

## Materiality 1

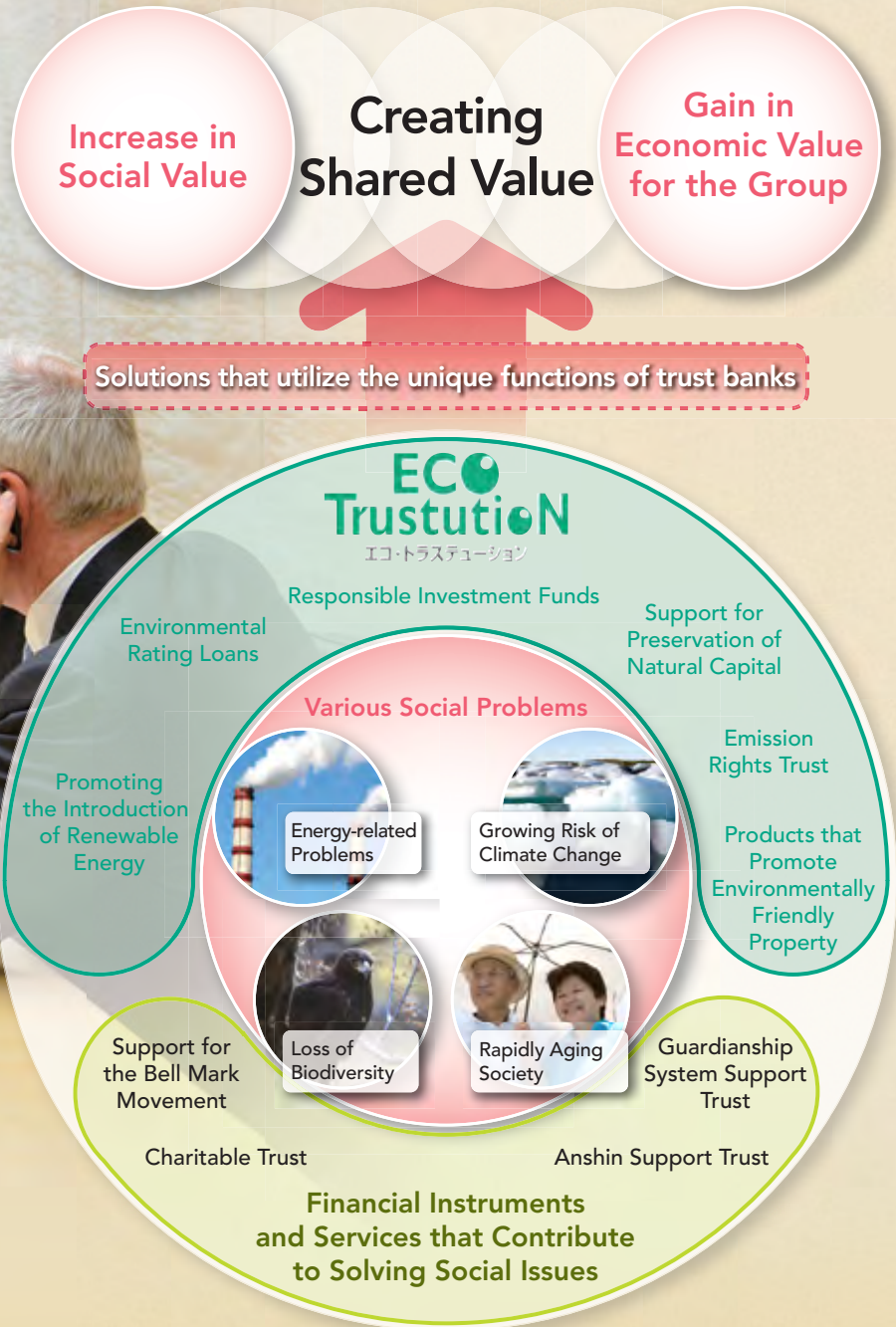
# CSR Activities that Create New Financial Businesses



Former U.S. Vice President and Nobel Peace Prize laureate Al Gore was among the first to sound the alarm over climate change. On October 15, 2012, he paid a visit to Sumitomo Mitsui Trust Holdings. Mr. Gore and Chairman Tsunekage discussed various perspectives on Responsible Investment, an asset management method that invests in a sustainable future.

