren Nature Conservation Fund
This fund supports various nature conservation activities by utilizing a trust scheme to supply funds



Activities supporting National Trusts

- ✓ We support the activities of National Trusts, which use donations from citizens and corporations to acquire and protect land where endangered species live or land that is of academic importance



Providing added value unique to the SuMi TRUST Group

- ✓ We utilize the functionality of trusts to contribute to nature conservation and regional revitalization by partnering with national and local governments, private forestry operators, forestry unions, universities, and local residents

Sustainability initiatives in our business activities (Key theme 4/5: Environmentally friendly property; 5/5: Sustainable investment (stewardship activities))

Environmentally friendly property

Real estate

- ✓ Through consulting we aim to enhance the value of client assets with the aim of improving property value and acquiring performance evaluations

Environmentally friendly properties are characterized by superior environmental performance and excellent management

Issues in the global environment

Biodiversity

Carry out specific activities to arrest the decline in biodiversity by 2020

Global warming & climate change

Hold the increase in global average temperature to below 2 degrees Celsius above pre-industrial levels

Groundwater, resources, waste...

Sustainable management of access to water and sanitation, and sustainable consumption and production

With the aim of achieving a sustainable society, we provide consulting services to help improve environmental performance evaluations and the acquisition of CASBEE certification

Sustainable investment (stewardship activities)

Fiduciary and asset management business

- ✓ As a responsible institutional investor, we carry out engagement and stewardship activities to encourage companies to improve their ESG initiatives

Activities that help enhance mid to long-term value

Assessment of ESG issues at investee companies

Quantification and organization of non-financial information evaluations

Engagement on ESG issues

Alongside our independent activities, we also participate in joint engagements

We also utilize various international frameworks



Evaluation from external parties: Our Group's status

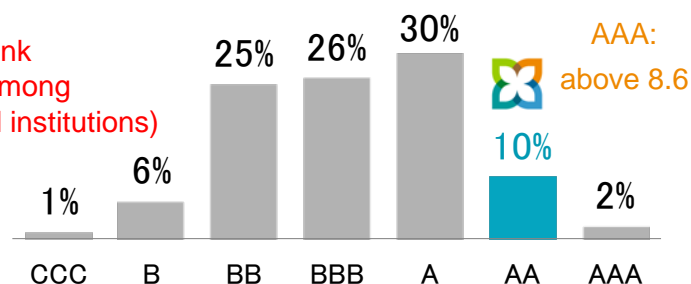
Top class rating for ESG among Japanese banks

MSCI evaluation

Score 8.5 Rating AA

Rating distribution of banking sector (global)

No.1 Japanese Bank
(Ranked highest among
Japanese financial institutions)



PRI assessment by UN organization

Rating A+

Evaluation of PRI (principles for Responsible Investment) by UNEP FI*

Total No.1 among Japanese banks 5 consecutive years
(SuMi TRUST AM)



NPO evaluation

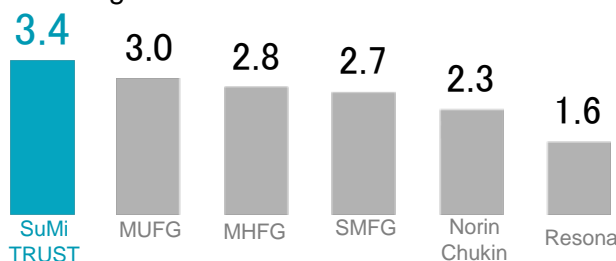
Score 3.4

NPO Fair Finance Guide Rating

No.1 among
Japanese Banks



2019



Selected ESG indices



MSCI

2017 Constituent
MSCI ESG
Leaders Indexes

MSCI

2017 Constituent
MSCI Japan ESG
Select Leaders Index

MSCI

2017 Constituent
MSCI SRI Indexes

Domestic/International ESG related activities



* UNEP Finance Initiatives
(UNEP FI)



The United Nations
Global Compact



Natural Capital
Finance Alliance



Equator Principles



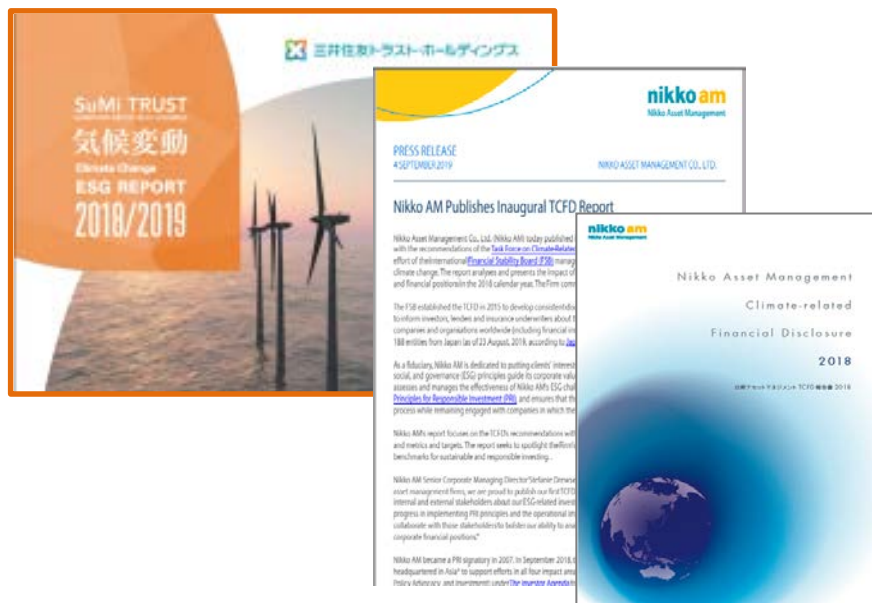
Principles for Financial
Action for 21st Century

Initiatives regarding the recommendations of the TCFD

- ✓ In recognizing the risks financial markets face from climate change, the Financial Stability Board released the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in June 2017, calling on companies to disclose climate change-related information with more transparency.
- ✓ Our Group supports the recommendations of the TCFD and we plan to disclose information based on the recommendations going forward.

TCFD-based disclosures at SuMi TRUST Group

- ✓ Annual publication of Climate Change Report since 2013
- ✓ One of our Group companies, Nikko Asset Management, already discloses information based on the recommendations of the TCFD (as of Sep 4, 2019)



Planned process for future initiatives

Step 1 (FY2019)

- Improve the content of our climate change report toward meeting the standards set by the TCFD (Dec 2019)
- Start disclosing quantitative information to the extent possible

Step 2 (FY2020)

- Enhance qualitative information in our integrated report
- Start conducting scenario analyses

Step 3 (by FY2022)

- Further improve our response to TCFD recommendations
- Assess financial impacts based on scenario analyses
- Reflect the results in business strategies

Environmentally Friendly Property Initiatives

Masato Ito
General Manager in charge of Environmentally Friendly Property
Real Estate Business Solution Department
Sumitomo Mitsui Trust Bank

Factors behind demand for environmentally friendly property

- ✓ Addressing environmental issues is now essential to shaping a sustainable society and demand is rising for environmentally friendly, high value-added real estate.
- ✓ Environmentally friendly property is also being boosted by the support of various stakeholders and development of a certification system.

Heightened awareness of global environmental issues

- ✓ Adoption of Paris Agreement at COP 21—goal to limit average temperature increase
- ✓ UN-led proposal for the PRI that account for ESG factors
- ✓ Establishment of GRESB*—benchmark for measuring environmental performance of held or investment property

Stakeholder support and development of certification system

- ✓ Support from institutional investors and others who attach importance to ESG and SDGs
- ✓ Support from employees and community (enhancement of building health and intellectual productivity)
- ✓ Progress on development of environmental performance certification system

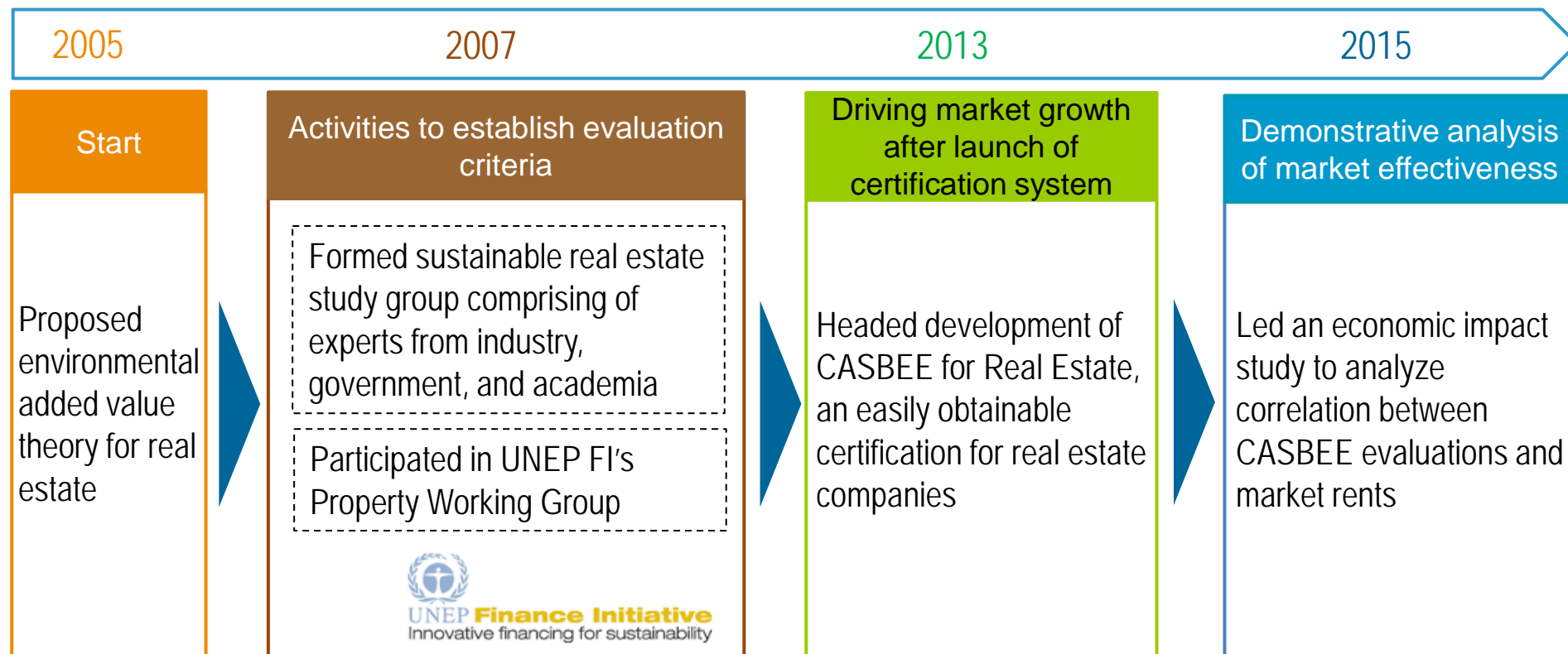
* Global Real Estate Sustainability Benchmark. Established in 2009 to measure sustainability performance of mainly real estate companies and asset managers

