



**SuMi TRUST**  
SUMITOMO MITSUI TRUST GROUP

# Sumitomo Mitsui Trust Holdings, Inc. IR DAY

February 21, 2023

Sumitomo Mitsui Trust Holdings, Inc.

Today's agenda 1

## Real estate business

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Atsushi Kaibara

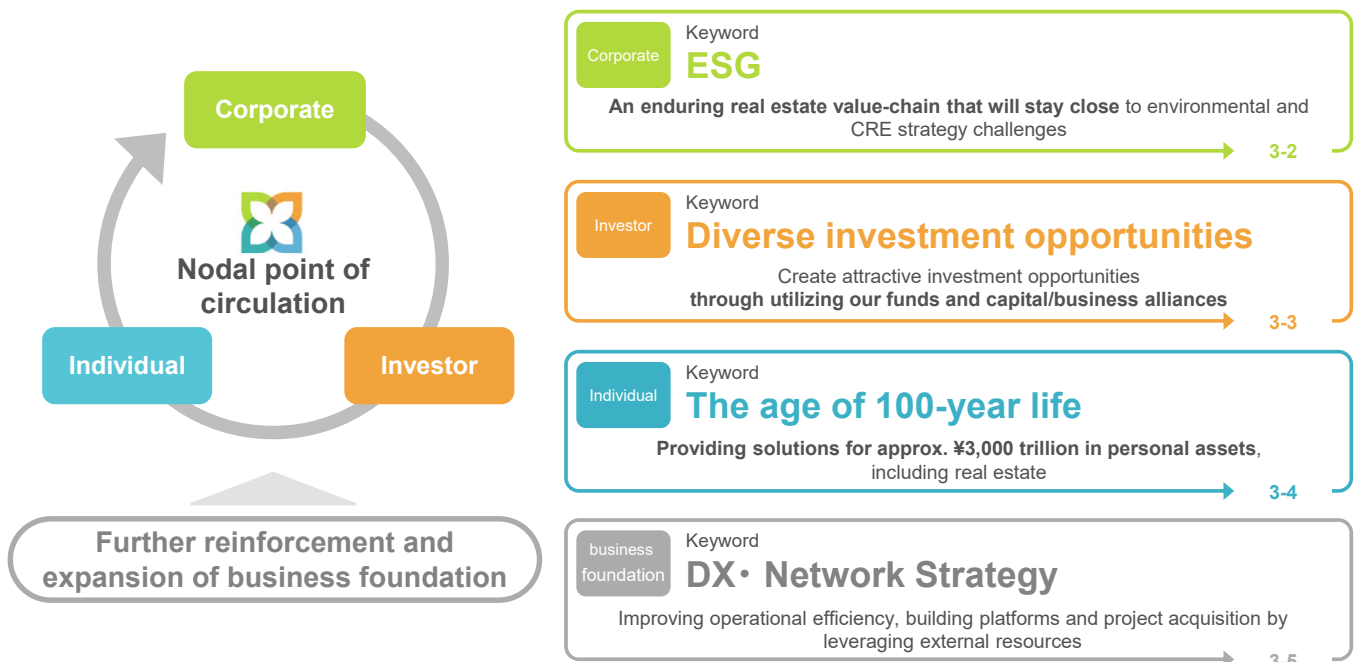
Sumitomo Mitsui Trust Holdings, Inc. Executive Officer  
Sumitomo Mitsui Trust Bank, Limited. Deputy President

1. SuMi TRUST Group's real estate business
2. Real estate market trends
3. Growth strategy
4. Real estate business KPIs

- ◆ Thank you very much for gathering here today.
- ◆ I am Atsushi Kaibara, Executive Officer of Sumitomo Mitsui Trust Holdings, Inc. and Deputy President of Sumitomo Mitsui Trust Bank, Limited.
- ◆ Today, I would like to talk about our business strategy in the real estate business.
- ◆ Please turn to page 2.

# 1. SuMi TRUST Group's Real estate business | Today's agenda

Growth strategy leveraging our strength as a financial group that can handle real estate

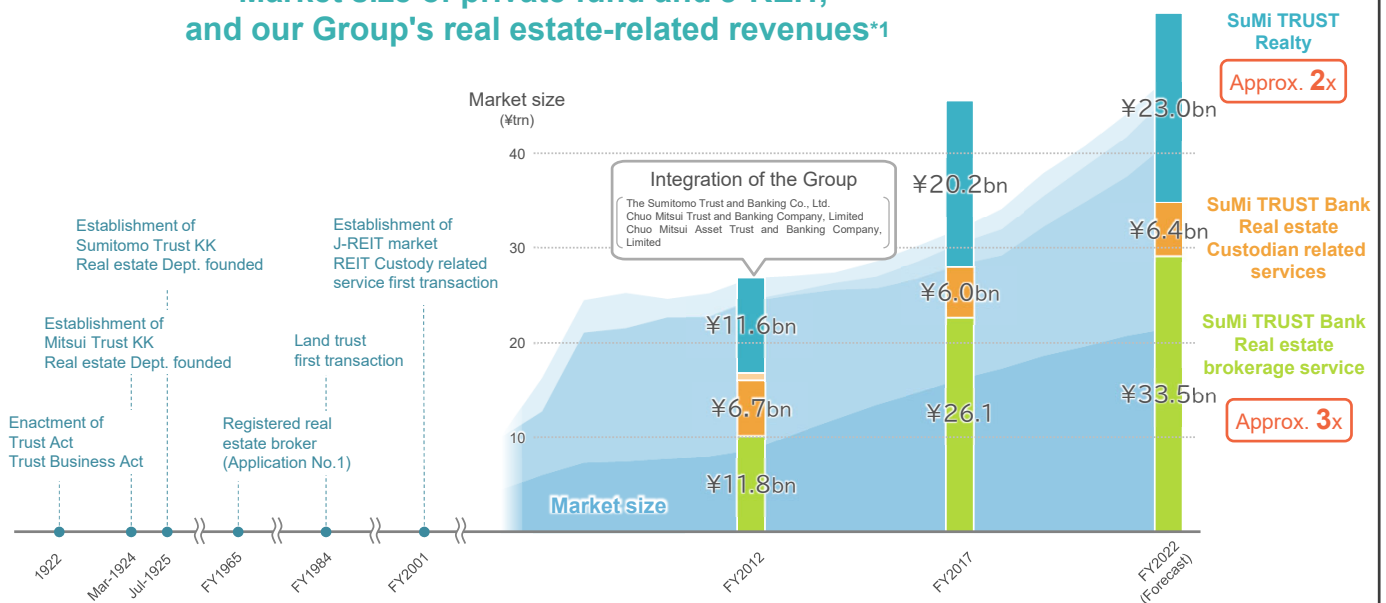


- ◆ First of all, I have listed the key words that I would like to discuss today.
- ◆ SuMi TRUST Bank's ability to offer financial and real estate solutions in a one-stop shop, is the major difference from other financial and real estate companies. This is regarded as a very unique business model and strength by foreign investors.
- ◆ SuMi TRUST Group's main focus is to promote virtuous circulation of funds, assets and capital for corporate, investor and individual clients, with real estate operations serving as a nodal point that connects these three entities, as exemplified by our brokerage services.
- ◆ Today, I would like to explain our strengths and growth potential in terms of the keywords listed.
- ◆ Please turn to page 3.

# 1. SuMi TRUST Group's Real estate business | Progress and growth

## SuMi TRUST Group is driving market expansion and growth together

### Market size of private fund and J-REIT, and our Group's real estate-related revenues\*1



(Source) Market size of private fund and J-REIT: "Private REIT Quarterly" by ARES, SMTRI. Line graph Legends: From bottom to Top, J-REIT, Private Funds (domestic), Private REIT and Global Funds

\*1: SuMi TRUST Realty's results are based on contract-based commissions (100 million yen)

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3

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- ◆ We have been involved in the real estate business since our foundation and have accumulated our know-how. Even in recent years, when the J-REIT market was established, we have always been ahead of the times and have encouraged the growth of the market and grown ourselves, such as being entrusted with the administration of the first REIT corporation.
- ◆ The bar chart shows SuMi TRUST Group's real estate-related revenues. Over the past 10 years, SuMi TRUST Bank's real estate brokerage service revenue has tripled, while SuMi TRUST Realty's revenue has doubled.
- ◆ Please turn to page 5.

## (Appendix) Major Business Areas and Group Companies

### SuMi TRUST Bank (Breakdown of services)

#### Real estate brokerage services

- Brokerage of sales and leasing (mainly commercial real estate)
- Various consulting services

#### Real estate custodian related services

- Real estate custodian services
- Administration services for REITs
- Appraisal and land trust
- Facility management, etc.

#### Real estate investment management services

- Real estate equity investment

### Group Companies

#### Sumitomo Mitsui Trust Realty Co., Ltd.

- Various services related to real estate transactions
  - Residential real estate for individuals
  - Real estate for investment and business

#### Sumitomo Mitsui Trust Research Institute Co., Ltd.

- Research and consulting services
- Strengths in the real estate market, real estate finance, public-private partnerships (PPP), and infrastructure

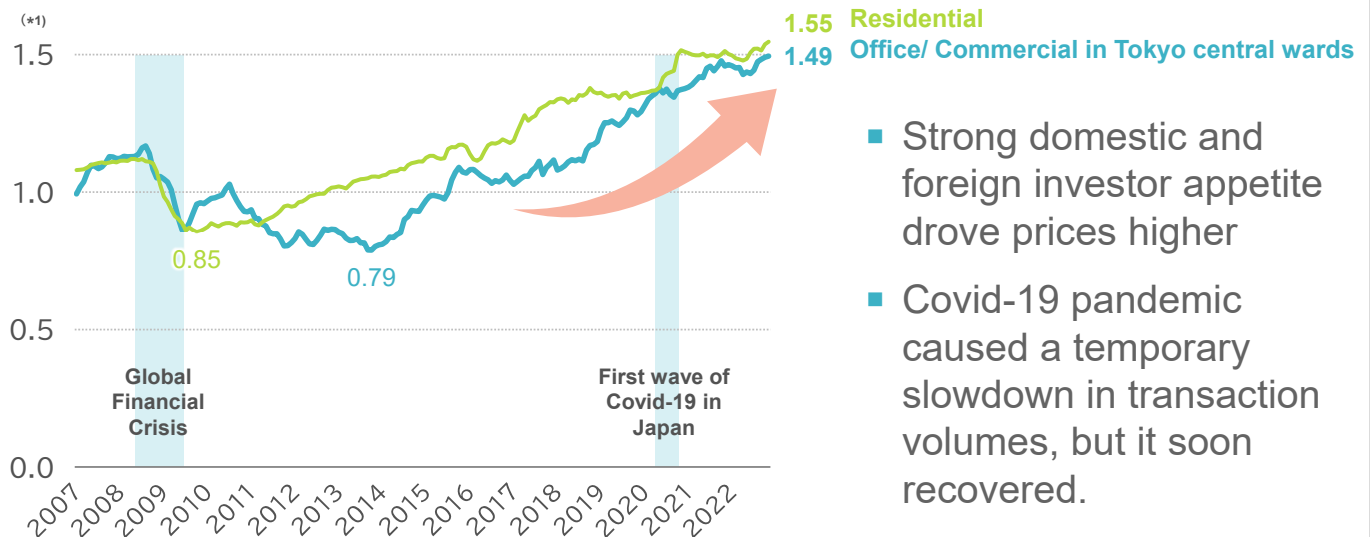
#### Sumitomo Mitsui Trust Real Estate Investment Management Co., Ltd.