## Creating Shared Value

Naturally, a company should respond to customer needs. However, a company that responds only after such needs become evident will not be able to innovate. By considering the solution of various social problems as “social needs,” and by contributing to resolve such problems, we can be innovative and stay one step ahead of our customers’ potential needs. With the aim of gaining economic value, the Group views the leveraging of company strengths to resolve social problems as an opportunity to create new businesses, and actively works to address those problems.



**ECO TrustutioN:**

The Group has coined the word “Eco-TrustutioN” to represent environmental initiatives. Under this concept, we will provide solutions to ecological issues through the use of our trust function. We will continue to develop and provide solution-based financial instruments and services.



# Addressing Climate Change



## Basic Stance of the Sumitomo Mitsui Trust Group

In the film “An Inconvenient Truth,” former U.S. Vice President Al Gore argues that global warming will bring the Earth to a crisis. He illustrated this point using factual examples including changing temperatures, melting glaciers, rising sea levels, rapidly increasing damage from hurricanes and typhoons, and the destruction of the Amazonian forest.

Believing that we should take firm measures in response to these problems as swiftly as possible, the Group formulated its “action guidelines for mitigating climate change,” and has clarified our stance in the efforts against climate change.

Meanwhile, looking at the climate change issue in the case of Japan, support from the financial sector is necessary to ensure that a new energy plan is put in place smoothly, given the urgent need to revise the country’s energy plan fundamentally in the wake of the nuclear power plant accident.

We are addressing the environmental and energy problems that have been the focus of attention in the aftermath of the Great East Japan Earthquake. Based on the action guidelines for mitigating climate change, the Group provides high value-added financial solutions that leverage its uniqueness as a trust bank group.

### • Action Guidelines for Mitigating Climate Change

#### 1. Implementation of Measures and Support to Help Mitigate Climate Change

In addition to actively taking measures to reduce greenhouse gas emissions in our own business operations, we are making efforts, as a corporate citizen, to support activities that mitigate and adapt to climate change.

#### 2. Provision of Products and Services

We are working on developing and providing products and services that help mitigate climate change. Our financial functions are being leveraged to promote energy conservation and encourage the use of renewable energy.

#### 3. Collaboration with Stakeholders

We engage in dialogue and cooperation with our stakeholders as we work to mitigate climate change.

#### 4. Education and Training

We will ensure that these guidelines are fully implemented at group companies, and will actively conduct education and training to mitigate climate change.

#### 5. Information Disclosure

We will actively disclose information related to our efforts to mitigate climate change.

# 1 Measures to Expand the Use of Renewable Energy

## Promoting the Adoption of Renewable Energy through Project Finance

Contributing to the widespread use of renewable energy such as solar and wind power is an urgent task for financial institutions. In this context, Sumitomo Mitsui Trust Bank, Limited has been committed from early on to providing project finance for renewable energy-generation projects. As of the end of June 2012, it had provided financing to 16 projects in Japan, with a total balance of 20.3 billion yen. Since the implementation in July 2012 of the system for purchasing the full amount of power generated by renewable energy, all the Group's businesses and companies have united their collective forces to provide financial support for the introduction of renewable energy, in addition to project finance.

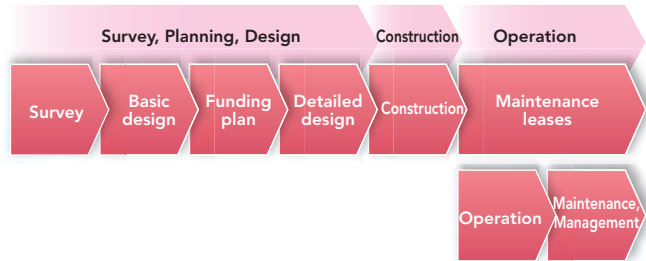
## Promoting the Introduction of Solar Energy via Leases

The Group is promoting the introduction of renewable energy at companies through leases. In fiscal year 2012, Sumitomo Mitsui Trust Panasonic Finance Co., Ltd. ("SMT-PFC") provided lease finance for a mega-solar project in Aomori Prefecture with an installed capacity of 1.5MW at a total project cost of approximately 500 million yen.