Growth of environmentally friendly property market

Our strengths in leading the environmentally friendly property market

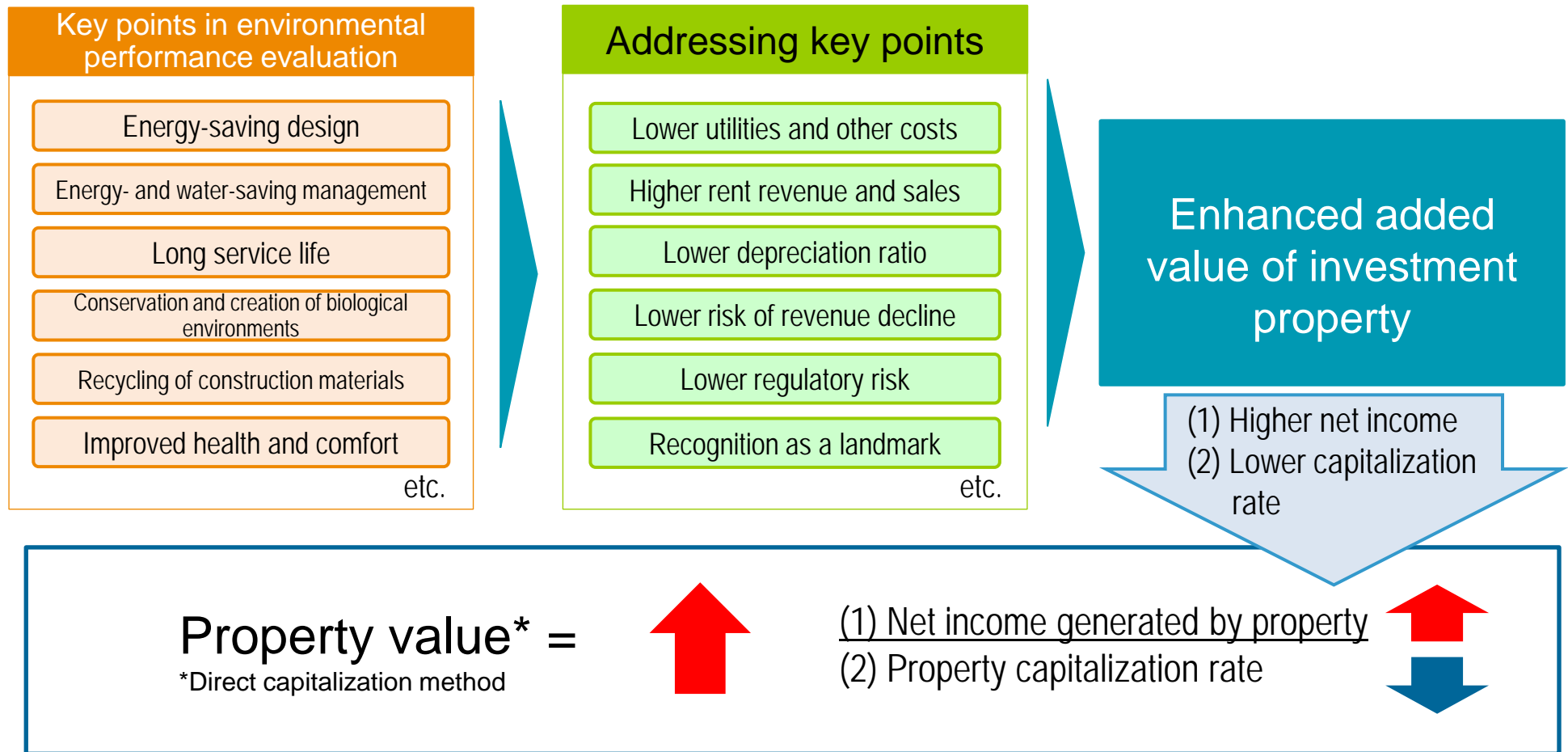
- ✓ We have consistently been involved in the environmentally friendly property market since its inception.
- ✓ We proposed a new certification system to the government which actually saw implementation and even after its introduction, we have since led initiatives, including a demonstrative analysis of market effectiveness.

Main initiatives as a pioneer in environmentally friendly property

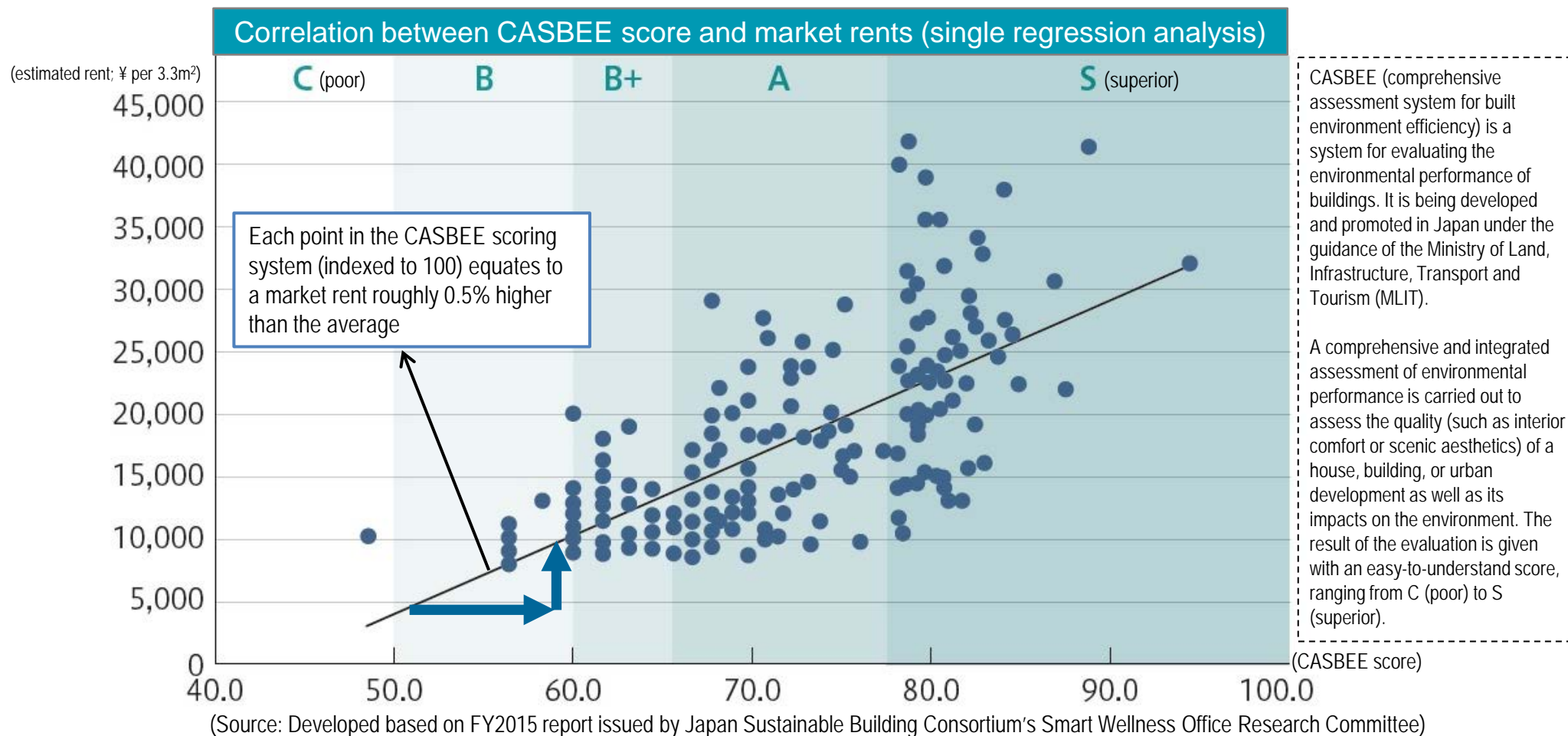


New property value factors: 1/2 — Environmental considerations that boost property prices

- ✓ Enhancing the added value of properties by improving their environmental performance that lead to increasing investment property prices as a result of “higher net income” and “lower capitalization rates”.