- Real estate asset management services
  - Fund establishment
  - Investment management services

## 2. Real estate market in Japan | Real estate price trends

**Price continue to rise** (Source: SuMi TRUST Research institute Co., Ltd.)

### J-REIT Residential property price index\*<sup>1</sup>



\*1: Indexed to the arithmetic mean of 2006-2010 as 1.0

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5

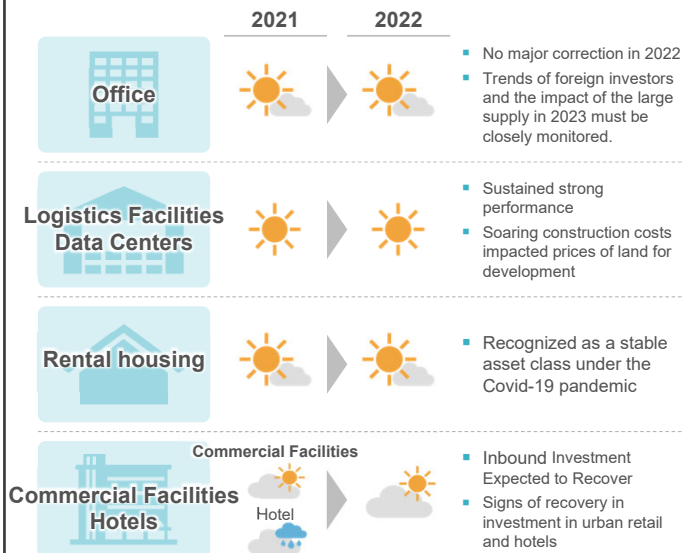
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- ◆ In Chapter 2, we would like to discuss recent real estate market trends.
- ◆ First of all, the overall picture of domestic real estate prices is that they are continuing to rise, as you can see from the chart.
- ◆ Please refer to page 6.

### Trends by type of asset and client

#### Trends by type of asset Positive overall trend in FY2022

#### Trends by type of client Corporations



Well-performing industries

For sustainable growth

- Promote Workplace reassessment
- Promote CRE strategy

Under-performing industries

- Sale of real estate to boost yearly earnings

#### Overseas investors

Against the backdrop of rising global interest rates, some investors in Europe, the U.S., South Korea and other countries are taking a wait-and-see approach

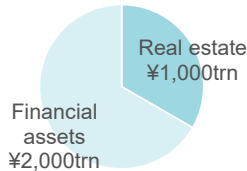
- ◆ As for trends by asset type, there are concerns about reconfiguration of office space and significant supply in the future, but overall, the market remained strong. Hotels and commercial facilities are also showing signs of recovery from the negative impact of Covid-19.
- ◆ Furthermore, various real estate transaction needs among corporations, depending on the business conditions of each company have been vindicated. In terms of investor trends, in addition to the robust appetite for investment among domestic investors, global investors, especially those in Singapore and Hong Kong, continue to be strong, while some investors in Europe, the U.S., and South Korea are taking a wait-and-see attitude in response to the rise in interest rates since last year.
- ◆ The real estate business is susceptible to change in market conditions to a certain degree, but we are working to improve the stability of earnings by increasing our contact with clients, responding to their needs, and expanding and creating markets through our own efforts.
- ◆ I would like to explain this point in more detail.
- ◆ Please turn to page 7.

### 3-1. Growth strategy | Promotion of circulation

Become a nodal point and promote asset circulation  
→ balanced creation of both social value and economic value

Optimize individual assets according to life stages in the age of 100-year life

Domestic individual assets



**SuMi TRUST Bank**  
Financial solutions  
(asset management, loans, inheritance, etc.)



**SuMi TRUST Realty**  
Real estate solutions  
(Brokerage, housing consultation, etc.)

Enhancing the value of corporate real estate (CRE) through a variety of consulting functions

One-stop solutions that stay with each need of the cycle for a long time



Corporate

**Nodal point of circulation**

Individual

Investor

Boosting the expansion of the private asset (e.g., real estate) investment market

- 1 Providing real estate investment infrastructure (Real estate custodian services and administration services for REITs)
- Arrangement of financing using our funds
- Provision of ESG discernment

- ◆ This page contains a summary of the growth strategies we would like to discuss.
- ◆ First, for corporate clients, by providing a variety of consulting functions that aligns with the clients' needs and issues for a long time, we shall meet the needs related to ESG, which is expected to grow in the future.
- ◆ For our investor clients, through the creation of attractive real estate investment opportunities utilizing our funds as "seed capital" and the provision of investment infrastructure, we will contribute to attracting funds to real estate, which is a core private asset, and to further expand the investment market.
- ◆ For individual clients, we will leverage our group's comprehensive capabilities to provide solutions for optimization of their overall assets, including real estate, which is essential in the age of 100 year-life.
- ◆ Please turn to page 8.

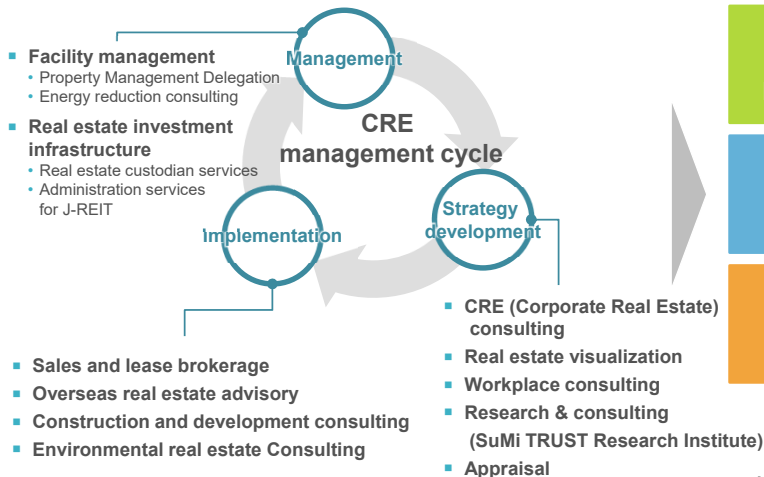


## 3-2. Growth strategy | Corporate clients

**Our strength of having various points of contact with our clients**  
→ **Business development from all aspects based on ESG needs**

### Our strength: Real estate value chain

A diverse lineup of products that increase contact with the needs of each step and provide a long-lasting relationship



### Growing needs for ESG responsiveness

Real estate-related movements

<b>E</b> Environment	<ul style="list-style-type: none"> <li>Responding to carbon neutrality (energy saving, use of renewable energy, etc.)</li> <li>Responding to soil contamination, etc.</li> </ul>
<b>S</b> Social	<ul style="list-style-type: none"> <li>Improvement of building as a healthy and comfortable environment (reassessment of workplace)</li> <li>Responding to BCP, etc.</li> </ul>
<b>G</b> Governance	<ul style="list-style-type: none"> <li>Optimization of business portfolio (Appropriate management and effective utilization of real estate (promotion of CRE strategy))</li> </ul>

Japan's declaration of carbon neutrality and the Covid-19 pandemic have accelerated the trend

- ◆ First, our strategy for corporate clients.
- ◆ The term "Real estate value chain" refers to our ability to provide a one-stop service by linking our diverse menu of services like a chain to meet the various needs that arise in the client's CRE management cycle, which is a major strength of our group.
- ◆ This is an important mechanism for building an ongoing relationship that goes beyond the provision of one-off consulting services and expand to real estate brokerage services and other consulting services. It will also make a significant contribution to improving our revenue stability, as I mentioned earlier.
- ◆ Please turn to page 9.

## 3-2. Growth strategy | Corporate clients

### Growing Need for ESG Response (From the Real Estate ESG Survey conducted by SuMi TRUST Bank)

**E**

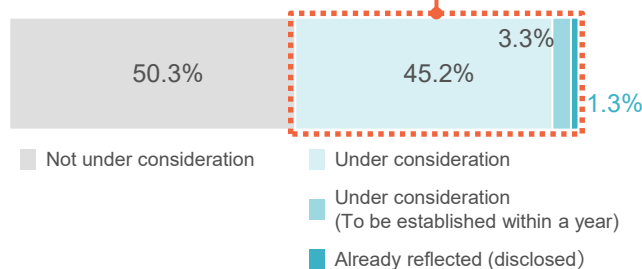
Environment

**Investment valuation of environmental real estate is gaining recognition**

#### Higher valuation of environmental real estate

(already reflected or under consideration)

Approx. **50** %

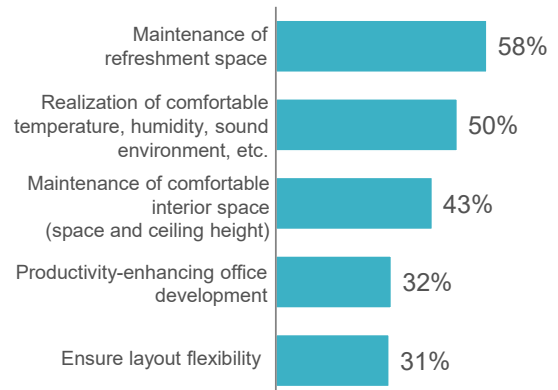


**S**

Social

**Workplace reassessment is underway**

#### Efforts underway to improve productivity and comfort



(Source) Real Estate ESG Survey conducted by SuMi TRUST Bank. Respondents were investment management companies, financial institutions, insurance companies (including leasing companies), real estate, construction companies, and 161 other companies. Period of implementation: July-August 2022.

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9

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- ◆ Here is an excerpt from our “Real Estate ESG Survey” conducted last year.
- ◆ The results of these surveys show that investment evaluation for environmental real estate is growing, and that the need for workplace reassessment is steadily increasing.
- ◆ This survey is not only for the purpose of understanding such trends, but also to provide feedback to clients individually, leading to opportunities for us to propose solutions.
- ◆ Next, we would like to introduce two case studies introducing our support efforts.
- ◆ The first case study is on page 10.

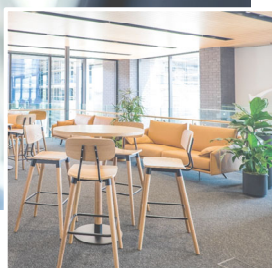
### Factory reorganization to achieve carbon neutrality



- A manufacturer with global operations
- The decision was made to build or relocate old buildings and facilities in order to achieve the group's CN goals
- We have been in contact with the company for some time, presenting proposals concerning environmental real estate and have been involved in the sale of several existing factories in this project

- ◆ This is a case study of a manufacturing client that has restructured its factories.
- ◆ This client is working on a project to divest several existing factories and build a green factory on newly purchased land in order to achieve carbon neutrality.
- ◆ We are leveraging our strength as a front-runner in the environmental real estate field and have been entrusted to provide full brokerage support for the sale of these properties.
- ◆ Please go to page 11.