SMT-PFC launched a "One Stop Service for Solar Power Generation Projects" that offers uniform consulting and services that encompass planning, design, construction, operation, and funding, with the aim of making effective use of companies' idle land or rooftop spaces at factories and warehouses. In collaboration with engineering compa-

nies, SMT-PFC's lease service supports solar power projects from solar panel selection, design, construction, operation and management of facilities through funding

### Flow of One Stop Service for Solar Power Generation Projects



## Supporting the Introduction of Residential Solar Power Generation Systems

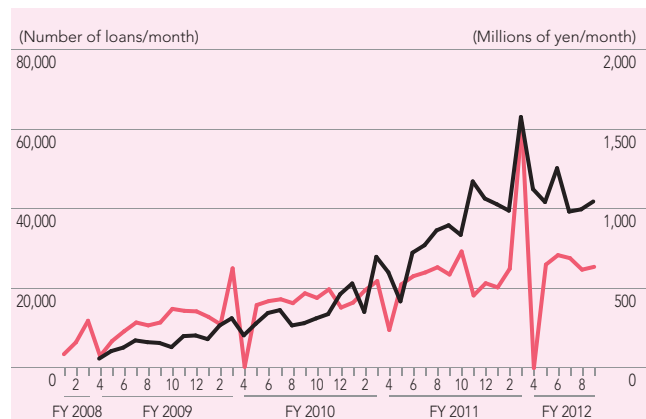
In order to promote solar power generation systems, it is also essential to introduce them in ordinary homes. In collaboration with housing manufacturers, Sumitomo Mitsui Trust Bank has developed housing loans with preferential interest rates that correspond to the degree of environmental friendliness of new homes, such as the installation of a solar power generation system.

SMT-PFC provides "Loans Exclusively for the Installation of Solar Panels" for installing solar panels at existing homes. These loans are offered in cooperation with sales agents and builders that handle solar power generation systems. The utilization of these exclusive loans has continued to grow since their launch in 2009. In fiscal year 2011, we provided ¥10.9 billion worth of these loans, more than double the amount (¥4.3 billion) in fiscal year 2010.



A solar farm under construction (Aomori Prefecture)

### Loans Provided Exclusively for the Installation of Solar Panels



— Number of applications for national subsidies (Left) — Amount loaned (Right)

## 2 Measures to Promote Energy Saving

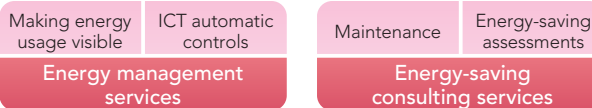
### Providing Energy-Saving Consulting-Based Energy Management Services

Energy-saving measures are most effective when they implement both systemic changes such as operational improvements and physical changes such as the replacement of equipment in an integrated manner. SMTPFC has launched its “Energy-Saving Consulting-Based Energy Management Services” in response to these demands.

This service involves carrying out a simple energy-saving assessment prior to the start of service. Energy saving is provided by advanced automatic controls that employs remote monitoring and remote operation. We propose the most appropriate replacement of equipment based on analyses of the data collected during the process of this service, and we provide a comprehensive series of services from installation of equipment to lease financing for equipment investment. Furthermore, SMTPFC has been authorized as a consortium member of the BEMS (Building Energy Management System) aggregator business run by the Sustainable open Innovation Initiative (SII).

#### Energy-Saving Consulting-Based Energy Management Services

**Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.**  
(Total management that includes support for financing)



### Collaboration with Energy Conservation Businesses

In addition to the energy conservation issue, businesses are also faced with diverse management challenges surrounding energy, including measures to cut peak consumption, business continuity plans (BCPs) for emergency situations, and global warming countermeasures. SMTPFC collaborates with energy conservation businesses and others to provide energy management services, through comprehensive contracts that cover installation, maintenance, and management of energy-saving equipment. Furthermore, in collaboration with a Sumitomo Mitsui Trust Bank's section dedicated to the environmentally friendly property business, we have put in place a system to provide energy management services from the planning and design stage for new construction and renovation of buildings.

