

1. Our Group's framework and specific initiatives for promoting sustainability

(Akiyo Inaba, Head of Sustainability Management Office, Corporate Planning Dept. SuMi TRUST Holdings)

Q	✓ You are No.1 among domestic banks in MSCI's ESG evaluation. Can you explain your distance with the No.2 runner-up in Japan and also how you compare to the G-SIBs global top 30?
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A ✓ Individual evaluation items of others are not disclosed, therefore it is difficult to check the specific distances.

✓ We aim to gain high recognition on a global level. We are currently the only Japanese bank with an AA rating from MSCI. We are aiming for an AAA rating, which can be achieved by improving the present point of 8.5 to 8.6 or more.

Q	✓ Through dialogues with global investors, to what extent do you think your ESG efforts are taken into account for investment in your company's shares?
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A ✓ In light of the investors' general move towards passive strategies, there appears to be a bi-polarization of investors' views on ESG. In other words, there are investors that evaluate based on ESG INDEX and others that perform deep analysis and engage in dialogues. The latter includes sovereign wealth funds and pension funds.

✓ For example, when we communicate to investors that conduct thorough analysis of our approach in contributing to the society through areas of our strength among the 17 SDGs categories, the explanation seems to resonate and thus well received considering the affinity of the approach with trust schemes. Meanwhile, for investors that evaluate based on ESG INDEX, it is hard to tell to what extent our thoughts are reflected in their investment decisions. We feel it necessary to convey our message to ESG scoring institutions and others through active communication as well.

Q	✓ Looking from the outside, and setting the G; governance aside, it seems Japanese financial institutions including yourselves have no issues regarding E; environmental and S; social categories. Please describe where you feel are areas that require improvement along with challenges on the E and S areas if any either independently as SuMi TRUST Holdings or more broadly among domestic financial institutions from your standpoint as the promoter of internal engagement.
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A ✓ As for Environmental and Social categories, the challenge is that there is not enough disclosure made available to the outside. For example, there are HR data on how we allocate resource to the activities that are easier to disclose and others that are more difficult to disclose. The point is how we can change our mindset internally for a more proactive attitude towards disclosure by communicating the needs from the investors.

✓ In addition to human capital and climate change related information that global investors in particular ask for, there are times when disclosure on items such as overseas bribery issues that do not gain much attention in Japan are asked for. Therefore, we understand it is important to communicate relevant information, including development of necessary policies.

2. Environmentally friendly property initiatives

(Masato Ito, General Manager in charge of Environmentally Friendly Real Estate, Real Estate Business Solution Dept. SuMi TRUST Bank)

✓ No questions from the audience

3. Initiatives on Stewardship activities

(Seiji Kawazoe, Senior Stewardship Officer of Stewardship Development Dept. SuMi TRUST Asset Management)

Q	✓ What KPIs do you use to evaluate investment returns from engagement activities?
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A ✓ The evaluation on investment returns is checked by how it is reflected in external rating agencies' ESG ratings in addition to using our in-house investment evaluation systems. We set KPIs for each of the ESG items and perform monitoring.

Q	✓ How should we understand the purpose of your stewardship activities? Are they intended for seeking upside investment returns or more for downside elimination?
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A ✓ We ask our investee companies to include ESG in their management challenges as part of our engagement (stewardship) activities. We specifically request that the ESG items included as management challenges capture growth investment related items as well as risk management related items. In that sense, we seek both upside potential as well as downside elimination.

✓ Further, while passive strategies have a stronger downside elimination feature, we expect generating excess returns from active management strategies resulting from proactive ESG engagement of companies we invest in.

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

(Satoshi Hasegawa, General Manager of Stock Transfer Agency Business Advisory Dept. SuMi TRUST Bank)

Q	✓ With regard to the development of corporate governance in our country, are there more questions from overseas investors, authorities, issuers and others?
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A ✓ We engage in constant communication with overseas authorities and investors by riding along with client companies on their overseas institutional investor visits as part of our SR activity support in addition to the participation in international networks such as the International Corporate Governance Network (ICGN). Questions regarding Japan's corporate governance or requests come to us daily.