### Sale of real estate in connection with a review of head office requirements



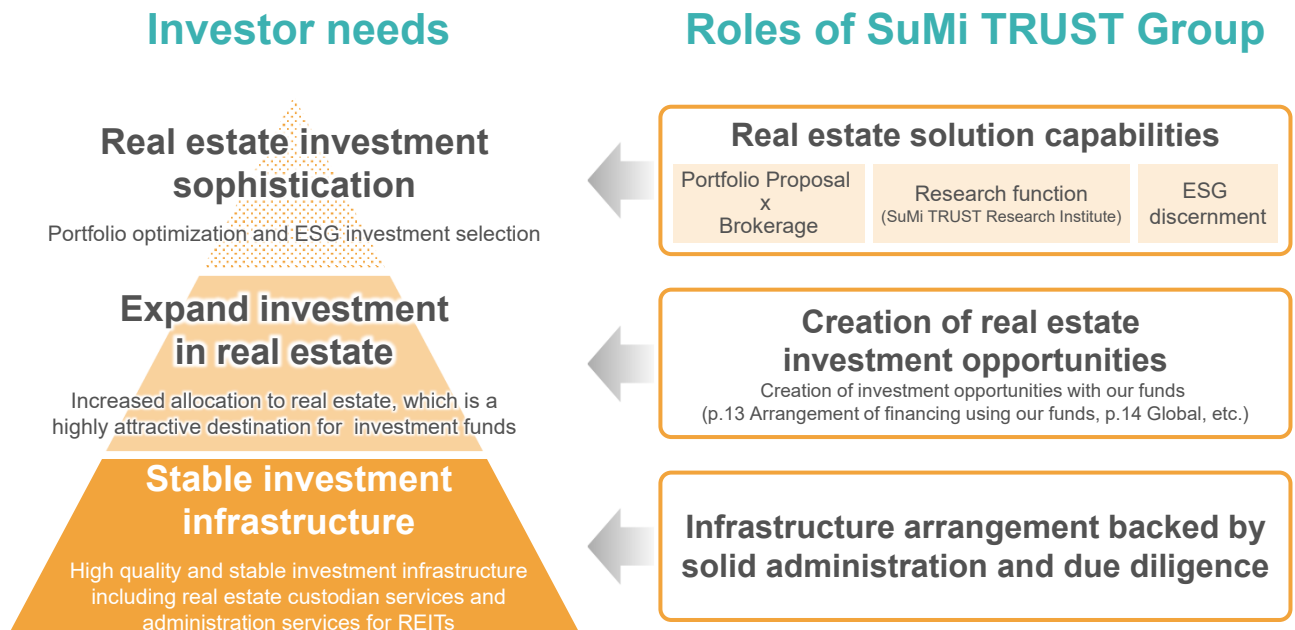
- A client for whom we provided asset management support for major real estate holdings
- In light of the current real estate market conditions, the client sold its head office (through our intermediary) as it accelerated its consideration of the ideal location for its head office in order to improve brand strength and productivity.
- The client plans to continue to consider workplace reassessment and relocate to a new head office.

**The needs of clients like those on page 10-11 are  
expected to grow further in the future**

- ◆ This is a case study of a client who divested their headquarter building as part of a reassessment of their workplace.
- ◆ This client made the decision to sell their headquarter building as part of a review of its head office functionality in order to improve its recruiting appeal and productivity.
- ◆ We had a long and close relationship with this client through facility management of their major assets and CRE proposals over the years, and we were entrusted with real estate brokerage at the time of the sale.
- ◆ We believe that real estate activity associated with these ESG needs will steadily increase, and we shall continue to meet these needs by leveraging our “Real estate value chain”.
- ◆ Please turn to page 12.

### 3-3. Growth strategy | Investor clients

Providing wide range of functions from investment infrastructure to support for sophisticated real estate investment



- ◆ Next is our initiatives for investor clients.
- ◆ First, let me explain our group's role and strengths.
- ◆ We have demonstrated great strength in this area for investors who have already invested in real estate through proposal-based real estate brokerage services tailored to the circumstances of our clients' investment portfolios and the provision of advanced solutions such as research capabilities.
- ◆ In addition, as explained at the IR day held last August under the theme of “Businesses for Investor Clients”, we shall take the lead in creating attractive investment opportunities and contribute to the development of the domestic private asset market, including real estate.
- ◆ We also recognize that supporting the social infrastructure of these real estate investment markets is also an important role for us.
- ◆ On that basis, I would like to introduce some of the initiatives we are currently undertaking.
- ◆ Please refer to page 13.

### 3-3. Growth strategy | Investor clients

Promoting the circulation of funds, assets and capital by utilizing our funds as “seed capital”

Investment support through appropriate our B/S utilization and arrangement of financing



**Utilize our B/S for missing parts in investments**

#### An example of our efforts

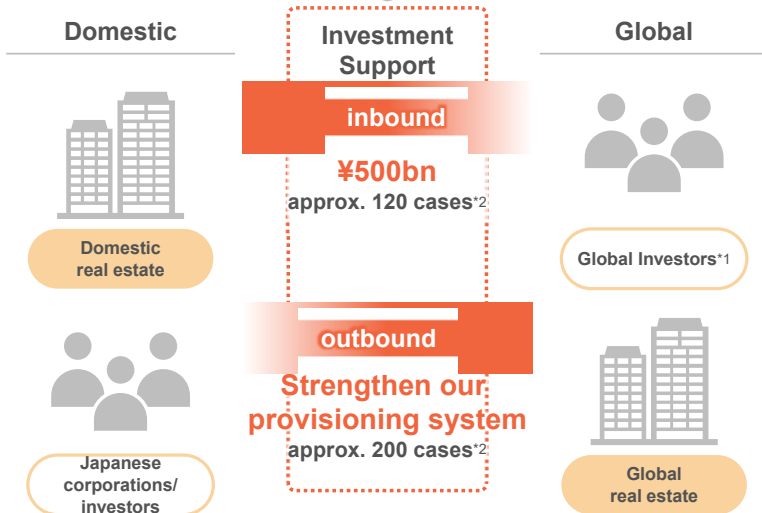


- A large facility in Tokyo (property value: approx. ¥60bn)
- A foreign fund was considering investment.
- **We arranged financing, including our investment in a portion of insufficient fund (equity)** and the investment was executed

- ◆ This is an initiative to drive a virtuous circulation of assets by arranging overall financing for investment projects through inviting loan and mezzanine investors as well as providing funds to supplement the shortage of equity investment. This will increase the number of projects that we continue to support at various points in the market and create profit opportunities on our own. In the next Medium-Term Management Plan period, we shall consider to deploy funds in the order of tens of billions of yen.
- ◆ Please note that for SuMi TRUST Group as a whole, the impact of this initiative on our risk-weighted assets is limited.
- ◆ Please turn to page 14.

### 3-3. Growth strategy | Investor clients

Providing cross-border investment opportunities through collaboration with business partners



\*1: Foreign investors without a base in Japan

\*2: Cumulative total since FY2012. Outbound numbers include leases, sales, etc.

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14

#### First project for the collaboration



- First project after the capital and business alliance signed in June 2021
- Residential development project in Tennessee (400 units in total)
- We supported LP investment for a Japanese real estate company (closed in January 2023)



- ◆ We are also strong in the global arena, having supported inbound investments of approximately ¥500 billion to date.
- ◆ Through the business alliance with CrossHarbor, which began in 2021, we have strengthened our system for providing outbound investment opportunities, and we closed our first deal last month.
- ◆ We are also in discussions with Apollo to collaborate in the real estate area, and we aim to further expand our real estate business through such business alliances.
- ◆ Please turn to page 15.



### 3-3. Growth strategy | Investor clients

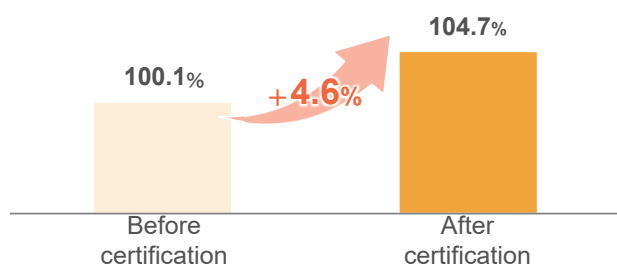
#### Estimation of the relationship between environmental performance and economic benefits

(Joint research by SuMi TRUST Bank and SuMi TRUST Research Institute)



#### Effect of Rent Increase due to Certification

(Comparison within the same building category\*1)



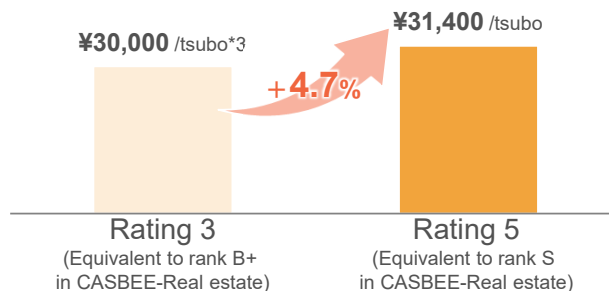
\*1: Comparison of buildings with a rating of 5.

\*2: Total for buildings with a total floor area of 10,000 tsubo or more, including common expenses.

\*3: Approx. 3.3m

#### Effect of rent increase due to ratings

(Comparison between buildings rated 3 and 5\*2)



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15

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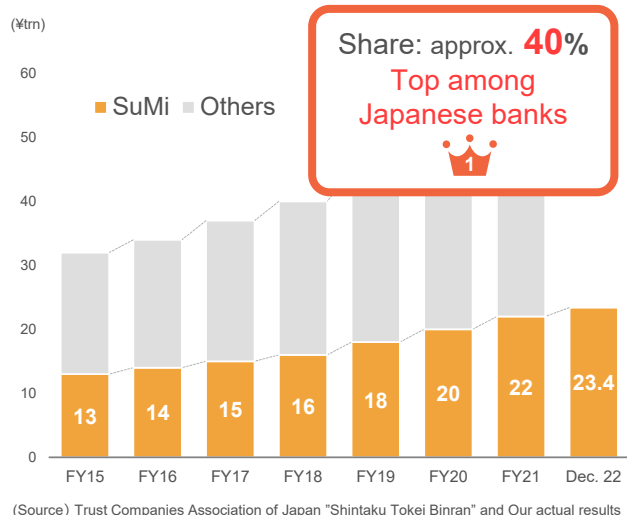
- ◆ This is an excerpt from a survey conducted jointly by SuMi TRUST Bank and SuMi TRUST Research Institute, our group company.
- ◆ Until now, the reality was that burden and cost have made it difficult for buildings to become environmentally compliant. However, this survey has had a great impact, including its media coverage that it quantitatively clarified the effect of acquiring environmental certification on rent increases.
- ◆ In addition to these activities to promote the ESG movement, we are also promoting initiatives to provide added value from an ESG perspective in real estate securitization, which is the social infrastructure of the investment market, as described on page 16.



### 3-3. Growth strategy | Investor clients

Further business expansion through “Investment market infrastructure” x “Added value”

#### Balance of entrusted real estate securitization mandates



#### Added value from an ESG perspective

##### Real Estate ESG Survey

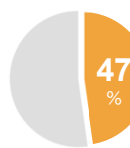


Real estate ESG progress disclosure  
Visualize the client's position in the industry

##### GHG emissions visualization



##### CASBEE certification support consulting



Consulting by us  
**431 cases** \*1  
(total 910 cases)

##### Non-fossil certificate purchase service



Purchased by us as trustee

entrusted property

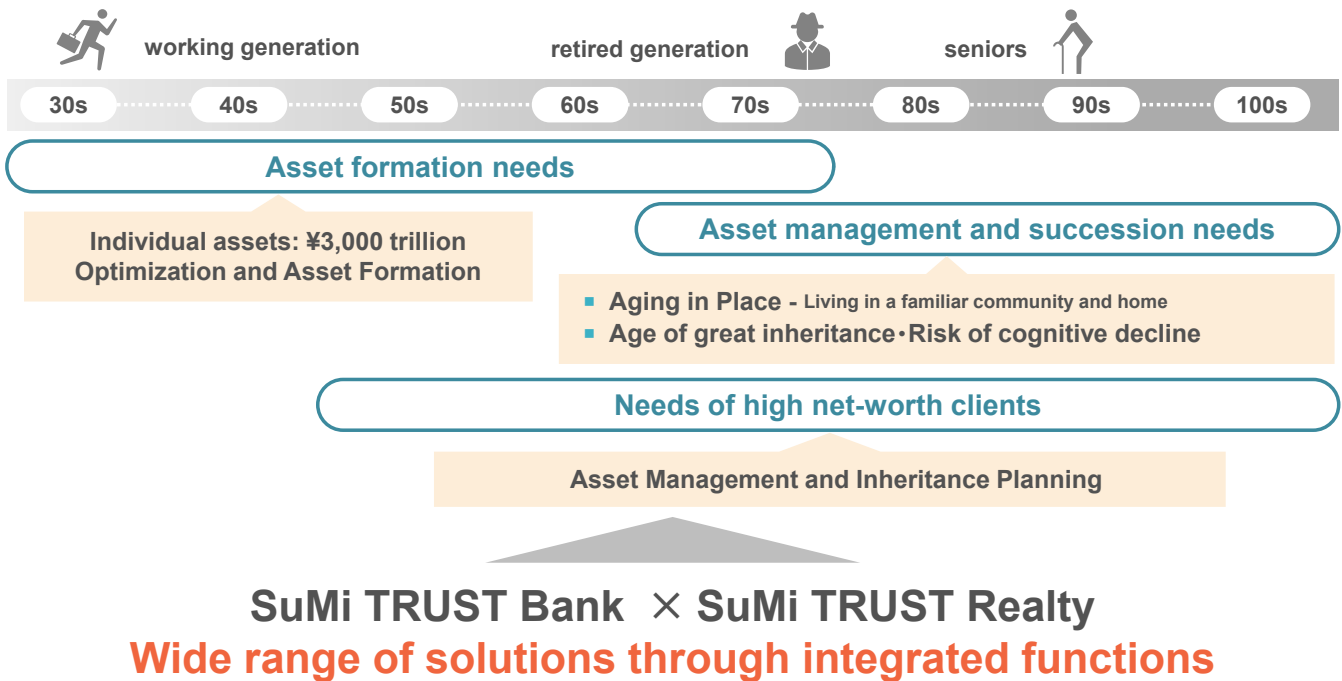
\*1: Cumulative total as of September 30, 2022 Number of certified support

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- ◆ SuMi TRUST Bank has a balance of 23 trillion yen in real estate securitization mandates and is the leader with a market share of 40%.
- ◆ We believe that these efforts will lead to both responding to society's need for environmental friendliness and further strengthening of the competitiveness of our business.
- ◆ Please turn to page 17.