## 3 Activities Related to Emission Rights

### Small-lot Emission Rights Products that Use Trusts

The Group is developing various financial instruments related to emission rights, which it regards as a supplementary element in the fight against climate change. One example of these is trust beneficiary rights of emission rights, which take advantage of trust functions to sell overseas emission rights in small lots. Trust beneficiary rights realize small-lot sales (of trading units of 1,000 tons) of overseas emission rights by converting the rights into trust beneficiary rights based on the Kyoto Protocol (Kyoto credits). Since their launch in November 2007, trust beneficiary rights have been sold by using routes through regional banks that have concluded trust agency agreements with us.

### Carbon Offset Leases

SMTPFC offers carbon offset leases for leased equipment, whereby trust beneficiary rights of emission rights are provided according to the amount of primary emission of CO<sub>2</sub> during use of the leased equipment, in order to offset the amount of emissions. SMTPFC has provided carbon offset leases so far for the introduction of transport vehicles such as hybrid-type buses and trucks. In addition, it has offered the same service to companies that implement Panasonic-made energy-saving electronic parts packaging systems. Since its launch, this service has been utilized by four companies.

Since this service uses Kyoto credits, the emission rights that have been converted to trust beneficiary rights can be transferred in the client's name to Japan, so that they can be applied to fulfilling Japan's reduction obligations under the Kyoto Protocol.

### Mechanism for Sumitomo Mitsui Trust Bank's Emission Rights Trust Scheme

In emission rights trading, a settlement risk may arise due to the time gap between the transfer of emission rights from the seller to the buyer and the payment of the funds. In response, Sumitomo Mitsui Trust Bank has prepared a product that ensures the safety of the transaction by using its trust function as follows: settlement funds from the buyer are deposited in a trust account in advance, and when the transfer of emission rights is confirmed between the seller and the buyer, we instantly transfer the funds that have been kept in the trust account on the instruction of the buyer.

# Financial Instruments and Services that Reflect an Evaluation of Environmental Friendliness



By providing financial instruments and services that reflect an evaluation of environmental friendliness, the Group aims to create a mechanism to support environmentally friendly initiatives by companies and other bodies.

## Environmental Rating Loans

Since 2010, Sumitomo Mitsui Trust Bank has been providing “Environmental Rating Loans,” which offer preferential interest rates to companies that promote environmentally friendly initiatives such as countermeasures against climate change and waste materials.

Specifically, we perform a questionnaire-based survey of client companies, with about 60 questions for manufacturing companies and about 50 questions for non-manufacturers. Based on their answers, the companies’ environmental initiatives are evaluated and then rated (on a six-grade scale ranging from AAA to D). The questions emphasize two categories of environmentally friendly property and biodiversity, in addition to environmental management, energy-saving and climate-change countermeasures, waste and pollution countermeasures, and environmentally friendly products and services.

Companies that obtain an environmental rating loan can raise capital at a low rate of interest. They can also expect an enhanced reputation as a company engaged in outstanding

initiatives on environmental issues. We also provide reports on evaluation and challenges in each category, which can suggest new insights that are useful for environmental management.

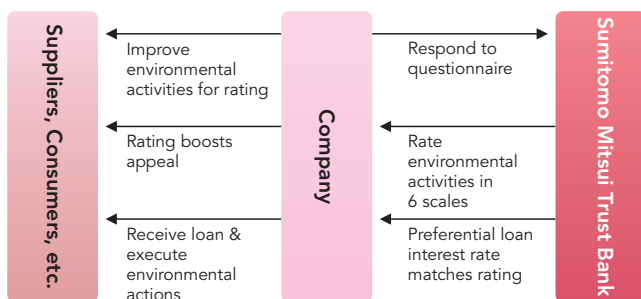
In recent years, companies have been called upon to take measures against environmental issues in the supply chain. In addition, sustainable use of natural capital such as the air, water, soil, plants, and animals has become a major theme in corporate sustainability. Accordingly, we have begun to consider a rating method that takes these perspectives into account.

## Promotion of CSR (Environment) Consciousness in Supply Chain Management

In recent years, companies are being called upon not only to reduce the burden imposed on the environment directly by their activities, but also to mitigate the environmental burden throughout their entire supply chain, including procurement of materials and raw materials. Sumitomo Mitsui Trust Bank is looking into providing a service that would measure not only reductions of greenhouse gas emissions, but also the impact on natural capital such as the use of water and land throughout the entire supply chain.