New property value factors : 2/2 — Economic impact of CASBEE

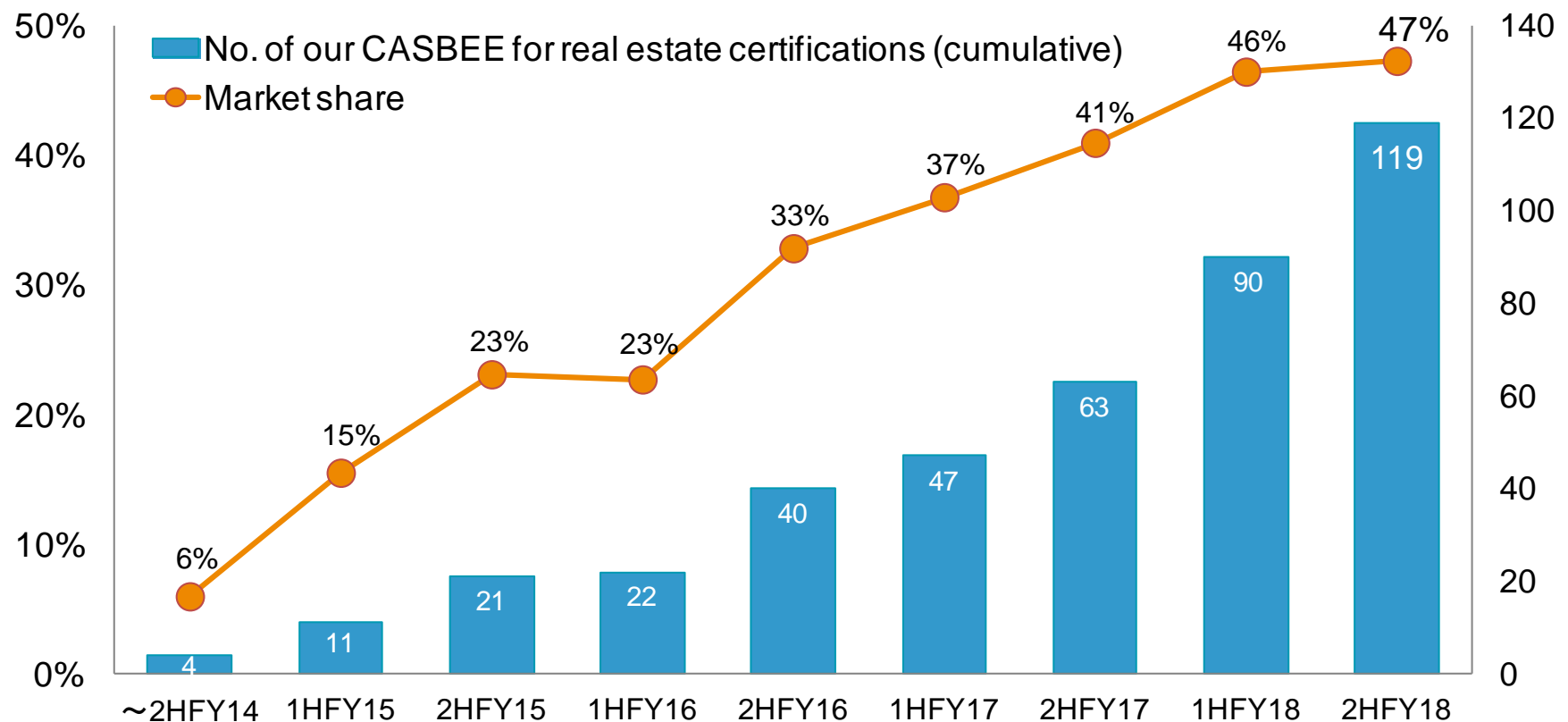


We analyzed 196 commercial office buildings that had acquired CASBEE certification or had submitted an application for CASBEE evaluation to local authorities. We confirmed a positive correlation between CASBEE score and market rent. Moreover, the study suggested that market rents in buildings with CASBEE certification or application are around 3.6% higher than the average for cities overall compared to non-certified buildings.

Leading market growth in environmentally friendly property

- ✓ Increase in CASBEE for Real Estate certifications that drive up property value.
- ✓ We pride a leading market share of 50% in the CASBEE for Real Estate certification application support business.

Our CASBEE for Real Estate certification application support business



Our lineup of consulting services for environmentally friendly property

Application support services for environmental performance certification

CASBEE for Real Estate

Environmental performance evaluation of buildings

Certification support

We have assisted 119 cases out of the total number of certifications which is roughly 50% market share (as of March end 2019)



SuMi TRUST Bank head office building also acquired CASBEE for Real Estate "S" rank

CASBEE for Urban Development

Environmental performance evaluation of city blocks

Certification support

We offer support for acquiring CASBEE for urban development certification (LIST GARDEN nococo-town)

- This large eco-town in Totsuka, Yokohama City, became the first-ever recipient of the highest ranked certification ("S" rank) for CASBEE for Urban Development



CASBEE for Wellness Offices

(launched in June 2019)

New office model evaluation system.

Supporting the maintenance and improvement of health and comfort for those who work in the office buildings.

Evaluation of building specifications, performance, and initiatives

Certification support

Support for environmentally friendly design during new construction phase

Supporting the design of environmentally friendly buildings

Construction consulting-based support for improving environmental performance

We commercialized Japan's first land trust product in the 1980s and have been involved in developing and managing many building and condominium projects. Our services leverage this extensive experience.

Environmental subsidy application system

Brush-up of proposed application

Interview screening

Daikin Industries' Technology & Innovation Center

- Integrated office and R&D facility combining state-of-the-art decarbonizing architecture and equipment technology.
- Selected for MLIT's leading projects program for promoting CO2 reduction in housing and buildings (now known as the leading projects program for sustainable buildings).



Support for smart city/smart town concepts

Supporting the formulation of urban development that incorporates superior environmental performance

Estimating impacts of smart city/town initiatives

Concept formulation support

Specific initiatives 1/2: — Supporting CASBEE certification acquisition at Isetan Mitsukoshi Holdings

- ✓ We supported Isetan Mitsukoshi Holdings in obtaining CASBEE certification (S rank) for three of their flagship stores.

Issues at Isetan Mitsukoshi Holdings

Concrete measures for appropriately addressing social, environmental, and other sustainability-related issues outlined in Japan's Corporate Governance Code

Enhancing value of real estate holdings

Initiatives for achieving targets

Implementation of initiatives aimed at acquiring environmental performance certification (CASBEE) for the company's flagship stores

Creation of value as environmentally friendly properties

Three flagship stores certified as CASBEE rank (S)
(Mitsukoshi Nihombashi, Mitsukoshi Ginza, and Isetan Shinjuku)

Enhancement of economic value as environmentally friendly properties

In addition to certification, the company was able visualize each store's environmental performance issues



Specific initiatives 2/2: — Fujisawa Sustainable Smart Town

- ✓ “Fujisawa Sustainable Smart Town” is an urban development-driven environmentally friendly property project involving Panasonic, Fujisawa City, and 11 partner companies, including SuMi TRUST Bank.
- ✓ Our participation in this project reflects our environmental added value theory for real estate, which we have continued to propose since the emergence of environmentally friendly property.

Project issues and goals

Environmental targets

Reduced energy consumption

Resource recycling

Reduced potable water usage

Conservation and restoration of natural resources

Safety & security targets

Number of days secured for lifeline provisions in disaster situations

Initiatives for achieving targets

Ensuring town scenery, lighting, and ventilation

Solar power generation

Fuel cells

High-efficiency equipment

Storage batteries

Emergency power generators

Creation of value as environmentally friendly properties

Lower utility costs

Lower management and operating costs

Secure, safe, and healthy living

Reduced disaster/blackout risks

Lower interest rates on loans for environmentally friendly homes



Stewardship Activities for Sustainable Investment

Seiji Kawazoe
Senior Stewardship Officer
Stewardship Development Department
Sumitomo Mitsui Trust Asset Management

Why we attach importance to stewardship activities

- ✓ To pursue upside potential and curb downside risks of investee companies by engaging in dialogues on ESG issues that are a part of stewardship activities and to maximize mid to long-term investment returns.

Demonstration of our fiduciary spirit for client assets;
Value creation in the investment chain

Source
of our
added
value

(1) Non-financial information analysis skills honed over many years of ESG investing

(2) Knowledge and know-how from engagement activities cultivated through mid to long-term investments

(3) Collaboration with global initiatives as an industry leader

Supporting the enhancement of mid to long-term corporate value and maximization of client assets

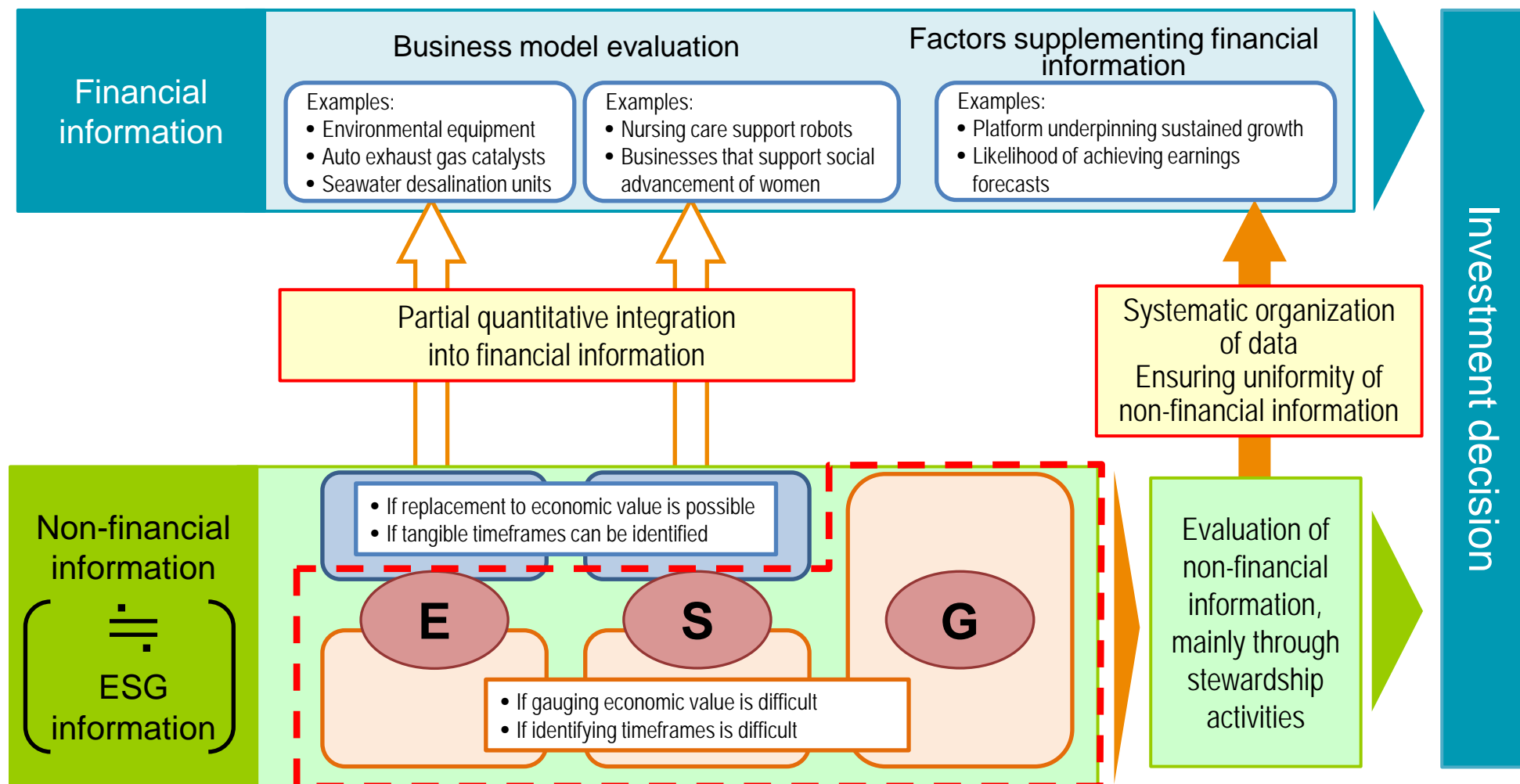
Our Group's ESG investment milestones

| | |
|------|--|
| 2003 | Started offering Japanese equity SRI fund for corporate pensions, the first of its kind in Japan |
| 2004 | Started offering SRI fund for defined contribution pension plans |
| 2006 | Became a signatory to the UN's Principles for Responsible Investment (PRI) |
| 2008 | Began offering SRI fund to major public mutual aid associations |
| 2010 | Started offering publicly traded Chinese equity SRI investment trust |
| 2014 | Adopted Japan's Stewardship Code Secured A+ (highest score) for PRI assessment (A+ score for 5 consecutive years through 2018) |
| 2015 | Started integrating ESG into investment decision-making (introduced non-financial information evaluations) |
| 2017 | Developed and strengthened stewardship activities promotion framework Became a signatory to 30% Club and other global investor networks Announced participation in Climate Action 100+ |
| 2019 | Received Tokyo Financial Award Launched 30% Club Japan's Investor Group Announced support of TCFD |