### 3-4. Growth strategy | Individual clients

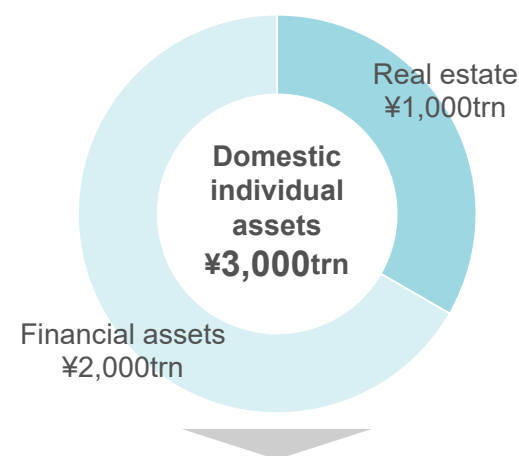
#### Total solutions for every stage of life in the 100-year life era



- ◆ The key phrase for individual clients is “the 100 year-life era”.
- ◆ Please refer to page 18.

### 3-4. Growth strategy | Individual clients

#### Provide total solutions based on the clients' entire assets



#### Optimizing assets to enrich the 100-Year Life Era

- (e.g.)
- Maintenance of a comfortable home  
(→ Preemptive measures to prevent unoccupied houses before they become vacant)
  - Secure retirement through asset management

#### SuMi TRUST Bank

#### Financial solution

Asset management, loans, asset administration/  
Inheritance, will trust, etc.

#### Integrate both functions

#### SuMi TRUST Bank • SuMi TRUST Realty

#### Real estate solution

Real estate brokerage, consulting, etc.



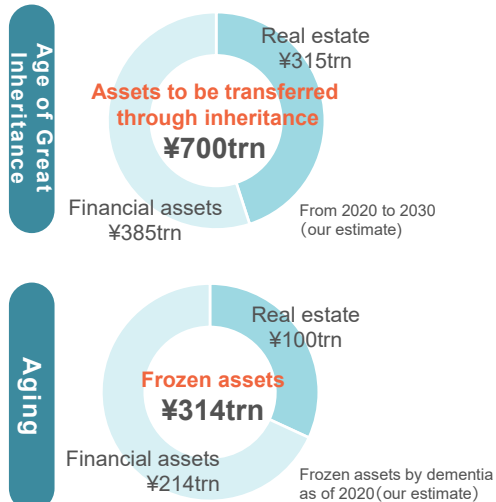
- Tools capable of AI valuation assessments, home health assessments, etc.
- Introduced at all our SuMi TRUST Bank's branches, providing solutions in cooperation with SuMi TRUST Realty
- Trial introductions at other consulting locations

- ◆ With regard to domestic individual assets, “¥2,000 trillion in financial assets,” is often discussed, but there is another ¥1,000 trillion in real estate. We believe that in the 100 year-life era, it is important to consider the utilization and optimization of the entire “3,000 trillion yen of individual assets”, including real estate.
- ◆ From this perspective, we are further strengthening collaboration between our subsidiary SuMi TRUST Realty which mainly handles real estate for individual clients, and SuMi TRUST Bank itself. We are further improving our services by introducing a housing consulting tool called “Sumacon” at all our branches this year, which includes functions such as AI-based property price assessments and home healthiness assessments.
- ◆ Please turn to page 19.

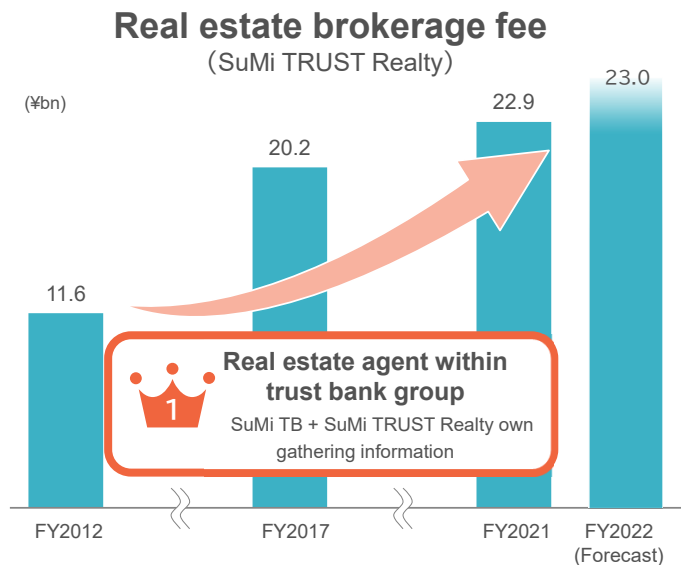
### 3-4. Growth strategy | Individual clients

Grow earnings by responding to client issues brought about by social change

#### Social change/client issue



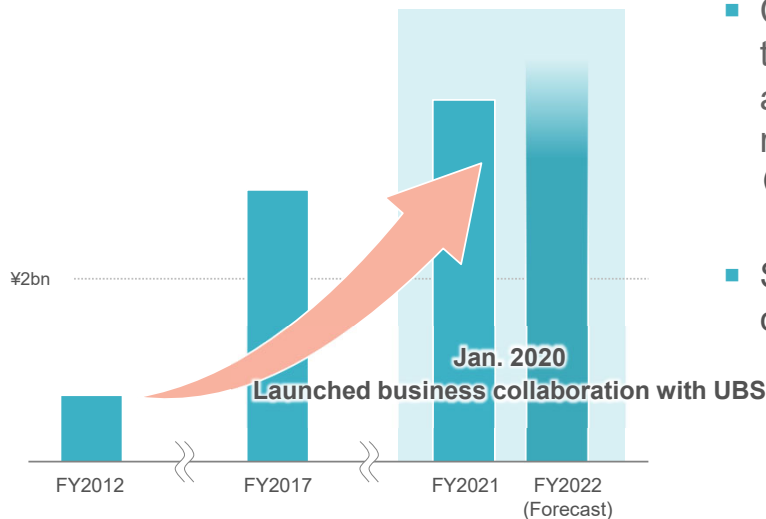
#### Driver of further earnings growth



- ◆ SuMi TRUST Realty is strong in brokerage services based on its own property information as well as information from SuMi TRUST bank. It has consistently ranked No. 1 among trust-affiliated real estate subsidiaries since our management integration, and is ranked No. 5 in the industry as a whole for brokerage for individuals.
- ◆ Going forward, we aim to achieve further growth by capturing the needs associated with social issues such as the age of great inheritance and longevity.
- ◆ Please turn to page 20.

### Strong real estate investment needs from high net-worth clients

#### Real estate earnings from high net-worth clients\*<sup>1</sup>



- Covid-19 pandemic caused temporary slowdown, but investors' appetite in real estate assets remains strong (Asset management, inheritance etc.)
- Steady progress in business collaboration with UBS

UBS | SuMi TRUST

\*1: Real estate earnings from PB cross-sectional business since FY2017. Data for FY2012 is for reference.

- ◆ In the business domain for high net-worth individuals, we have also started collaboration with UBS to strengthen our real estate sourcing capabilities.
- ◆ Although the development of this business is still in progress, the number of information shared and revenue are steadily increasing.
- ◆ On page 21 you will find a link to the booklet that we provide to our clients.

## (Appendix) Booklets introducing our strengths

## Various real estate functions

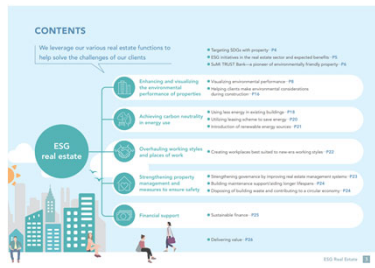


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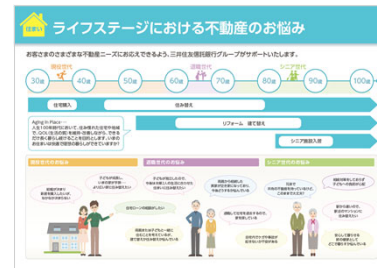
<https://www.smth.jp/-/media/th/investors/presentation/230221-2.pdf>

## Real estate ESG initiatives



<https://www.smth.jp/english/-/media/th/english/investors/presentation/E230221-3.pdf>

## Real estate in the age of 100 Year of Life



(Japanese text only)



<https://www.smth.jp/-/media/th/investors/presentation/230221-4.pdf>

- ◆ Please take a look at them to learn more about SuMi TRUST Group's lineup of real estate related solutions.
- ◆ Please refer to page 22.

Promote “operational efficiency” and “enhancement of user experience” in parallel

### Phase of digital transformation strategy and summary

#### Operational efficiency

- Enhance current system
- Workflow automation by RPA
- Utilize SaaS

#### Building data base

- Gathering internal information (brokerage)
- Strategic data utilization

#### Enhancement of user experience

- Review workflow
- Build platform

Launched

- SuMi TRUST Realty AI assessment\*1



\*1: Use the AI software for valuation of real estate, developed by SRE AI Partners

- ◆ I would like to explain our initiatives to strengthen our business foundations.
- ◆ In our DX strategy, we are promoting initiatives in the three areas of application described above, and in the field of business for individual clients, where the wave of DX is expected to arrive soonest, we are working on the implementation of AI assessment, as I mentioned earlier.
- ◆ Please see page 23.

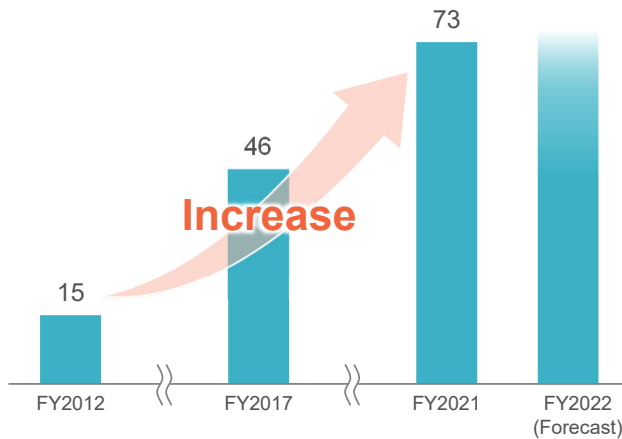
### 3-5. Growth strategy | Business foundation (network)

From building scale through expanding alliances with regional banks to new phase of deepening relationships with each bank

#### Number of alliances

**Expand alliances**  
expand networks throughout Japan

**Deepen relationship**



#### Earnings from partners

Number of information  
approx. 7,000  
transactions/ year



- ◆ We have built win-win relationships and increased revenues by offering our advanced real estate services to our alliance partners. As more deals are concluded, a virtuous circulation has been created where more information is gathered.
- ◆ We are in the phase of further improving the quantity and quality of information we can gather, and we are considering the establishment of a platform that will enable us to provide useful information to our alliance partners.
- ◆ Finally, let's talk about KPIs.
- ◆ Please see page 24.