In order to expand the business practice of “CSR procurement,” which refers to selecting suppliers based on their CSR-related performance, Sumitomo Mitsui Trust Bank has offered the CSR-Conscious Receivables Collective Trusts scheme since December 2006. This product provides a financial incentive to companies that procure from suppliers with high compliance with the CSR procurement criteria in purchasing accounts receivable (trust beneficiary rights).

Sumitomo Mitsui Trust Bank’s “Environmental Rating Loan” Flow Chart



# Addressing the Issue of Biodiversity

## Preservation and Effective Use of Natural Capital



### Basic Stance of the Sumitomo Mitsui Trust Group

Our lives depend on ecosystem services that are rooted in natural capital such as the soil, air, water, and living creatures. The economic benefits we receive from those services are immeasurable.

However, we have taken natural capital for granted and have used it wastefully, assuming it to be an inexhaustible resource. Now, we are facing a range of problems that have emerged as a result.

In 2008, the Group formulated its Basic Policy on Biodiversity-Related Issues (currently Action Guidelines for Preserving Biodiversity), marking the start of full-fledged efforts to preserve biodiversity (biologically rich ecosystems

and the natural environment that fosters them). In the same year, we also participated in the German government's Business and Biodiversity Initiative, taking a leadership role from a global perspective. In addition, we have developed a wide range of products and services through our business.

In light of these efforts, the Group announced that it had become a signatory to the Natural Capital Declaration advocated by the United Nations Environment Programme Finance Initiative (UNEP FI) at the United Nations Conference on Sustainable Development "Rio+20" held in Rio de Janeiro, Brazil, in June 2012, thus entering a new stage in our endeavors.

#### • Action Guidelines for Preserving Biodiversity

##### 1. Implementing Measures and Providing Support for Biodiversity Preservation

We will strive to actively protect endangered and native species. In our role as a corporate citizen, we will work to support activities for the preservation of biodiversity.

##### 2. Providing Products and Services

We will endeavor to develop and provide products and services that contribute to the preservation of biodiversity, by conducting appropriate economic and social evaluations of the ecosystem and encouraging the sustainable use of living resources through our financial functions.

##### 3. Collaboration with Stakeholders

We will engage in dialogue and cooperation with our stakeholders while working to preserve biodiversity.

##### 4. Education and Training

We will ensure thorough implementation of these action guidelines at all Group companies, and will work to provide education and training aimed at the preservation of biodiversity.

##### 5. Information Disclosure

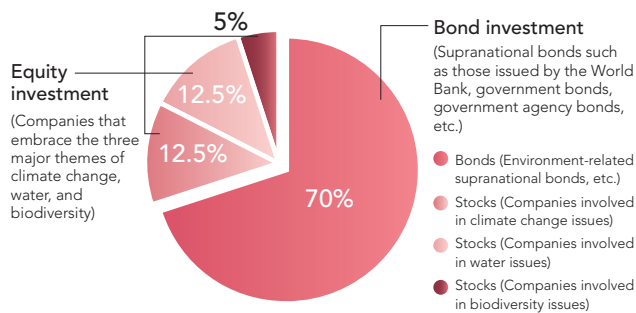
We will actively disclose information about our efforts to preserve biodiversity.



## Addressing the Issue of Biodiversity through our Businesses

### Investment Trusts

In 2010, the Group developed the world's first investment trust with exclusive emphasis on the biodiversity initiatives of companies. Additionally, a balanced environmental fund was developed in collaboration with our subsidiary Nikko Asset Management Co., Ltd. in 2010. This fund is composed of a bond fund, which includes mainly green bonds issued by international institutions such as the World Bank, and an equity fund, which invests in companies involved in the preservation of representative components of natural capital such as air (greenhouse gases), water, and biodiversity.



### Environmental Rating Loans

Since 2010 Sumitomo Mitsui Trust Bank has provided "Environmental Rating Loans," which evaluate environmental friendliness of companies and give preferential interest rates to companies with outstanding environmental ratings. The rating is based on independently developed standards where the evaluation items include environmentally friendly properties and initiatives related to natural capital such as water resources and biodiversity, in addition to general items such as environmental management and climate-change countermeasures. (Please see page 21 for information on environmental rating loans.)