By working to secure excess returns on client assets and boost the overall market through stewardship activities, we aim to contribute to long-term asset formation for our clients—our key mission as Japan's largest institutional investor

Incorporating nonfinancial information evaluations into investment decisions

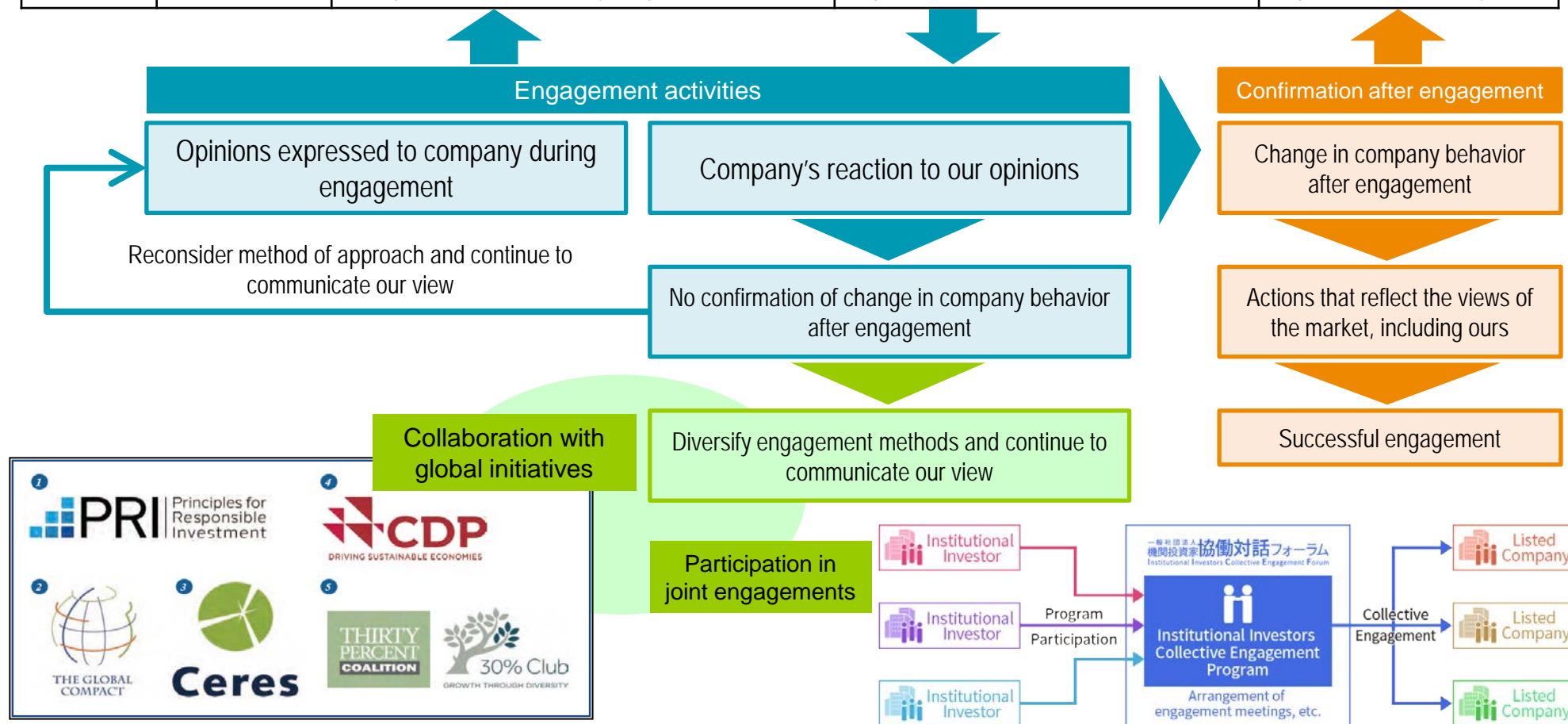
- ✓ We quantify and organize non-financial information evaluations—originally part of the conventional company analysis (earnings forecast) process—and utilize these evaluations in our investment decision-making. This reduces any disparities between the assessments of individual analysts.



Multi-faceted activities with the goal of successful engagement

Case example of engagement

| Company | Topic | Our view | Meeting response | Post-dialogue action |
|--|-------------------------------|--|--|---|
| Company A (domestic transportation) | Reducing Greenhouse gas (GHG) | Company A probably needs to incorporate mid to long-term CO ₂ reduction targets, leveraging their extensive transportation know-how into their medium-term management plan that is currently being developed. | The company wants to focus on reducing CO ₂ over the mid to long-term, despite the costs involved. The company expects to incorporate CO ₂ reduction targets into their next medium-term plan. | To achieve their mid to long-term vision, the company announced a specific CO ₂ emissions reduction target as a KPI to be met by 2023. |



Global ESG engagements

| Category | Topic/sub category | Specific activities |
|---|--|--|
| (1) Activities based mainly on the PRI | Palm oil working group (lead manager) | ▶ To improve environmental and human rights issues in palm oil production, we encourage information disclosure and periodically monitor progress |
| | Water risk working group (lead manager) | ▶ We engage in dialogues with global consumer goods companies (beverages, food, apparel, etc.) and ask that they improve their handling of the risks associated with water resources |
| | Forest resources working group (lead manager/advisory) | ▶ We call on companies in the livestock and grain industries to disclose and improve their impact on forest resources |
| | Participation in Climate Action 100+ (lead manager in the Asia-Pacific region) | ▶ Together with major global investors, we call on the world's biggest greenhouse gas emitters to tackle climate change (five years starting Dec 2017) |
| (2) Activities to address misconduct (in accordance with international norms) | Addressing issue of cluster bombs | ▶ We continue to urge companies to stop manufacturing inhumane weapons such as cluster bombs (our initiative) |
| | Engagement using ISS-Ethix guidelines | ▶ We work with the dedicated responsible investment team at ISS-Ethix, an ESG monitoring agency, to jointly call on companies contravening international norms for human rights, labor, or corruption to improve their practices |
| (3) Activities calling for efficiency in corporate management and improved governance | Access to medicine | ▶ We conduct activities urging pharmaceutical companies to improve their systems for supplying medicine to the poor and developing countries |
| | Engagement aimed at enhancing diversity | ▶ We participate in initiatives (UK-based 30% Club and US-based Thirty Percent Coalition) that aim to increase female representation on company boards to 30% and to promote diversity. We are a founding member of the 30% Club Japan's Investor Group. |

Climate change initiatives — Participation in Climate Action 100+

- ✓ We play a leading role in joint engagement activities with Asian and Japanese companies, many of which are large emitters of greenhouse gases

Participation in joint engagement to approach the world's 100 biggest GHG-emitting companies

Key role as joint lead manager for the same engagement initiative in the Asia-Pacific region



Future activities

We intend to assess climate change risks and opportunities with a view to realizing a society with net zero carbon emissions. As well, we will encourage companies to disclose the financial impact of climate change through constructive dialogues on enhancing corporate value

Main engagement activities in the Asia-Pacific region

| Company | Headquarters | Engagement activities |
|---------------|--------------|---|
| PTT | Thailand | • Details on next page |
| POSCO | South Korea | • Conduct studies on the outlook for promoting technology related investments and investment opportunities that lower GHG emissions |
| KEPCO | South Korea | • Reviewing exposure (risk of stranded assets) for coal-fired power generation and coal resources, while examining the business risks and opportunities in the electric power business. Examples include renewable energy-based power generation or smart grids |
| SK Innovation | South Korea | • Corporate commitment to business opportunities arising from decarbonization such as electric vehicle batteries |

Specific initiatives 1/3: Climate change — Measures for reducing GHG emissions

PTT — Thailand's state-run oil company

Dialogue overview

With PTT, a company on the Climate Action 100+ focus company list, we confirmed management's views (after expressing our opinion) that they should (1) disclose a plan for reducing GHG emissions to comply with the aims of the Paris Agreement, (2) disclose information based on the recommendations of the TCFD, and (3) incorporate climate change issues into their corporate governance



Company reaction

To date, PTT has only taken into consideration Thailand's domestic energy policies and GHG reduction targets when developing their plans.

PTT is taking the concerns of stakeholders very seriously and is considering the formulation and disclosure of a new plans related to climate change.

Our policy

We think highly of proactive responses to investor opinions. We intend to follow up on whether PTT has taken specific measures when we engage with their management in the future.

Specific initiatives 2/3: Climate change — Responding to the Paris Agreement

Occidental Petroleum — US-based general petroleum company

Dialogue overview

In May 2018, we confirmed management's views, after informing the company that we voted in favor of the shareholder proposal that the company discloses how they will address the aim of the Paris Agreement to keep global warming to below 2°C above pre-industrial levels, as well as information about reducing methane gas emissions and combustion generated by their production



Company reaction

Occidental's management holds regular meetings with external experts on global warming initiatives, and in 2018 released a policy on how it intends to help tackle climate change

For methane gas reduction, Occidental is investing in plants and equipment to ensure there are no major emissions when it drills for natural gas. There are no concerns with existing project sites. At new mining sites, the company will put in place standards to control emissions.

Our policy

We confirmed the company's stance on these issues, though we also expressed the view that the fact the company's shareholders are calling for more proactive measures to address climate change is why a shareholder proposal was submitted and adopted with a majority of shareholders voting in favor. We also expressed our opinion that implementing and disclosing information about their initiatives will be key going forward. In the future, we will continue to engage with Occidental Petroleum to confirm their approach.

Wilmar — Singapore-based palm oil producer

Dialogue overview

In March 2018 we confirmed their management's views, after participating in a joint engagement through a PRI working group. We expressed our opinion that there is a risk that exports will grind to a halt due to tighter restrictions in Europe regarding production continuity (labor, the environment, etc.) and that Wilmar, to continue production, should be more proactive in disclosing information by involving other companies in the industry.