## 4. KPIs on Real estate business

		FY21 (Mar. 22)	FY22 (Mar. 23)	FY25 (Mar. 26)	Goals for FY30 (Mar. 31)	
		Actual	Forecast	Numeral image(*1)	Numeral image(*1)	Compared to FY22 (Compared to Mar. 22)
SuMi TRUST Bank	Substantial gross business profit (¥bn)	39.3	① 40.0	44.0	② 50.0	+10.0
	Substantial G&A expenses (¥bn)	▲9.9	▲10.0	▲11.0	▲12.0	▲2.0
	Net business profit (¥bn)	29.3	30.0	33.0	38.0	+8.0
	Balance of entrusted real estate securitization mandates (¥trn)	22.0	23.7	26.0	30.0	+6.3
	Balance of assets involved in consultation (¥trn)	1.5	1.9	2.1	③ 3.6	+1.7
Group companies (SuMi TRUST Realty)	Fee income (based on contract- based commissions) (¥bn)	22.9	① 23.0	26.0	② 30.0	+7.0
	Net business profit (¥bn)	6.8	7.0	7.5	9.0	+2.0

\*1: Figures are subject to change as they are currently under discussion in the formulation of the next medium-term management plan to be announced in May 2023

- ◆ First of all, as for FY22 as indicated in ①, we expect ¥40 billion of gross business profit in SuMi TRUST bank and ¥23 billion of fee income in SuMi TRUST Realty, the highest profits for both since the management integration.
- ◆ In addition, for FY2030, which is mentioned in ②, we have set the levels at ¥50 billion and ¥30 billion, respectively, by increasing contact points with each entity, such as corporations, investors and individuals, and by promoting circulation.
- ◆ As for FY2025, the final year of the next Medium-Term Management Plan, we would like to set the level with a view to achieving the FY2030 figures, although the numbers are currently under discussion for release in May.
- ◆ Expenses will be focused on system investments associated with DX promotion and human capital investment to realize the target DX, while also controlling OHR levels.
- ◆ In addition, ③ lists "Balance of assets involved in consultation" as a KPI that will serve as a foundation for earnings growth. We emphasize this indicator as one that will help us build a revenue base that is less susceptible to market conditions by having more contact with our clients through various consulting services.
- ◆ Finally, I would like to summarize today and share my enthusiasm. We envisage that various needs will be created and expanded for corporate, investor and individual clients in the future. And they are very closely related to real estate. We intend to further refine our strengths in the "Real estate value chain," "ability to create investment opportunities," and "providing solutions for the individuals' entire asset portfolio," and aim for further growth.
- ◆ This concludes my presentation. Thank you very much for your attention.

Today's agenda 2

## Corporate Governance

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Isao Matsushita

Sumitomo Mitsui Trust Holdings, Inc. External Director

- ◆ Thank you very much for your attendance today.
- ◆ My name is Isao Matsushita. I'm one of the external directors at Sumitomo Mitsui Trust Holdings ("SuMi TRUST Holdings").
- ◆ The last time I delivered a presentation on an IR Day was in fiscal 2017, so it's been five years since I last had the opportunity to talk to you all. Your attention today is much appreciated.
- ◆ Today, I'd like to talk about the corporate governance structure at SuMi TRUST Holdings, as well as our recognition of certain issues that need to be addressed and measures for improving the effectiveness of the Board of Directors ("BoD").
- ◆ In today's materials and explanations, SuMi TRUST Holdings will be referred to as "the Company."



Isao Matsushita

### Career Summary

- Apr. 1970      Joined Nippon Mining Co., Ltd. (currently, ENEOS Corporation ("EC"))
- Sep. 2002      Appointed Director of Nippon Mining Holdings, Inc. ("NMH") (currently, ENEOS Holdings, Inc. ("EH")), in charge of the finance of the Financial Group
- Jun. 2004      Appointed Director (Senior Vice President and Executive Officer) of Japan Energy Corporation ("JEC") (currently, EC)
- Jun. 2006      Appointed Representative Director and President of JEC (currently, EC)
- Jun. 2012      Appointed Representative Director and President (President and Executive Officer) of JXH (currently, EH)
- Jun. 2015      Appointed Senior Executive Advisor of JXH (currently, EH)
- Jun. 2016      Appointed External Director of INPEX Corporation
- Jun. 2016      Appointed External Director of Matsumoto Kiyoshi Holdings Co., Ltd. (currently, MatsukiyoCocokara & Co.)
- Jun. 2017      Appointed Director of SuMi TRUST Holdings (Current Position)

- ◆ Please see page 1.
- ◆ Here you can see a summary of my career.
- ◆ I started out at Nippon Mining, and over the years I worked in the petroleum business, the overseas business, corporate planning, and finance. In 2006 I was appointed President of Japan Energy, and since 2012 I've been part of the management team of the holding company as the president of JX Holdings.
- ◆ I assumed my position as an external director of SuMi TRUST Holdings in 2017. As chairman of the BoD, I was tasked with overseeing the Company's management as it transitioned to a "company with Three Committees" structure.

## Sumitomo Mitsui TRUST Group ~changes in institutional design~

○ Apr. 2011	<b>Established Sumitomo Mitsui Trust Holdings</b> <ul style="list-style-type: none"> <li>Implemented "Holding Company" structure</li> <li>Selected "Company with a Board of Auditors" as the institutional design.</li> </ul>	Company with a Board of Corporate Auditors
○ Jun. 2015	<b>Sumitomo Mitsui Trust Holdings</b> <ul style="list-style-type: none"> <li>Established "Nominating and Compensation Committee" and "Audit Committee" as voluntary committees</li> </ul>	
○ Jun. 2017	<b>Sumitomo Mitsui Trust Holdings</b> <ul style="list-style-type: none"> <li>Transitioned to "Company with Three Committees"</li> <li>Appointed external director as chair of the Board of Directors</li> <li>Established "Risk Committee" and "Conflicts of Interest Committee" in line with the Group's business model</li> </ul> <p>→ Transitioned to monitoring board</p>	Company with Three Committees
○ Oct. 2018	<b>Sumitomo Mitsui Trust Asset Management</b> <ul style="list-style-type: none"> <li>Transitioned to "Company with an Audit and Supervisory Committee"</li> </ul>	Company with an Audit and Supervisory Committee
○ Jun. 2019	<b>Sumitomo Mitsui Trust Bank and Nikko Asset Management</b> <ul style="list-style-type: none"> <li>Transitioned to "Company with an Audit and Supervisory Committee"</li> </ul>	Company with an Audit and Supervisory Committee

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2

SUMITOMO MITSUI TRUST HOLDINGS

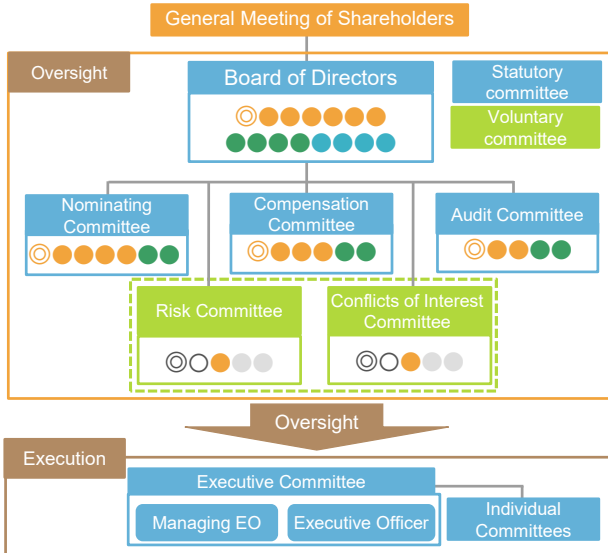
- ◆ Please turn to page 2.
- ◆ I'd like to briefly talk about the Company's changes in institutional design.
- ◆ In 2011, The Sumitomo Trust and Banking Group merged with Chuo Mitsui Trust Group to form Sumitomo Mitsui Trust Holdings.
- ◆ Since then, the Company has gradually made improvements to the institutional design of its supervisory bodies, particularly with the establishment of voluntary committees in 2015; namely, the Nominating and Compensation Committee and the Audit Committee.
- ◆ In 2017 when I assumed my position as an external director, the Company had just adopted the "company with Three Committees" structure, and that was when the BoD started transitioning in earnest to become a so-called "monitoring board."
- ◆ Since then, we've continued to refine the institutional design of the Group's core subsidiaries from the viewpoint of strengthening organizational audits in close collaboration with the Audit Committee of the holding company.
- ◆ I believe the Company's institutional design, including that of the Group's core subsidiaries, has been fairly well established after Sumitomo Mitsui Trust Asset Management transitioned to a "company with an Audit and Supervisory Committee" structure in 2018, as did Sumitomo Mitsui Trust Bank and Nikko Asset Management in 2019.

# Sumitomo Mitsui TRUST Holdings corporate governance ~oversight structure~

## Oversight structure

- Company with Three Committees
- The Board of Directors' meeting and other committees to be chaired by external directors

○: External (Director Chairman) ●: External (Directors) ◎: External (Experts, Chairman)  
 ○: External (Experts) ●: Internal・Non-executive ◎: Internal・Executive  
 ○: Executive officer (non-director)



## Composition of Board of Directors (As of Feb. 1, 2023)



Breakdown of 15 directors: 13 men, 2 women

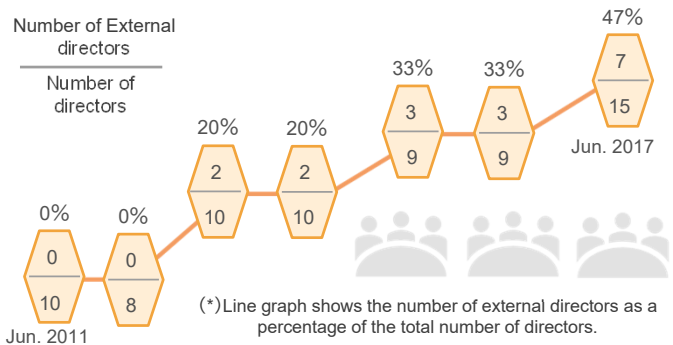
External directors: 47%



Non-executive directors: 73%



## Change of composition of Board of Directors



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3

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- ◆ Please look at page 3.
- ◆ I'd like to briefly discuss the Company's current corporate governance structure.
- ◆ First of all, let's look at the oversight structure shown on the left. To enhance the soundness and reliability of the Group's business model, as well as the transparency of management, the Company has established the Risk Committee and the Conflicts of Interest Committee as advisory bodies to the BoD to complement the Three Committees required under the Companies Act, namely, the Nominating Committee, the Compensation Committee, and the Audit Committee.
- ◆ Since switching to the "company with Three Committees" structure, the Company has made further improvements to the functions of its three statutory committees. Not only does the Nominating Committee handle succession plans for executives, but it also continues to improve the succession of supervisory functions by maintaining a skills matrix in light of the Group's "Purpose" and items of materiality. Meanwhile, the Compensation Committee seeks to improve performance-linked compensation, including ESG-related remuneration. And the Audit Committee undertakes organizational audits in collaboration with the audit committees of the Group's core subsidiaries, corporate auditors at affiliated companies, and the Internal Audit Department on the executive side of the business. It reports to the BoD about the auditing system in its entirety, and I feel that it's being managed extremely effectively, including the way it works closely with each committee and the BoD.
- ◆ I'll explain in more detail about the improved utilization of the voluntary committees later.
- ◆ The right-hand side of the page shows the composition of the Board. Of the 15 directors, 11, or 73%, are non-executive directors, while seven, or 47%, are external directors. I'm confident that the Board currently has the right composition to deliver effective oversight as a "monitoring board" for a highly specialized trust banking group. Some additional information about the makeup of the Board and the executive compensation system is provided in the appendix. Please review them later when you have the chance.