### Charitable Trusts

Sumitomo Mitsui Trust Bank actively undertakes entrusted management of charitable trusts whose purpose is nature conservation. One of these is the Keidanren Nature Conservation Fund, which receives donations from corporations and individuals. This fund supports nature conservation activities carried out in developing countries, mainly in the Asia-Pacific region by NGOs and other organizations, as well as activities in Japan's nature conservation areas. (Please see page 30 for information on charitable trusts.)

### Social Contribution Donation Trusts

Sumitomo Mitsui Trust Bank supports the National Trust movement through its social contribution donation trust and testamentary trust businesses. As part of this initiative, we have designated the Ecosystem Conservation Society-Japan as one of the recipients of donations from our social contribution donation trust, and we provide funding for three programs that purchase as trust land the habitats of rare species in Tsushima, Nagasaki Prefecture, Amami Oshima, Kagoshima Prefecture, and Kuromatsunai-cho, Hokkaido. (Please see page 30 for information on social contribution donation trusts.)

### Ecosystem Friendliness of Properties

Sumitomo Mitsui Trust Bank offers an environmentally friendly development and construction consulting service in its ecosystem-friendly environmental property business. Through this service, we encourage clients to give consideration to local ecosystems in the green areas on their properties, and we also advise them to obtain third-party certification (JHEP\*).

\* Japan Habitat Evaluation and Certification Program: A system to evaluate and certify initiatives that contribute to preservation and recovery of biodiversity.

### Business and Biodiversity Initiative Activities

The Group participated in the Business and Biodiversity Initiative (see page 64) led by the German government in 2008 and signed the Leadership Declaration. Signatory companies are required to implement the seven points of the declaration and to provide the secretariat with a progress report every two years.

Declaration	Status of initiatives for 2011 and 2012
1. Analyzing corporate activities with regard to their impacts on biological diversity	We develop and provide clients with investment and loan products that assess the impacts of corporate activities on biological diversity.
2. Including the protection of biological diversity within their environmental management system	We have built PDCA cycles on biological diversity in our CSR promotion systems, we formulate a plan for each fiscal year based on our Midterm Plan, and we review the performance of these semiannually.
3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board	The Head Office Executive of the CSR Promotion Office, Corporate Planning Department supervises all activities and reports to the Executive Committee.
4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years	We have set objectives in the CSR Midterm Plan and review performance in the Executive Committee.
5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report	We have disclosed our activities in our CSR Reports since fiscal year 2009 as well as on our website.
6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step	As use of paper has a large impact directly on biological diversity, we are proceeding further with paperless operations, and increasing the weighting of recycled paper with a high ratio of wastepaper pulp relative to our total paper use.
7. Exploring the potential for cooperation with scientific institutions, non-governmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-à-vis the biodiversity domain	We are pursuing international cooperation by becoming a signatory to the Natural Capital Declaration led by UNEP FI. We work closely with NPOs, including the Ecosystem Conservation Society-Japan, receiving expert advice and cooperating in various ways on business.



# Contributing to Expansion of the Environmentally Friendly Property Market



Real estate has a significant role to play in addressing concerns about the grave impact of global environmental problems such as global warming, the energy crisis, loss of biodiversity, and depletion of water and other resources.

Real estate-related environmental initiatives not only bring energy-saving effects and cost-cutting effects resulting from conservation of water and other resources; they are also believed to create added value for the property by increasing comfort and productivity (higher net income) through improvement of the internal environment of the building, in addition to reducing environmental risks such as future energy price hikes and

tougher environmental regulations.

Nevertheless, there is a tendency in the actual real estate market to regard any initiatives that go beyond current legal regulations as excessive investment. This could have been an obstacle to the spread of environmentally friendly property.

The Group has therefore been actively making recommendations regarding added value for environmentally friendly properties since 2005, and we have been making various efforts to expand the environmentally friendly property market. Furthermore, as part of our Eco-Trustution, we are developing businesses to promote and enhance added value of environmentally friendly properties.