Company reaction

To improve labor conditions at their production sites and to protect the environment (mainly from soil contamination), Wilmar now participates in activities jointly implemented by the Malaysian Palm Oil Certification Council and the Decent Rural Living Initiative

In particular, Wilmar, recognizing the pivotal issues of child labor and withholding migrant worker passports, plans to engage in activities aimed at solving these issues in consultation with the PRI Secretariat

Our policy

By engaging in dialogue, we confirmed Wilmar's initiatives for improving working environments and by extension, business continuity. We will continue to engage with Wilmar to confirm the effectiveness of those initiatives.

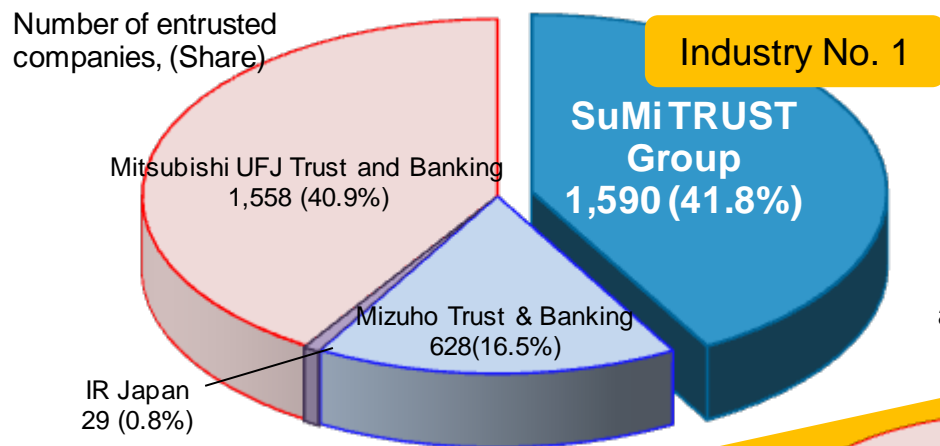
Initiatives to strengthen governance of our client companies through Stock Transfer Agency Services Business

Satoshi Hasegawa
General Manager of Stock Transfer Agency Business Advisory Department
Sumitomo Mitsui Trust Bank

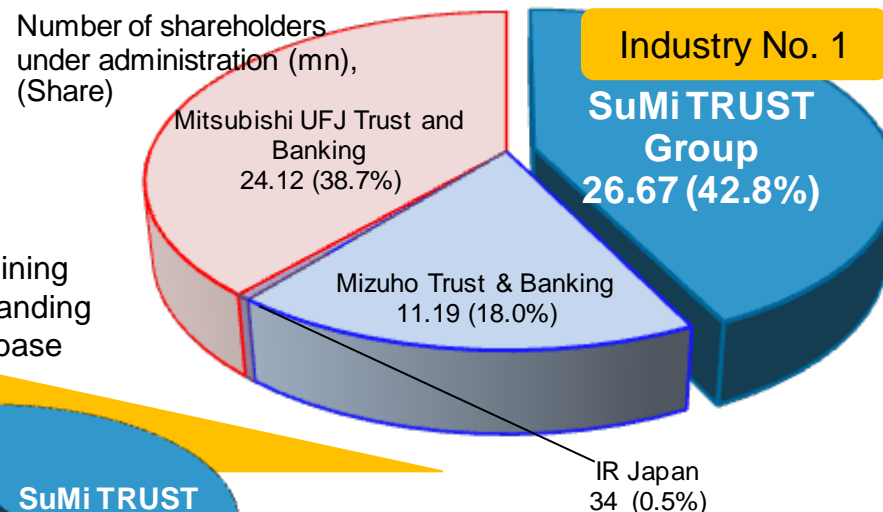
Client base in our stock transfer agency services business

- ✓ Industry leader both in terms of number of listed companies under management and shareholders under administration.
- ✓ Top market share also for IPO support services. We continue to maintain and expand our client base.

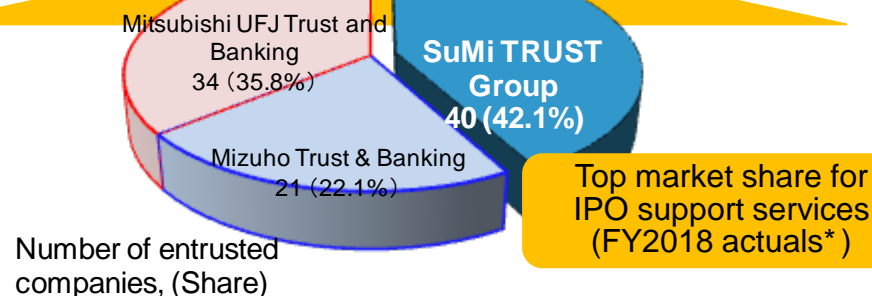
No. of listed companies under management (Mar 2019)



No. of shareholders under administration (Mar 2019)



Maintaining and expanding client base



No.1 client base in the industry

Stable earnings



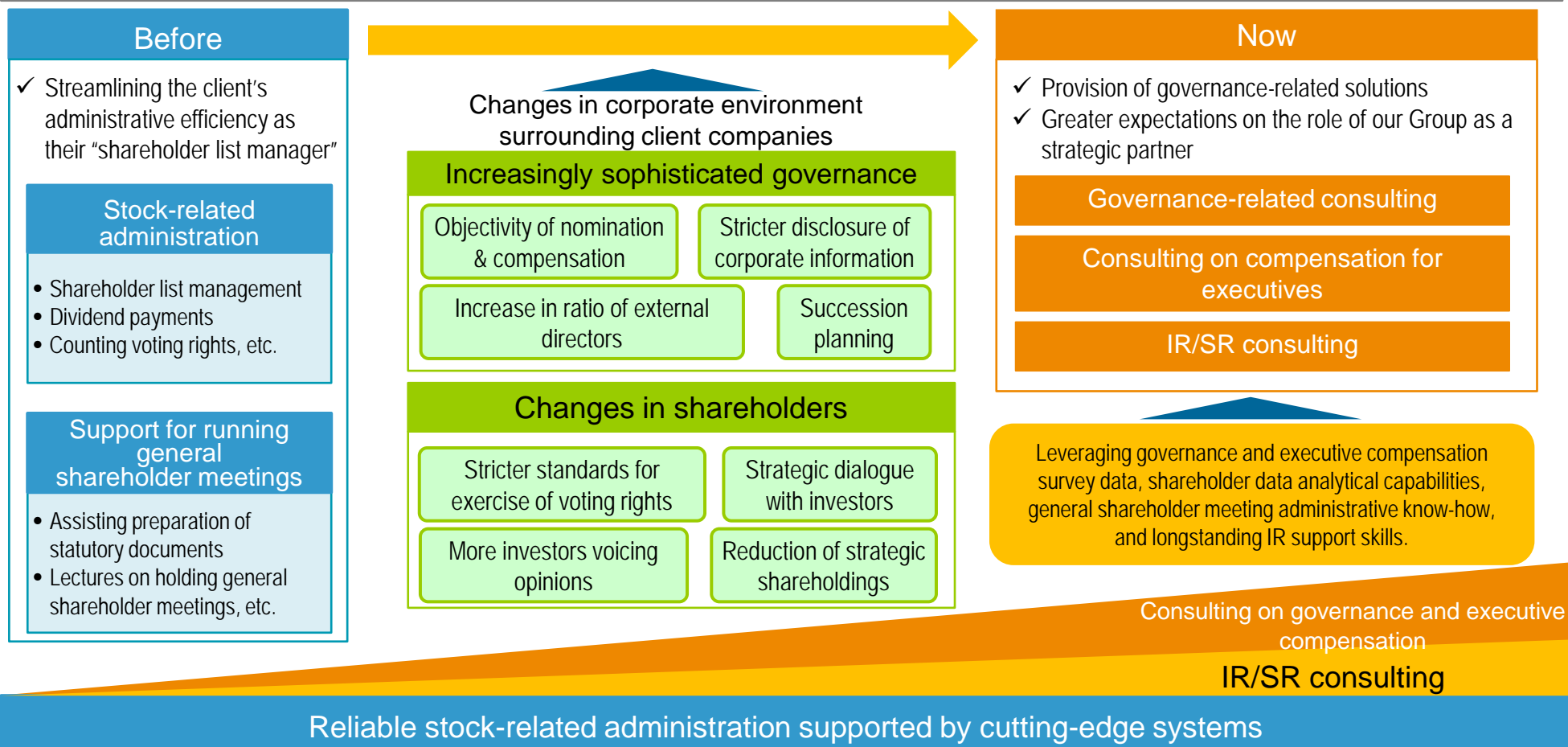
New added-value creation leveraging client base

* Excluding foreign equity

Changes in added value of our stock transfer agency services business

- ✓ We provide governance-related solutions leveraging the breadth of knowledge from our substantial client base as well as high-level know-how to meet the newly emerging client needs, arising from the changing corporate environment.

Added value offered by our stock transfer agency services business



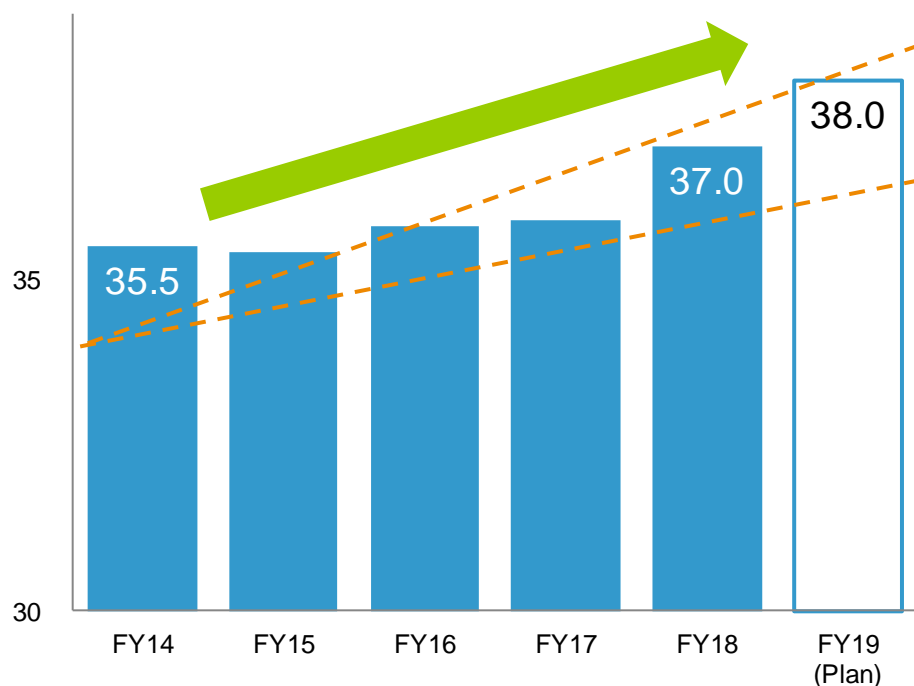
Stable profit growth

- ✓ Stable profit structure largely impervious to economic conditions.
- ✓ Contributions from consulting-related earnings aided by the tailwind of changes in the environment surrounding listed companies.