**Issue: What kind of board of directors should we aim for?**

**Initiatives (1): Our Group's future vision of the Board**

**Issue: How to improve the effectiveness of the supervisory function?**

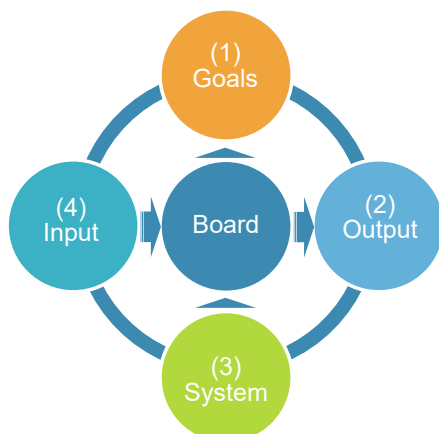
**Initiatives (2): Function of Boards at subsidiaries in Group Governance**

**Initiatives (3): Enhance supervisory functions through committee**

- ◆ Let's move on to page 4.
- ◆ As chairman, I'd like to discuss certain issues recognized by myself and measures for improving the effectiveness of the Group's BoD.
- ◆ There are two main issues we need to address if we are to enhance the effectiveness of the supervisory bodies. First, we must ask ourselves what kind of Board we should aim for, and second, how we should improve the effectiveness of supervisory bodies overall.
- ◆ There are three initiatives we can implement to address these issues: One, our ideal future vision for the Group's BoD; two, leveraging the functions of the Boards of subsidiaries within the framework of Group governance; and three, deepening supervisory functions with the use of committee functions. I'll talk about these measures on the following pages.

## Initiative (1): Our Group's future vision of the Board

### Functional Framework of our group's Board of Directors



Defined the effective Board of Directors as "a Board of Directors that is continuously improving toward future vision".

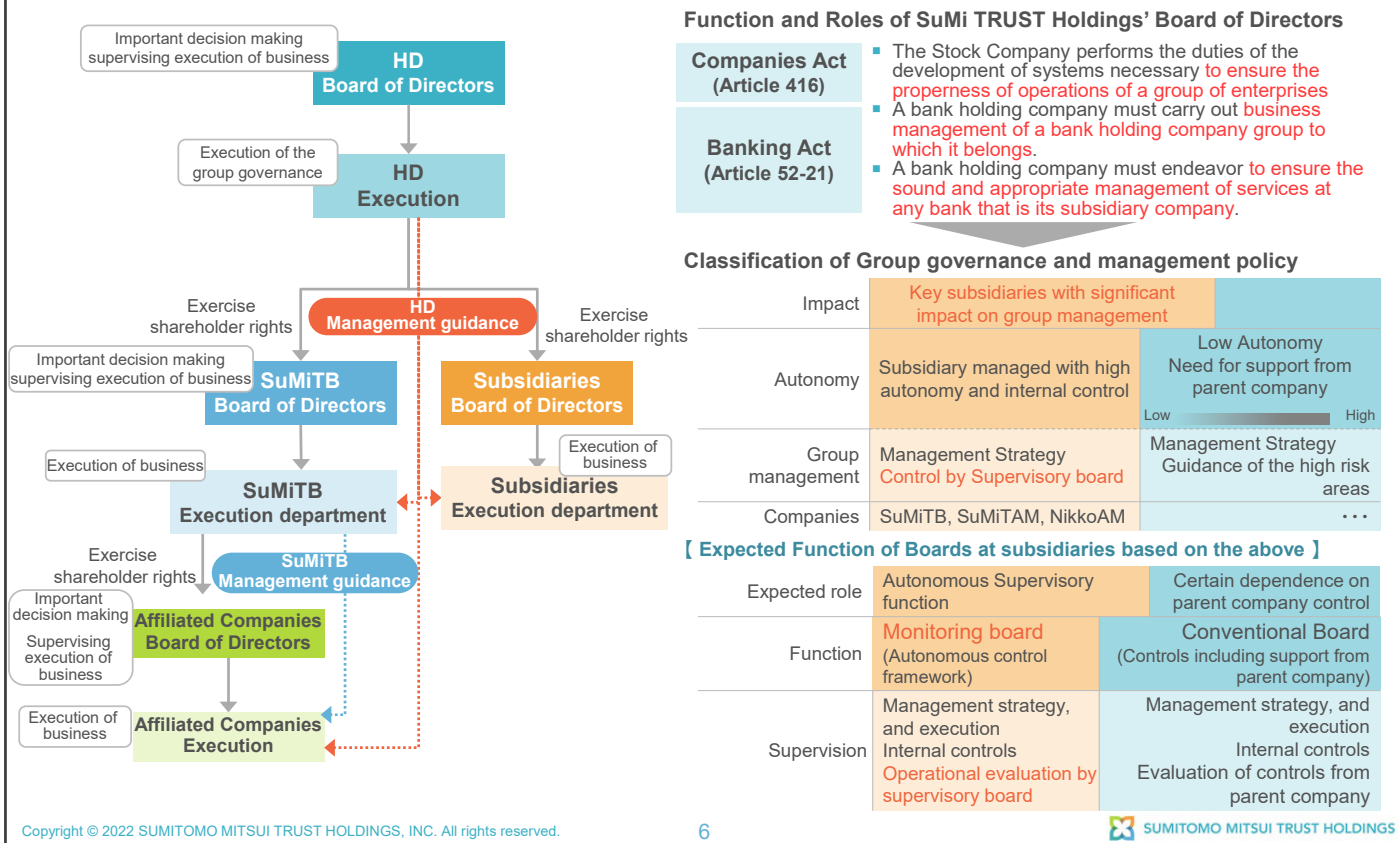
Item		Questions to enhance effectiveness	Future vision of the Board : the Board of Directors of stakeholderism
(1)	Goals	What should the BoD aim for?	<ul style="list-style-type: none"> <li>Realizing "Purpose"</li> <li>Fair capital allocation to stakeholders (capital agenda)</li> <li>Sustainability as a corporation</li> </ul> ⇒ Gaining the trust of all stakeholders as a fiduciary
(2)	Output	What is the role of the BoD?	<ul style="list-style-type: none"> <li>Improving the quality of important decision making</li> <li>Important decision making (determining a basic management policy)</li> <li>Purpose/materiality/value creation process</li> <li>Policy on establishing desirable stakeholder relationships</li> <li>Medium- to long-term management strategies</li> <li>Basic policy on internal controls</li> <li>Supervising execution of important business matter</li> </ul>
(3)	System	Is the System well functioned to achieve our Goals and Output?	<ul style="list-style-type: none"> <li>Organizational structure for enhancing quality of important decision making and monitoring functions</li> <li>Stakeholder-oriented mindset and skills for addressing issues of materiality</li> </ul>
(4)	Input	What should we request to the execution department?	<ul style="list-style-type: none"> <li>Autonomous management</li> <li>Board accountability</li> </ul> *Accountability <ul style="list-style-type: none"> <li>Business activities and value creation</li> <li>Business portfolio/capital allocation</li> <li>Internal controls</li> <li>Establishment of desirable stakeholder relationships</li> </ul>

- ◆ Please turn to page 5.
- ◆ Let's look at the ideal future vision for the Group's BoD.
- ◆ Five years have now passed since the Company adopted the "company with Three Committees" structure along with my appointment as chairman of the Board and during this time the Board has steadily demonstrated its supervisory function, but in order to further enhance its effectiveness, we have continued to earnestly consider what the future of the Board should look like for the Group, which has a trust bank at its core to fulfill an extremely important mission for society.
- ◆ We therefore included some questions in the fiscal 2021 evaluation of the BoD to ask the directors regarding their ideal future vision for the Board with a view to defining its role and improving its effectiveness. We then implemented the answers and discussions that arose from those questions.
- ◆ As the Group's role as a corporation under the framework of a habitable planet and a wholesome society continues to be redefined, the deliberations at the meetings of the BoD confirmed that the Board seeks to fulfill its fiduciary duties to various stakeholders.
- ◆ The functional framework of the Group's BoD reflects the Board's goals, its roles and functions, and the system that underpins all of that, as well as what is required of the Company's executives. This framework represents the BoD of stakeholderism.
- ◆ At present, we are working to improve the effectiveness of the Board mainly through a process of evaluation by implementing a PDCA cycle after defining an effective board of directors to be one that is continuously improving toward its future vision.



## Initiatives (2): Function of Boards at subsidiaries in Group Governance

(3)  
System

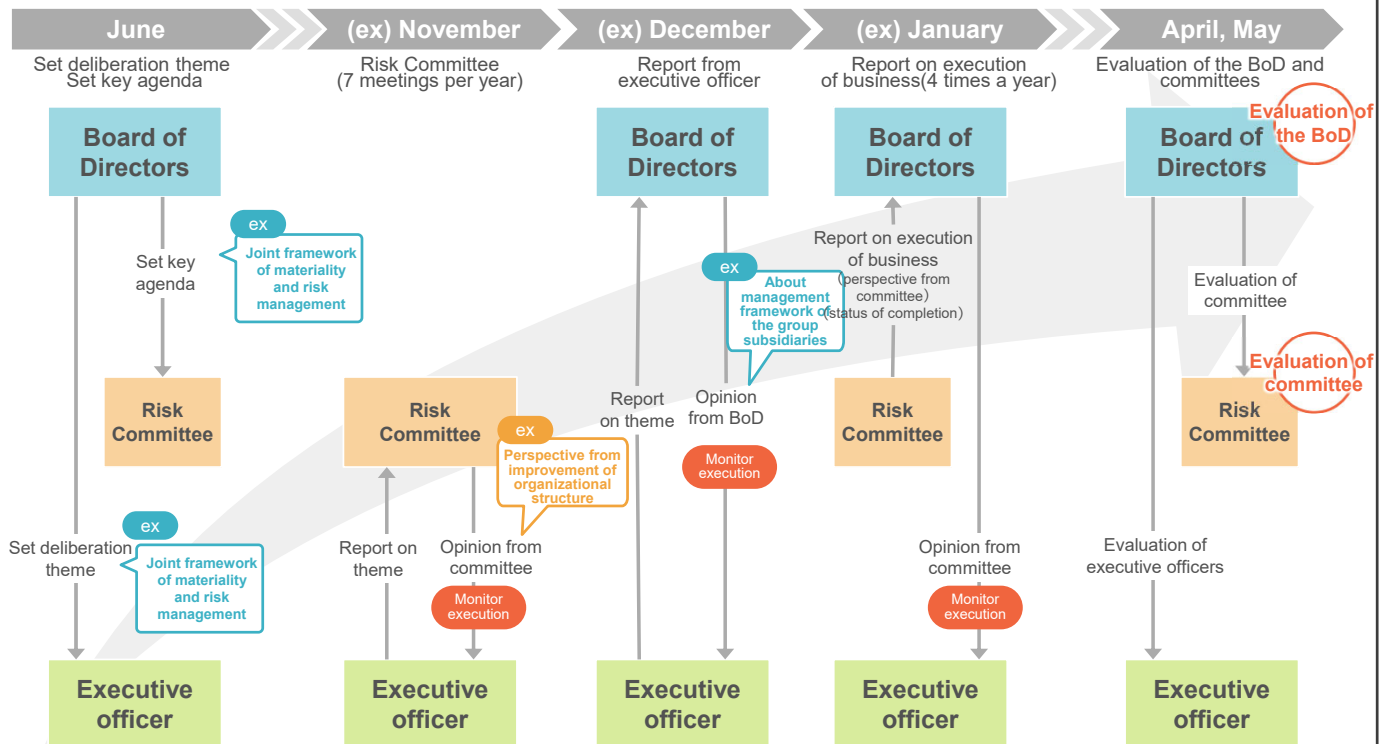


- ◆ Let's move on to page 6.
- ◆ Next, I'll talk about leveraging the functions of the Boards of subsidiaries within the framework of Group governance as a measure for improving the effectiveness of supervisory bodies overall.
- ◆ As we work towards the ideal future vision I just mentioned, the BoD of the holding company, in addition to mainly deliberating on the Group's "Purpose," as well as the adequate allocation of capital to stakeholders and the Group's basic management policies, must also suitably design the roles and functions of subsidiaries, so as to assume responsibility of corporate governance for the entire Group as its ultimate governing body.
- ◆ By developing management policies for Group governance functions in light of how much impact affiliated companies have on Group management and the autonomy of management at each company, we can improve the effectiveness of supervisory bodies overall by clearly specifying the roles expected of them.
- ◆ More specifically, if the subsidiaries have robust internal controls and a high level of autonomous management, we can expect their Boards to demonstrate autonomous supervisory functions. We will assess how their supervisory bodies operate as a monitoring board. On the other hand, for affiliated companies with a low level of autonomy, including internal controls, we have clarified a framework with which to supervise controls, including support from the parent company, through a conventional board that is integrated into the internal control framework for the parent company.
- ◆ Particularly regarding the Group's core subsidiaries that are quite diverse in terms of operational scope, expertise and risks, we envisage that appropriate sharing of functions with the Boards of subsidiaries to supervise the execution of management strategies and their internal controls will lead to improvements in the effectiveness of supervisory bodies overall.