✓ Though there is a certain level of appreciation that Japanese companies are strengthening their governance, there still remain many areas that require improvements and thus there are voices saying we have not reached good enough standards yet. We share these feedbacks with our clients for making improvements going forward.

Q	✓ Are there more companies consulting you on how to deal with the so-called “activist shareholders”? And what kind of solutions does your group offer to such consultations?
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- A ✓ Consultations from companies are increasing including items that are in a pre-stage of becoming an official shareholders’ proposal.
- ✓ As a solution, we first analyze the status of the client’s corporate governance as well as their corporate value. After informing them of our observations, we support their dialogues with shareholders.
 - ✓ There are no instances as was in the past where companies will refuse to talk with activist shareholders. Therefore, we believe it is very important that a process for our clients to better understand their own company assuming dialogue with the investor is in place.

Q	✓ It appears that the increase in consultation related revenues have accelerated since FY2018. What is the backdrop and do you think this is sustainable?
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- A ✓ One reason is that the revision of the Corporate Governance Code in FY2018 and the revision of the Cabinet Order Concerning Disclosure of Corporate Affairs, etc. in FY 2019 have served as a strong promotor for the substantial engagement on governance by companies.
- ✓ In addition, we believe another reason was that, our survey, with further accumulation of data and know-how, became more useful for companies to better understand where they were as well as making peer comparisons.

Q	✓ How does the fee structure for your consulting business look?
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- A ✓ The fee structure is broken down into two categories, namely, recurring fees and upfront fees.
- ✓ Fees paid continuously once the clients adopt our share compensation trust system and membership fees paid for membership services are categorized as recurring fees.
 - ✓ On the other hand, though consulting fees based on individual contracts are classified as upfront fees, we are seeing more annual contract renewals resulting from progress in governance.
 - ✓ Further, the % of recurring fees have been increasing in recent years.

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Q	✓ The governance survey includes participating companies other than those that are your stock transfer agency business clients. If those non-client companies are signed on with your competitors, do you experience any disturbances when the companies participate in your survey? And are there any instances where the details of your service offerings are disclosed to your competitors through the participating companies?
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- A ✓ We call on companies that have a banking business relationship with us if not with our stock transfer agency business to participate in the survey. There are no competitors offering free governance surveys. Therefore, we do not specifically encounter difficulties with non-client company participation.
- ✓ In principle, we do not expect our survey results to be disclosed to our competitors through participating companies.

Q	✓ Do you think there is room for the number of participating companies to the survey to increase?
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- A ✓ We feed back the survey results to all the participants under our sense of mission in contributing to improving Japan's governance level. We believe that the need for participating in the governance survey continues to be strong, yet in light of the tremendous work load required for conducting the survey, we do not intend to increase participation limitlessly. We intend to continue streamlining the process as well.

Q	✓ Gross business profit from the stock transfer agency business appears to be on a stable growth path backed by consulting revenues. Are profits secured on a net profit basis minus expenses?
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- A ✓ As for OHR, we set a certain level of fees accounting for future reinvestments. While we offer various surveys free of charge, clients are agreeable to paying us the appropriate level of fees for the continuous support we provide as their partner in solving their issues to strengthen their corporate governance.

Q	✓ Are there any cases where you are refraining from reducing your strategic share holdings in order to retain the stock transfer agency business?
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- A ✓ While the consulting business does not limit us from reducing our strategic share holdings, it is true that there are companies where we gained their stock transfer agency services for shareholder transfer based on the premise that we hold their shares.
- ✓ However, with recent external factors of placing more importance on the disclosure to and dialogue with investors, there are more companies setting policies for reducing their strategic shareholdings. Therefore, we are finding it easier to discuss reduction of share holdings with our counterparts compared to the past. We are reducing our share holdings according to our plan together with supporting the strengthening of the counterparts' corporate governance.