Gross operating profit in stock transfer agency services business

Stable and steady growth driven by solid client base

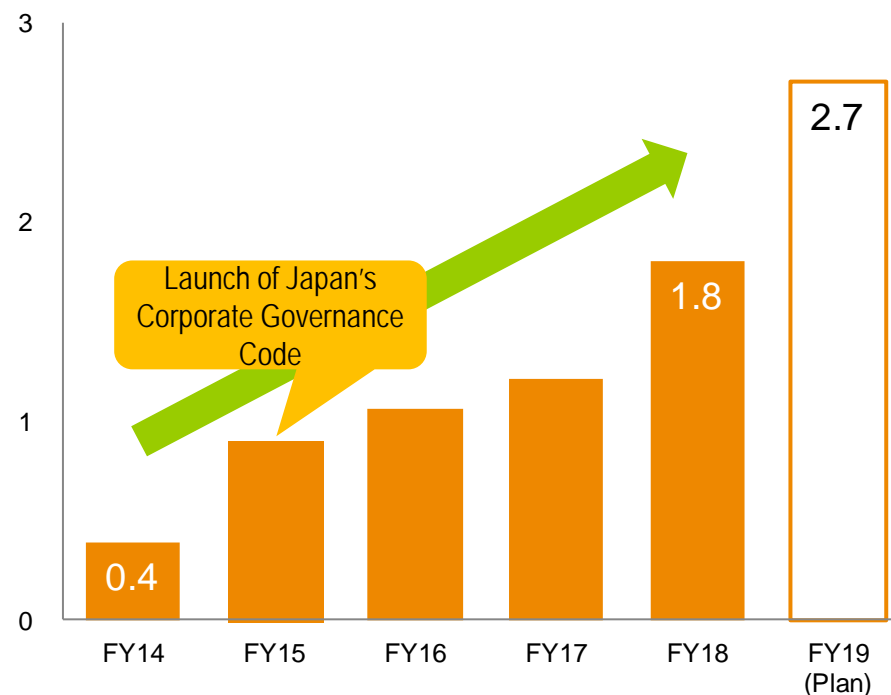
(Yen bn)



Consulting-related revenue (gross operating profit)

Growing into source of earnings in light of new corporate needs arising from environmental changes

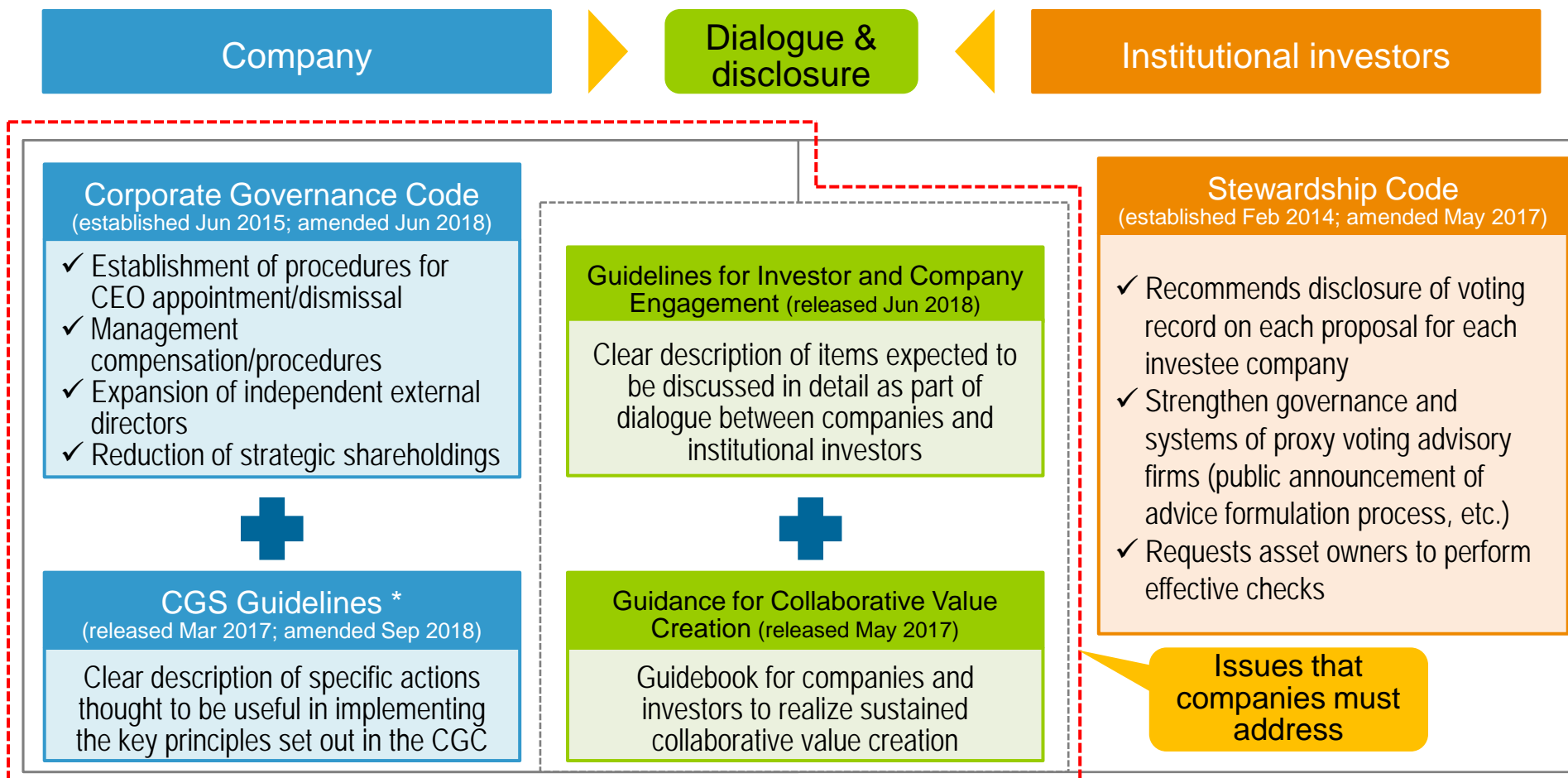
(Yen bn)



Initiatives aimed at strengthening governance of client companies

Framework for governance reforms and issues faced by companies

- ✓ With strong initiatives from the government, progress on measures to strengthen governance is observed both among companies and investors.
- ✓ Substantial initiatives by companies are required in light of the most recent version of the Corporate Governance Code (CGC) and other guidelines.



Governance reforms — Continual updates to codes and guidelines

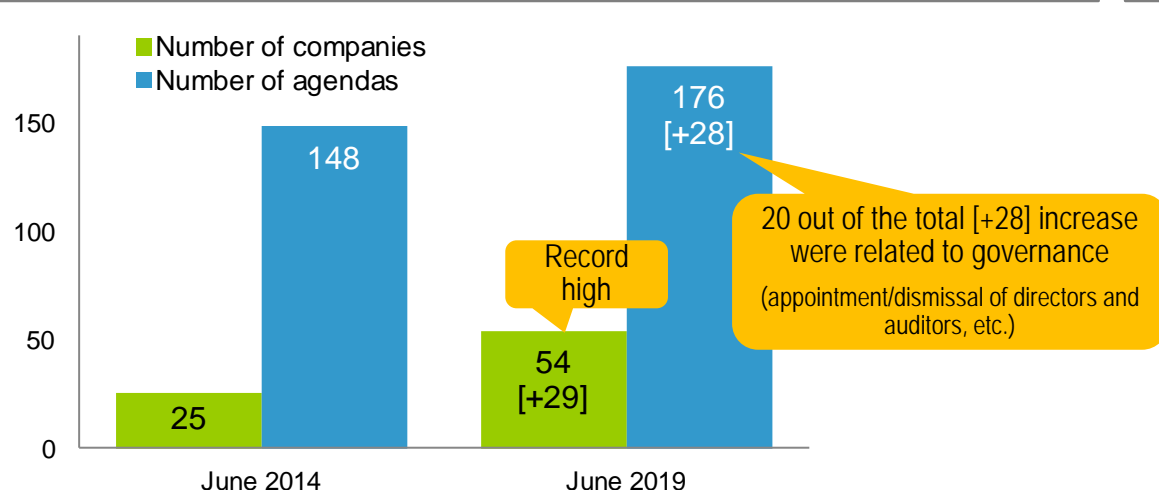
- ✓ Codes and guidelines concerning corporate governance and stewardship are likely to be revised continually.
- ✓ Companies need to constantly strive to improve their governance to keep up with such updates.

| | | |
|------|---|---|
| 2014 | <ul style="list-style-type: none"> ✓ Stewardship Code (SS Code) ✓ Review of Japan Revival Strategy amendment 2014; the first of 10 focus points was to "strengthen corporate governance" ✓ GPIF reforms; led the SS Code by raising its equity investment weighting | |
| 2015 | <ul style="list-style-type: none"> ✓ Corporate Governance Code (CG Code) | |
| 2017 | <ul style="list-style-type: none"> ✓ Practical Guidelines for Corporate Governance Systems (CGS Guidelines) ✓ Amendments to SS Code ✓ Government's Growth Strategy 2017 | |
| 2018 | <ul style="list-style-type: none"> ✓ Amendments to CG Code ✓ Guidelines for Investor and Company Engagement ✓ Disclosure Working Group report of the Financial System Council ✓ Amendments to CGS Guidelines | <div>Related to SS Code</div> <div>Related to CG Code etc. (issues that companies must address)</div> |
| 2019 | <ul style="list-style-type: none"> ✓ Amendments to "Cabinet Office Ordinance on Disclosure of Corporate Information, etc". ✓ Growth strategy execution plan → governance of listed subsidiaries ✓ Practical Guidelines for Group Governance Systems ✓ "Further amendments to the Companies Act": greater transparency of executive compensation and enhanced information disclosure in business reports | |

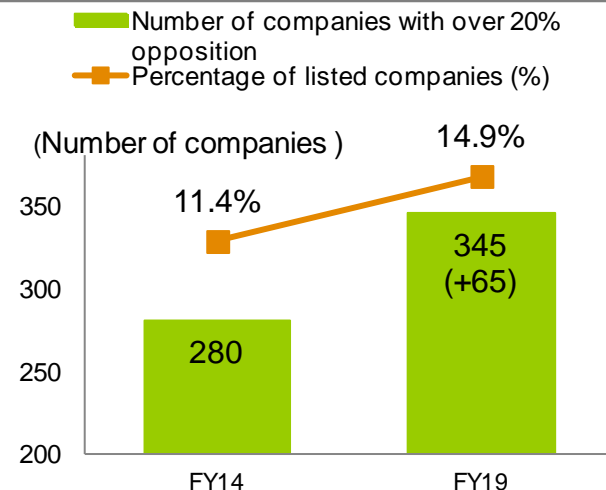
Changes in shareholder behavior

- ✓ Opinions and behavior of shareholders, mainly institutional investors, are changing following governance reforms.
- ✓ The need for companies to engage in dialogue with shareholders and investors is growing as the exercise of voting rights becomes stricter.