### Initiatives (3): Enhance supervisory functions through committee (example)

(3)System



- ◆ Turning now to page 7.
- ◆ I'd now like to talk about the third measure, that is, deepening supervisory functions with the use of committee functions. I'll use the functions of the voluntary committees as a case example to explain how this is being conducted. The Risk Committee and the Conflicts of Interest Committee are two of the Company's voluntary committees.
- ◆ The Risk Committee is a voluntary committee that fields questions from the BoD regarding such matters as top risks and items of materiality in light of the management environment, as well as internal controls pertaining to risk management for a financial group in which a sophisticated risk management system is required. It then considers the appropriateness of those questions and reports on its findings.
- ◆ Also, as a trust banking group, the voluntary Conflicts of Interest Committee possesses supervisory functions unlike at any other financial group. It fields questions from the BoD regarding such matters as enhancing the Group's conflict of interest management framework and the systems for ensuring the Group acts in the best interests of its clients. It then considers the appropriateness of those questions and reports on its findings.
- ◆ Between April and June, the BoD deliberates on the most pressing topics identified mainly in the evaluations of the Board and committees, instructs reports to be delivered to executives, and decides on the matters to refer to the umbrella committees by working in unison.
- ◆ If a topic for deliberation instructed by the Board is related to a matter concerning one of the committees, the executive requests to discuss it with the Risk Committee or Conflicts of Interest Committee about how to proceed before presenting it to the BoD. This means the key points are reported to the BoD in a more sophisticated manner based on the expert views and advice of the committee.
- ◆ In addition, the BoD discusses not only the reports received from executives, but the viewpoints used by the committees to express their opinions to executives, as described in reports on the execution of duties submitted to the Board, as well as the kind of supervision required. In this way, the administering of the Company's supervisory bodies is organically linked.
- ◆ As a PDCA cycle supporting the administration of these bodies, the BoD and each committee monitor how executives respond to comments raised, and the process of having the Board, committee and executives evaluated actually functions as a sustainable cycle of improvement that facilitates motivation and improved operations the following year.
- ◆ Particularly in the current operating climate characterized by a rapidly changing external environment, the Risk Committee engages in discussions in anticipation of proactive and potential issues, such as the problem of economic security, the conflict between Russia and Ukraine, and sustainability topics like climate change and human rights. In doing so, it can offer recommendations to executives about impending issues affecting the Group and viewpoints that ought to be emphasized.
- ◆ Also, last fiscal year, SuMi TRUST Bank—the Group's principal company—implemented organizational restructuring guided by its medium- to long-term strategy. At that time, the Conflicts of Interest Committee provided expert advice regarding conflicts of interest management that needs to be examined within new businesses and between business divisions. It also offered support to studies conducted by executives and spearheaded high-level discussions that embodied the fiduciary spirit of a trust banking group.

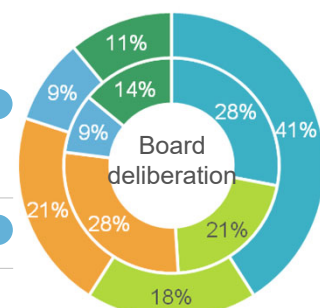
Category	Major Topics
<b>Purpose/ materiality/ value creation process</b>	<ul style="list-style-type: none"> <li>Materiality management</li> <li>Penetration of "Purpose" throughout the group</li> </ul>
<b>Policy on building desirable stakeholder relationships</b>	<ul style="list-style-type: none"> <li>Policy on dialogue with stakeholders</li> <li>Policy on sustainability</li> <li>Clients' best interests</li> <li>Reduction of strategic shareholdings and results of proxy voting</li> <li>Policy and thoughts on climate change and human rights</li> <li>Well-being/D&amp;I/work-style reform</li> </ul>
<b>Medium-Term Management Strategy</b>	<ul style="list-style-type: none"> <li>Medium-Term Management Plan</li> </ul>
<b>Disciplines of capital allocation</b>	<ul style="list-style-type: none"> <li>Human capital</li> <li>DX strategy</li> <li>Capital policy</li> </ul>
<b>Supervisory functions</b>	<ul style="list-style-type: none"> <li>Evaluation of the Board of Directors</li> </ul>
<b>Basic policy on internal control</b>	<ul style="list-style-type: none"> <li>Group governance</li> <li>Materiality management and risk management</li> <li>Group's conduct risk management</li> <li>Conflicts of interest</li> <li>Fiduciary duties</li> <li>Cyber security</li> <li>Resilience of business continuity</li> </ul>

See P.10

See P.11

See P.9

Inside: FY2020  
Outside: FY2021



Management strategies and monitoring

Governance

Risk management

Finance

Relationships with stakeholders

- ◆ Page 8 provides an overview of the discussion topics presented to executives by the BoD.
- ◆ The topics are broad ranging, from high-level management policies, such as "Purpose" and materiality, to those concerning a policy for establishing desirable relationships with stakeholders, including a policy on dialogue with stakeholders, as well as medium- to long-term management strategies and capital allocation, and the underlying basic policies on internal controls.
- ◆ On the following pages I'll discuss some concrete examples of how the Board is fulfilling its function; namely, deliberations on the Medium-Term Management Plan, the Company's "Purpose" and sustainability, strategic shareholdings and the exercise of voting rights.

- Continued to deliberate the direction of medium- to long-term management strategies toward SuMi TRUST Vision 2030 since FY2021
- In the process of developing the next Medium-Term Management Plan, significant themes are set as “management themes and deliberation themes”. The Board of Directors and the execution departments mutually review and discuss the plan through a “rallying process” with two-way dialogues

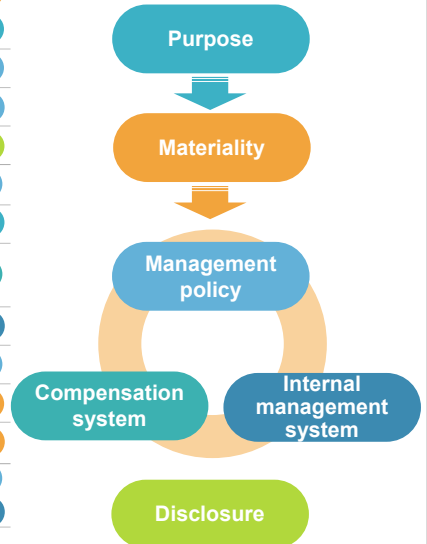
## Deliberation by the Board of Directors related to next medium- term management plan

Month and Year		Deliberations	Rallying process of developing strategy	
2021	Jul.	Business portfolio analysis as part of the value creation process	Management theme	Dialogue related strategy
	Oct.	Status of business portfolio analysis study	Management theme	
	Nov.	(TB BoD) managerial significant issues at each business	Deliberation theme	Board of Directors
	Dec.	Status of business portfolio analysis and reorganization	Management theme	
2022	Jul.	Sophistication of management accounting that contributes to group-wide profitability analysis and management resource allocation		Execution department
	Aug.	the status of consideration of the next mid-term management plan	Management theme	
	Oct.	Discussion on planning next mid- term management plan	Management theme	(*)management theme and deliberation theme
	Dec.	Direction of next mid- term management plan of SuMi TRUST Group		
2023	Jan.	Direction of asset management business strategy as a group	Management theme	<ul style="list-style-type: none"> <li>At HD Board of Directors meetings, in addition to matters required by law and regulations, materiality management issues and other management themes from a mid- to long-term point of view are selected as "management theme". External directors of SuMi TRUST Bank also participate in deliberations on management theme without the requirement to reach any specific conclusions.</li> <li>At TB Board of Directors meetings, Important management themes which are also discussed with HD external directors, are set as "deliberation theme"</li> </ul>
	(scheduled) Feb.	(TB BoD) Direction of business managerial key strategic areas	Deliberation theme	
	(scheduled) Mar.	SuMi TRUST Group medium term management plan		

- ◆ We are currently formulating the Group’s Medium-Term Management Plan to be finalized at the end of March, but I’d like to talk about the kind of discussions the BoD has engaged in.
- ◆ So far, the Board has sought to formulate strategies for the Medium-Term Management Plan based on a back-and-forth examination process with the executive departments.
- ◆ The dialogue in this back-and-forth examination process involves the discussion of management topics and deliberation topics. The key management issues are discussed freely over about one hour without the need to reach a conclusion and it is this process of open discussion and dialogue that deepens the formulation of strategies.
- ◆ In formulating this Medium-Term Management Plan, our discussions are giving shape to a three-year plan starting in fiscal 2023 by back-casting from the SuMi TRUST Vision for 2030, which is a topic that we discussed over the course of fiscal 2021. In May this year, we hope to unveil this plan, which will remain consistent with our long-term vision and represent the effective execution of our strategies.