## • The Group's Contributions to Expansion of the Environmentally Friendly Property Market

### Multi-Stakeholder Sustainable Real Estate Study Group

Since 2007, the Group has been running the Sustainable Real Estate Study Group (chaired by Professor Tomonari Yashiro, Institute of Industrial Science, the University of Tokyo), bringing together stakeholders from multiple fields across industry, government, and academia to elucidate mechanisms to reflect environmental efforts in market value and to examine how to promote them.

### Supporting the Preparation of a Market Base for Accurate Appraisal of Environmentally Friendly Properties

The Group has been making proposals for the development of the environmentally friendly property market. For instance, we participate in panels on environmentally friendly property organized by the Ministry of Land, Infrastructure, Transport and Tourism as a member. In addition, representatives of the Group have lectured at Global Energy Basel and CASBEE for Market Promotion Public Symposium, etc.

### Efforts to Promote the CASBEE Environmental Performance Evaluation System for Property

The Group has been actively making proposals as an organizer of a subcommittee of CASBEE (Comprehensive Assessment System for Built Environment Efficiency), which is led by the Ministry of Land, Infrastructure, Transport and Tourism. These efforts are done in the belief that CASBEE should be used effectively in the real estate market. In May 2012, "the CASBEE Market Promotion Package (2012 edition)" was released.

### International Cooperation and Future Development

Through the United Nations Environment Programme Finance Initiative Property Working Group (UNEP FI PWG) et al, the Group works to share information with real estate investors worldwide and vigorously promotes Japan's environmentally friendly properties to overseas investors, while actively proposing the introduction of business models that support the spread of these properties overseas.

## Developing the Environmentally Friendly Property Business

### Establishment of a Section Dedicated to Environmentally Friendly Property

Sumitomo Mitsui Trust Bank set up a section dedicated to the promotion of the environmentally friendly property business in 2010, putting it a step ahead of others in this area. As secretariat of the Sustainable Real Estate Study Group, this section has been engaged in various efforts to expand the environmentally friendly property market, working in collaboration with numerous stakeholders. Additionally, we have been closely involved with the development and promotion of the CASBEE Market Promotion Package, in which consistency with global standards is emphasized, while we contribute to international market expansion as a key member of the UNEP FI PWG.

### Consulting on Environmentally Friendly Property

Sumitomo Mitsui Trust Bank offers a range of advisory services related to environmentally friendly property. Specifically, we provide quantitative analysis of added value for environmentally friendly office buildings and evaluation services of REITs (Real Estate Investment Trusts) and real estate funds using the CASBEE Market Promotion Package, which have, in some cases, led to an intermediary service for a sales transaction prioritizing environmentally friendly property.

We also provide environmentally friendly development and construction consulting services. Through these services, we offer advice on the introduction of energy-saving systems in buildings, taking account of landscapes and ecosystems, ways for extending the lifespan of buildings, and the incorporation of recycling systems. We consulted on the Osaki Forest Building (completed in December 2011), which was selected as a Leading Project for Promoting CO<sub>2</sub> Reduction in Housing and Buildings by the Ministry of Land, Infrastructure, Transport, and Tourism, received JHEP certification, a quantitative indicator related to biodiversity, and achieved the highest CASBEE ranking (S rank) for new construction.

### Energy Proposals for Real Estate

Demands for energy saving and CO<sub>2</sub> reduction have been growing in the real estate field. In particular, since the Great East Japan Earthquake, there have been calls to cut peak consumption of electrical power and to create business con-

tinuity plans (BCPs) for disasters. Working together with other energy conservation businesses, Sumitomo Mitsui Trust Bank offers proposals incorporating advice on finance (including leases) for efficient energy management of buildings and factories. (See page 20.) We are also proposing a financial scheme where owners and tenants can receive dividends that result from cost reductions stemming from energy savings.

### Support for the Contaminated Land Purchase and Revival Fund

Up to roughly 10 trillion yen worth of residential land and former factory sites nationwide reportedly cannot be bought or sold due to soil contamination. Liquidation and development of such contaminated land is an important issue from the point of view of revitalizing urban areas. Sumitomo Mitsui Trust Bank supports the smooth operation of the Contaminated Land Purchase and Revival Fund, which purchases contaminated land temporarily and resells it after clean-up. We also offer support by undertaking real estate trusts and through land mediation.