Exercising of Shareholders' proposal rights*¹



% of opposition at general shareholder meetings*²



Changes in behavior of institutional investors regarding shareholder proposals

| | Proposer | Agenda item/proposal reason | Holding ratio of proposer | Approval ratio |
|--|----------------------------|--|---------------------------|----------------|
| Example 1 Wholesale company A | Domestic activist investor | Agenda item: Changes to the Articles of Incorporation regarding sale of shareholdings Reason: For enhancing shareholder value by selling strategic shareholdings that account for 10% of assets and shares purely for investment purposes | 16% | 26% |
| Example 2 Land transportation company B | Overseas activist investor | Agenda item: Acquisition of treasury stock Reason: Lower capital costs and improve ROE by buying back shares | 5% | 34% |

Institutional investors that agree with activists' proposals are increasing, % of approval on agenda items also increasing

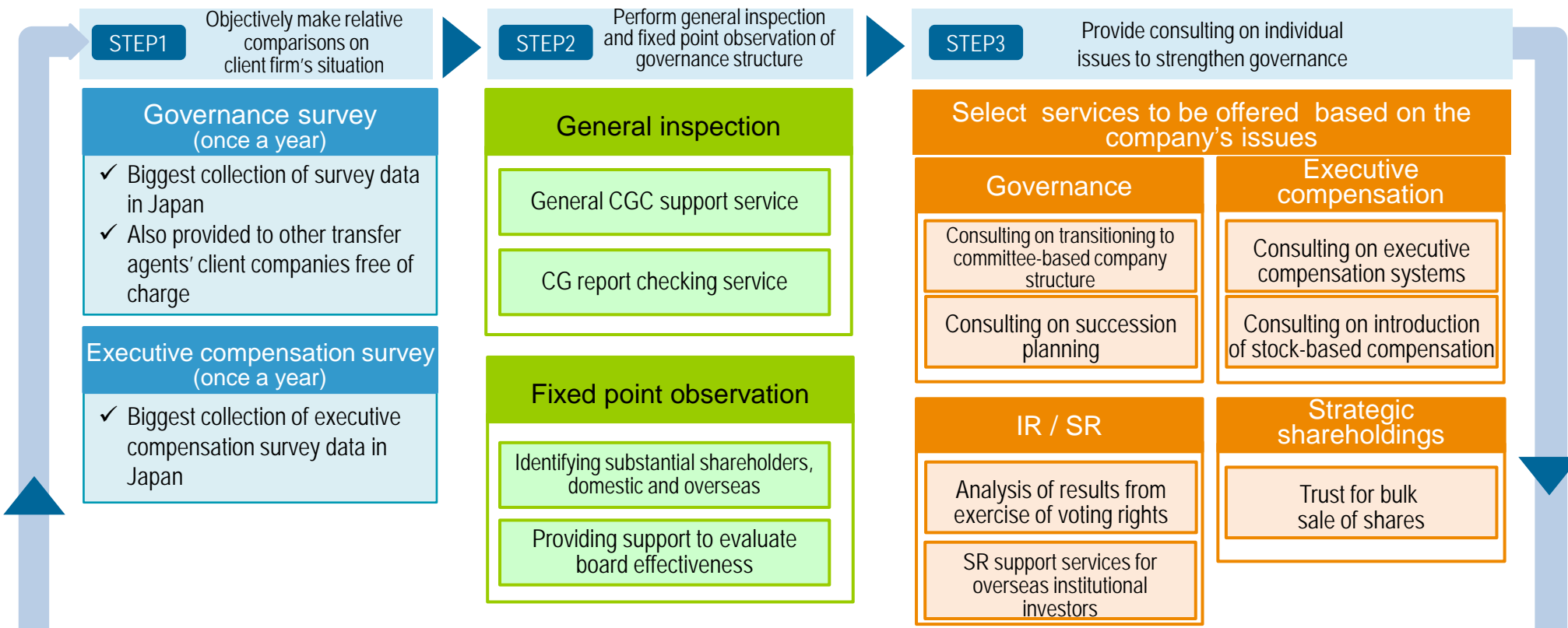
*1 Data based on convocation notices for companies with fiscal year ending in March.

*2 Data based on ad hoc reports issued over a certain period following general shareholder meetings of Nikkei 500 constituent companies.

Added value of our Group's consulting services

- ✓ We best use surveys to identify company-specific issues to deliver optimal solutions.
- ✓ We provide ongoing, multilateral support as a partner to meet increasingly sophisticated needs.

PDCA process to the solutions our Group offers



As the client firm's partner, we continually provide solutions in aiming to achieve higher levels of sophistication

Characteristics and advantages of our Group's surveys

- ✓ We continue to conduct surveys on an imposing scale. We have established ourselves as the main channel for these surveys.
- ✓ We continue to improve the quality of our surveys and consulting services.

Governance survey

Japan's biggest governance survey

- ✓ FY2018 participating firms: 1,407 (roughly 40% of all listed companies)
- ✓ No disproportionate emphasis; similar to the spread of all listed companies

Supervised by Professor Kunio Ito



Provision of governance index data

- ✓ Public data + perspectives of institutional investors
- ✓ Compare effective status of the initiatives with indexed initiatives on governance

Executive compensation survey

Japan's biggest executive compensation survey

- ✓ FY2018 participating firms: 659 (executive compensation data for more than 10,000 people)
- ✓ Analyses categorized by company attributes (sector, market cap, sales, etc.)

Collaboration with Deloitte Tohmatsu Consulting



Alongside compensation levels, performance assessment systems and management practices also examined

- ✓ In-depth examination of policies for determining compensation
- ✓ Survey also looks at performance assessment systems and how compensation committees are run

- Provided free of charge
- Also offered to other transfer agents' client companies
- Feedback provided to all survey participant companies

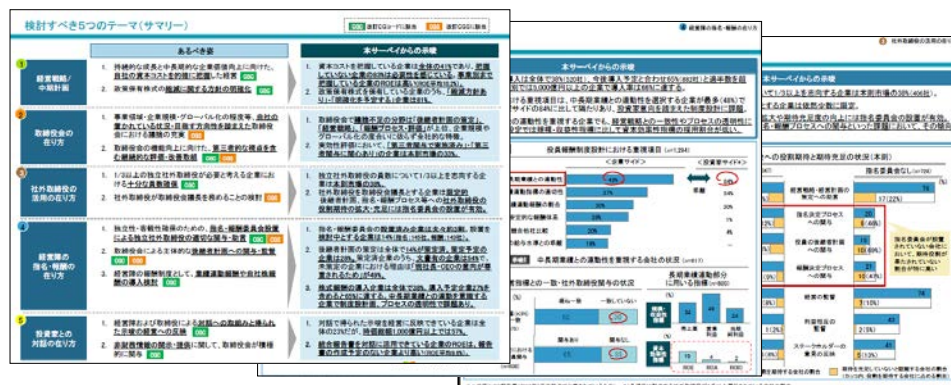


- Building and strengthening relations with a wide ranging number of firms
- Return the advantages gained from database expansion and know-how accumulation to clients

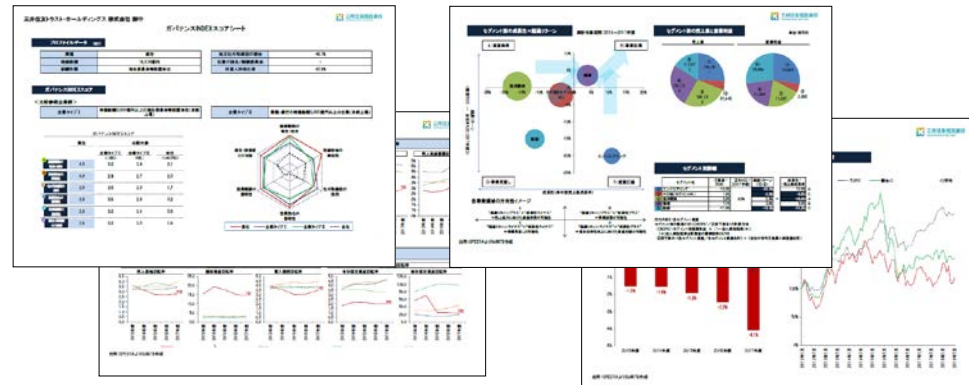
Reference: Screenshots of our Group's survey results

Governance survey

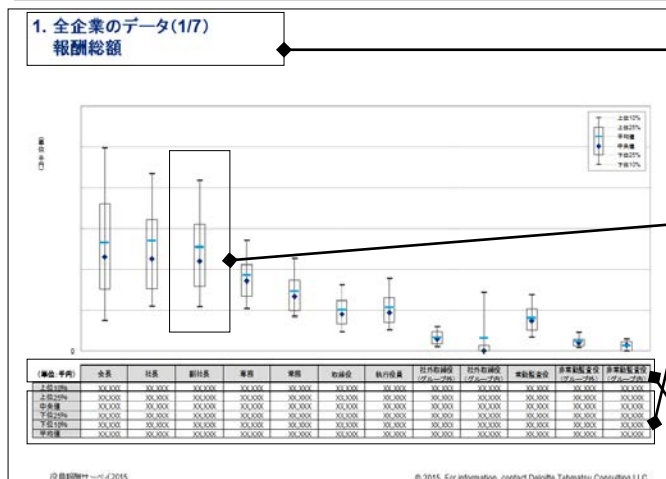
Overall analysis results (excerpt)



Individual company analysis reports (sample)



Executive compensation survey



Data shown by sector, size of sales, market cap, number of employees, or listing category.