- Approved SuMi TRUST Group's reason for existence ("Purpose") and monitoring its penetration among employees
- Identified the Group's high-priority issues (Materiality) for realization of our "Purpose", and deliberate on measures to integrate them with the Group's management plan

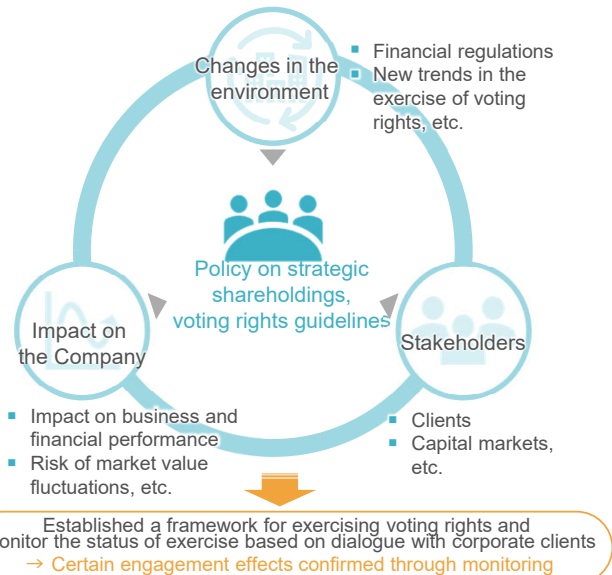
Month and Year		Deliberations	Diverse themes of the sustainability	
2021	Mar.	<ul style="list-style-type: none"> <li>Materiality management and Basic policy on sustainability</li> <li>Penetration of "Purpose"</li> </ul>	Materiality	Purpose
	Aug.	<ul style="list-style-type: none"> <li>Guidelines on climate change</li> </ul>	Management Policy	Management Policy
	Sep.	<ul style="list-style-type: none"> <li>Carbon Neutral Commitment and joined the related initiatives</li> </ul>	Management Policy	Management Policy
	Dec.	<ul style="list-style-type: none"> <li>Sustainability Report/ TCFD Report</li> </ul>	Disclosure	Disclosure
2022	Mar.	<ul style="list-style-type: none"> <li>Policy on sustainability</li> </ul>	Management Policy	Management Policy
	May	<ul style="list-style-type: none"> <li>Penetration of "Purpose"</li> </ul>	Purpose	Purpose
	Jun.	<ul style="list-style-type: none"> <li>(Compensation Committee) Review method for reflecting ESG performance in executive remuneration</li> </ul>	Compensation System	Compensation System
	Sep.	<ul style="list-style-type: none"> <li>Enhance the risk management framework of human rights</li> </ul>	Internal Management System	Internal Management System
	Oct.	<ul style="list-style-type: none"> <li>Developing climate change policies and the risk management framework</li> </ul>	Management Policy	Management Policy
	Nov.	<ul style="list-style-type: none"> <li>Reviews of materiality</li> </ul>	Materiality	Materiality
	Dec.	<ul style="list-style-type: none"> <li>Reviews of materiality (approval)</li> </ul>	Materiality	Materiality
2023	Jan.	<ul style="list-style-type: none"> <li>Revisions and status of our initiatives against Human Rights Policy</li> <li>Joint framework of materiality management and risk management</li> </ul>	Management Policy	Management Policy
	(scheduled) Feb.	<ul style="list-style-type: none"> <li>Key strategic areas for management (Age of 100-year life, ESG/Sustainability management, etc.)</li> </ul>	Management Policy	Management Policy



- ◆ Please take a look at page 10.
- ◆ As you can see in the table, the Board extensively discussed the Group's "Purpose" and sustainability with a focus on numerous topics from various points of view.
- ◆ In particular, the Board discussed topics from multiple angles, such as raising awareness among employees of the Group's reason for existence, or "Purpose," the identification of materiality items as management issues for the Company as it works towards the realization of its "Purpose," management policies designed to address items of materiality, executive compensation and other incentive systems to improve the effectiveness of business execution, internal control systems including risk management, and a disclosure policy for dialogue with stakeholders.

- In May 2021, under the new management, we announced a new policy that SuMi TRUST Group shall not hold any “strategic shareholdings as a conventional stable shareholder”
- In September 2021, based on the consultation and reports to the Conflicts of Interest Committee, we established policy on exercising voting rights for strategic shareholdings considering the enhancement of each stakeholder’s medium- to long-term value

Month and Year	Major deliberation theme
<b>2021 Jan.~Feb.</b>	<ul style="list-style-type: none"> <li>■ Policy on strategic shareholdings reduction</li> <li>■ Hedging policy against stock price fluctuation risks of strategic shareholdings</li> </ul>
<b>Mar.</b>	<ul style="list-style-type: none"> <li>■ Validity of the policy that the Group shall not hold any strategic shareholdings as a conventional stable shareholder</li> </ul>
<b>Apr.</b>	<ul style="list-style-type: none"> <li>■ Direction of disclosure policy that the Group shall not hold any strategic shareholdings as a conventional stable shareholder</li> </ul>
<b>Jun.</b>	<ul style="list-style-type: none"> <li>■ Revision and disclosure of Basic Policy on Corporate Governance</li> </ul>
<b>Jul.~Aug.</b>	<ul style="list-style-type: none"> <li>■ Establishment of voting rights guidelines</li> <li>■ At Conflicts of Interest Committee (exercising voting rights guidelines and framework for exercising voting rights)</li> </ul>
<b>Sep.</b>	<ul style="list-style-type: none"> <li>■ Revision to the Basic policy on strategic shareholdings</li> <li>■ Revision to the Basic policy on exercising voting rights for strategic shareholdings</li> </ul>
<b>Oct.</b>	<ul style="list-style-type: none"> <li>■ Direction of disclosure of voting rights guidelines, etc.</li> </ul>
<b>2022 Jan.</b>	<ul style="list-style-type: none"> <li>■ Framework for exercising voting rights of strategic shareholdings</li> </ul>
<b>Sep.</b>	<ul style="list-style-type: none"> <li>■ Conflicts of Interest Committee (Results of proxy voting)</li> <li>■ Direction of disclosure policy of the results of proxy voting</li> </ul>



- ◆ Let’s look at page 11.
- ◆ On the topic of strategic shareholdings, we engaged in multifaceted discussions regarding the external environment, the impacts on various stakeholders, and the impacts on the Company itself. As a result, last fiscal year the Board resolved to adopt a policy of holding no strategic shares and is therefore monitoring the Company’s ongoing reduction of shareholdings.
- ◆ The Board also decided on, and disclosed, a Company policy and stance on exercising voting rights, in light of its social responsibility as a trust banking group and based on the expert opinions of the Conflicts of Interest Committee, taking into account the improvements in longer-term value for issuing companies and the impacts on the Group’s shareholders, depositors and various other stakeholders. Going by reports received from executives about the exercise of voting rights, we understand that some benefits of engagement have emerged as part of efforts emphasizing dialogue with issuing companies.
- ◆ That’s all for my presentation about the Group’s BoD.
- ◆ The Company is a financial group with trust banking at its core and Japan’s largest fiduciary of trust assets. I also feel that it’s a corporate group that operates businesses that serve the public interest immeasurably. This is something I have constantly been aware of since being appointed an external director.
- ◆ As chairman of the BoD, I intend to uphold the fiduciary responsibilities entrusted to the Company by investors and all other stakeholders, and as their representative, I’ll always act in their best interests. I’ll also continue to make every effort to protect the long-term interests of stakeholders by ensuring the long-term sustainability of the Company itself.
- ◆ Your support will be much appreciated.
- ◆ Thank you for your attention.

# Appendix

# Sustainable PDCA Cycle of the Evaluation of the Board of Directors

## Board PDCA Cycle



## Multifaceted evaluation of the BoD (who evaluates what)

Assessing what?		Who?		
		Directors	Committee members	Executive officers
Meeting body assessment	Board of Directors	○	—	○
	Committees	○	○	—
Self-assessment	As directors	○	—	—
	As executive officers	—	—	○
Interviews		○	—	—

## Comprehensiveness of the viewpoints of the effectiveness evaluation (Evaluation outline of FY2021)

Bodies to be evaluated	The BoD, the Nominating Committee, the Compensation Committee, the Audit Committee, the Risk Committee, the Conflicts of Interest Committee		
Respondents	Directors and executive officers, members of each committee		
Method of inquiry	1) Questionnaires to directors, executive officers, and members of each committee (five-scale multiple choice questions and essay-type questions) 2) Interviews with directors by a third-party organization		
Evaluation items	1) Future vision of the Board	2 items	Free-form response, etc.
	2) Roles and functions of the Board (incl. self-assessment of individual directors)	15 items	Purpose, stakeholders, sustainability, management strategies, internal controls, Group governance, etc.
	3) Framework of the Board	4 items	Composition, liaison, acceptance, etc.
	4) Operation of the Board	4 items	Operation, enforcement and reflection of proposals, training opportunities, etc.
	5) Executive accountability	5 items	Autonomy, explanations, materials, etc.
	The demonstration of functions of each committee	6 items	The demonstration of functions/utilizing proposals, etc.
	Self-assessment items for the following committees are also evaluated		
	6) Nominating Committee	11 items	
	Compensation Committee	12 items	
	Audit Committee	24 items	
	Risk Committee	12 items	
	Conflicts of Interest Committee	10 items	
	7) Items concerning themes for deep discussion at the Board of Directors	1 items	Free-form response
	Total	106 items	

\*Executive officers evaluated 14 items among 1) through 6) of the evaluation items concerning the Board of Directors.

### Additional disclosure of “Area of Expertise of External Directors”

- Additional disclosure of breakdown of “Creativity Expertise” of seven external directors

	External directors						
	Isao Matsushita	Shinichi Saito	Hiroko Kawamoto	Mitsuhiro Aso	Nobuaki Katoh	Masanori Yanagi	Kaoru Kashima
Corporate management	●	●	●		●	●	●
Finance, Accounting	●	●					●
Legal affairs, risk management, and compliance		●	●	●			●
Creativity(*1)	●	●	●	●	●	●	●
Trust, Investment		●				●	
Internationality(*2)	●	●		●	●		
Sustainability	●	●	●	●	●	●	●
Environment(*3)	●	●			●	●	
Social(*4)	●			●	●		
Empowerment of women, D&I			●				●

(\*1) Including digital technology/IT. “Digital/IT” discussions were conducted based on opinions from external experts in the IT Committee, which is on the execution side.

(\*2) Including experience of working overseas, academic activities in cooperation with overseas universities, and studying at universities and graduate schools

(\*3) Including ESG investment/environmental rating finance and supply chain management

(\*4) Including human rights and supply chain management

### Indicators (KPIs) for performance-linked compensation

- Revised evaluation system to better reflect medium- to long-term contributions and ESG-related contributions

### New performance assessment system for stock-based remuneration (Applied on July, 2022)

Indicators (KPIs) for performance-linked compensation		Assessment weighting	
Linked to near-term earnings	(1) Consolidated net business profit	33.3%	22.2%
	(2) Consolidated net profit attributable to owners of the parent		11.1%
Linked to medium-term financial metrics	(3) Consolidated shareholders' equity and ROE	33.3%	11.1%
	(4) Consolidated CET1 ratio (common equity tier 1 capital ratio)		11.1%
	(5) Consolidated overhead ratio (OHR)		11.1%
Linked to ESG	(6) ESG overall assessment (categories: climate change, FD & CS activities, employee engagement, D&I (empowerment of women, etc.), ESG assessment organizations)(*5)	33.3%	

(\*5) MSCI, FTSE, and Sustainalytics

< Main changes >

Please see to [Annual report P95](#) for more information.



## Members of each committee of the Board of Directors

(3)System

	Name	Career	Nominating Committee	Compensation Committee	Audit Committee	Risk Committee	Conflict of interest Committee
External	Director	Isao Matsushita	Former Representative Director and President (President and Executive Officer) of ENEOS Holdings	◎	○		
		Shinichi Saito	Former Representative Director, CO-CEO of Japan Industrial Solutions Co., Ltd			○	
		Hiroko Kawamoto	Former Executive Vice President of All Nippon Airways Co., Ltd.	○	◎		
		Mitsuhiro Aso	Former Superintending Prosecutor of Fukuoka High Public Prosecutors Office	○		◎	
		Nobuaki Katoh	Former President & CEO of DENSO CORPORATION	○	○		○
		Masanori Yanagi	Former President and CEO of The Development Bank of Japan	○	○		
	Expert	Kaoru Kashima	Former Managing Director of Ernst & Young ShinNihon LLC			○	○
		Hideki Kanda*	Emeritus Professor of the University of Tokyo Professor of Professional School of Law (Law School) of Gakushuin University				◎
		Kenji Fujii	Former Managing Executive Officer of Mizuho Securities Co., Ltd.			◎	
		Haruyuki Toyama	Former Director General of International Department of the Bank of Japan			○	
Internal		Akiko Hosokawa	Baker & McKenzie(Gaikokuho Joint Enterprise)				○
		Tetsuo Ohkubo	Chairman of SuMi TRUST Holdings	○	○		
		Masaru Hashimoto	Chairman of SuMi TRUST Bank	○	○		
		Kuniyuki Shudo	Full-time Audit Committee member			○	
		Kouji Tanaka	Full-time Audit Committee member			○	
		Yasuyuki Suzuki	Managing Executive Officer				○
		Yuki Takada	Executive Officer				○

\*Mr. Hideki Kanda is an external director of SuMi TRUST Bank.

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