Individual company comparisons are possible since compensation amounts are shown in detail such as the "top 10%, top 25%, median, bottom 25%, bottom 10%, or average."

Data is calculated according to executive rank

Stock-related compensation



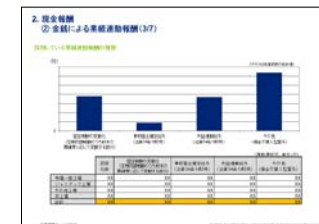
Meeting bodies



Data is shown by compensation already granted, compensation opportunities and individuals with grant history

Data on the company's board, voluntary compensation committees, voluntary nomination committees, their roles, and how often they meet

Criteria for determining performance-linked compensation

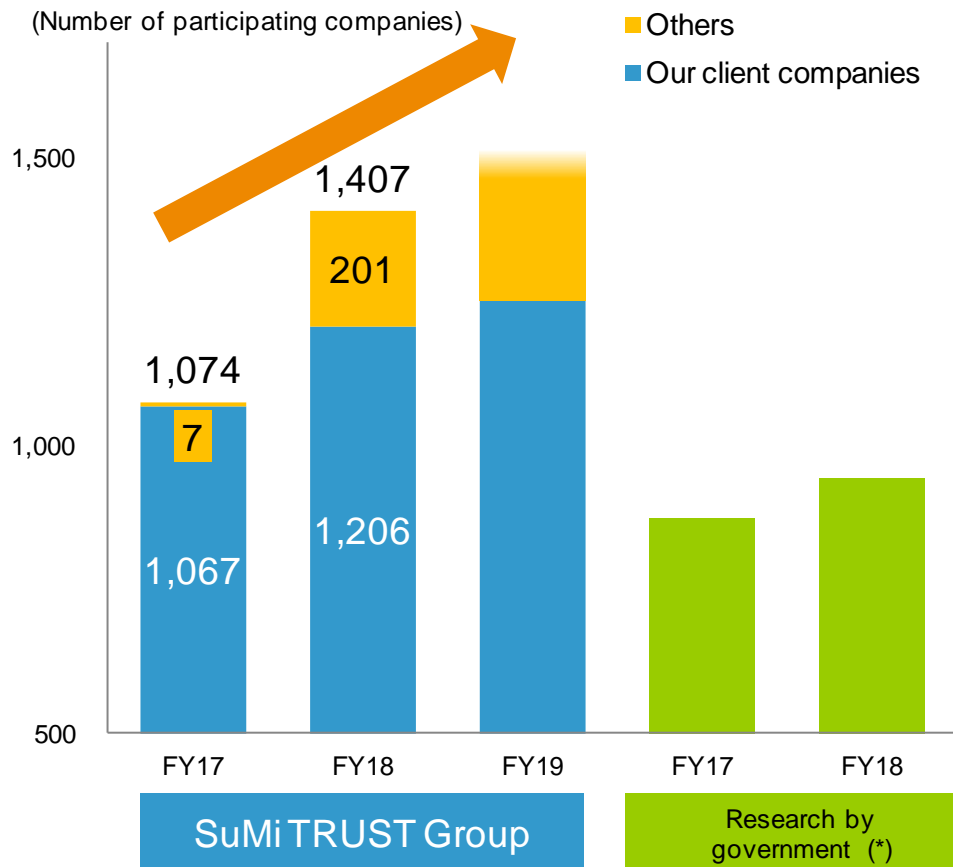


Shows criteria for determining performance-linked compensation. For example, those linked to earnings (profits, etc.), company-wide goals, employee bonuses, or the amount of capital based on the total amount paid to each individual.

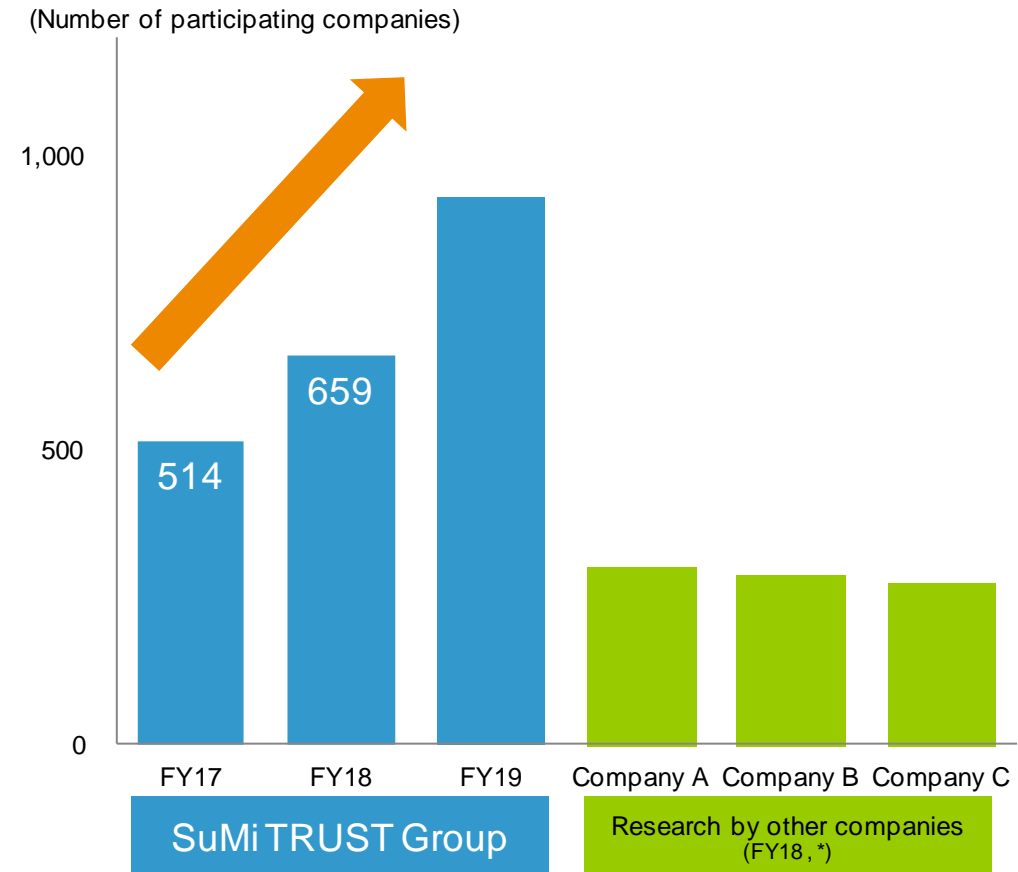
Established the position as a leading survey with the number companies participating in our Group's survey continuing to grow

- ✓ The surveys are the largest in Japan and have far more participating companies than any other.
- ✓ The number of survey participants continues to increase every year.

Governance survey



Executive compensation survey



* The above data based on public data and our survey

Case example of our Group's solutions 1/2: Support to strengthening governance from various angles

Manufacturing company X

Roughly 50,000 shareholders with a market cap of approximately ¥100 billion. Our Group acts as transfer agent. Simulation of exercise of voting rights, training for executives, utilization of governance and executive compensation surveys.

Issues & needs

Company X internally evaluated and discussed the effectiveness of their board of directors. → **Issues on the board's functionality (separation of supervision and execution)** were identified.

Issues & needs

During the executive compensation consulting process, the need to consider the **introduction of a stock-based compensation scheme** arose, but the company lacked such know-how.

Issues & needs

Company X requires support in order to continuously strengthen the functions of their board.

Issues & needs

Periodical identification of issues and following up on how the issues are being addressed will continue to be necessary.

Leveraging the opportunity to offer solutions for a certain issue, we provide ongoing, multilateral support to strengthen the company's governance.

The role of the board needed to be clarified, while the company's compensation structure also required examination, which led to us providing:

Consulting on executive compensation systems

We considered the most suitable scheme to meet company X's needs and provided:

Consulting on introduction of stock-based compensation

In recognition of our objectivity as a third-party and decreased burden on the board's secretariat, we provided: **support for evaluating board effectiveness**

We intend to provide optimal solutions in light of the company's newly emerging needs and results from surveys and effectiveness evaluations.

Case example of our Group's solutions 2/2: Supporting dialogue with shareholders

Manufacturing company Y

Roughly 200,000 shareholders with a market cap of more than ¥1 trillion. Our Group acts as transfer agent. Identifying substantial foreign shareholders, evaluating effectiveness of the board of directors, utilization of governance and executive compensation surveys.

Issues & needs

Support for evaluating effectiveness of board of directors and identifying substantial shareholders every business period is indispensable (the company has been acknowledging our Group's services from the past).

Issues & needs

The company's shareholder composition is changing, including an increase in overseas institutional investors.
Company Y is concerned about the exercise of voting rights and how it should go about engaging with shareholders.

Issues & needs

The company is fielding more questions about executive compensation when engaging in dialogue with investors.
The company needs to sort out points of discussion regarding its current system.

We provide certain services on an ongoing basis and also offer consulting services as needed to address new issues.

We continuously provide the following services:

Support for evaluating board effectiveness (once a year)

Identifying substantial foreign shareholders (twice a year)



For general meetings of shareholders, we provide:

Analysis of results from exercise of voting rights and engagement support services for dialogue with investors

In order to identify and review issues in company Y's current system, we provided:

Consulting on executive compensation systems

Leveraging governance consulting to move into offering solutions for a broad range of management issues

- ✓ We aim to build strong relationships of trust with the clients' management through governance-related consulting
- ✓ Spotting various management issues lead to providing even more solutions.

Surveys and consulting provide opportunities for close communication with management

Identify the various issues and needs of management in areas other than governance

Provide a broad range of solutions that go beyond stock transfer agency services business

Survey feedback and governance-related consulting processes

Client company management



Stock transfer agency services business

| | | |
|--------------------------------|--------------------------------------|---------------------------|
| ROE improvement | Reduction of strategic shareholdings | Securitization |
| | M&As | Real estate |
| | Review of funds procurement | |
| Work style reforms | Review of pension system | Review of benefits system |
| Administration of owner assets | Sales of owner shares | Business succession |

Wholesale TS services

M&A advisory finance, securitization, business succession support

Real estate

Real estate brokerage, effective property utilization, environmentally friendly property

Fiduciary services

Support for introducing or modifying corporate pension systems

Global markets

ALM support services

Retail TS services

Wealth management

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