### Participation in Smart City Projects

A smart city is a local community that manages energy in an efficient and integrated manner and that combines transportation systems, lifestyle, and other factors comprehensively, in order to achieve a sustainable society. Sumitomo Mitsui Trust Bank is participating in the Fujisawa Sustainable Smart Town, a joint project under the leadership of Panasonic Corporation, and is going to design an evaluation index (tracking environmentally friendly property values) for the Smart Town, as well as studying other initiatives including environmentally friendly housing loans and product planning for a town card.

We will continue providing advice for raising property values in the entire smart city area and engage actively in various forms of support in order to make this project a success.

### Financing for Environmentally Friendly Property

The Group also plans to actively develop various financial means in order to expand environmentally friendly property. Specifically, we will offer solution-based proposals by preparing an optimal lineup of products and services, including environmentally friendly housing loans, environmental rating loans (see page 21), and leases to support energy saving.

# Responsible Investment Activities



## Basic Stance of the Sumitomo Mitsui Trust Group

The Principles for Responsible Investment (PRI) were established by a United Nations agency in 2006 in order to promote responsible investments in stocks and bonds, which takes into account the environmental, social, and corporate governance (ESG) initiatives by companies. Since then, the number of signatory institutions has expanded steadily, reaching 1,000 in 2012, with a total of 32 trillion dollars in assets under management.

In 1999, the Group launched Japan's first responsible investment fund (the Nikko Eco Fund), after which the Group companies developed various types of investment tools,

including products that were the first of their kind globally. In addition, we have been actively conducting marketing not only in the individual investor market but also in the market for institutional investors, including pension funds.

However, the responsible investment market in Japan, in conjunction with the slump in Japan's stock market itself, cannot be described as lively and has not kept pace sufficiently with global trends. As a leader that drives this market, the Group takes advantage of various opportunities to promote activities to raise awareness and expand the market.

### • Contributing to Global Expansion of Responsible Investment

Group companies are signatory institutions of the Principles for Responsible Investment (PRI), and the Group has served as co-chair of the PRI Japan Network since 2010. We attended the PRI annual meeting held in Rio de Janeiro, Brazil, in June 2012 and explained the current situation in Japan. Furthermore, an in-house ESG global meeting is held monthly, where we exchange updates, as necessary, on how ESG is being discussed in various fields.



Presentation at the PRI annual meeting

### • Driver of Responsible Investment Market in Japan

As a key member of the NPO Social Investment Forum Japan (SIF-Japan), the Group has contributed to development of the responsible investment market in Japan by actively disseminating information through guest speakers at study groups and giving lectures at symposiums. Also, we take advantage of various opportunities to raise awareness of worldwide trends in responsible investment as discussed at the United Nations Conference on Sustainable Development "Rio+20" held in Rio de Janeiro, Brazil, in June 2012.

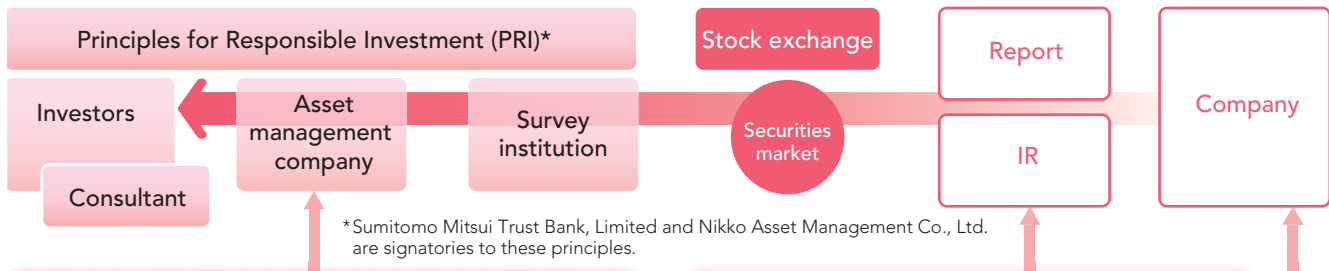


Presentation at United Nations Day Photograph courtesy of UNIC Tokyo/Hiroaki Yamaguchi



## Responsible Investment Value Chain and Group Initiatives

The responsible investment value chain is a series of processes in which companies are valued in the market for their CSR activities and investors purchase stocks and bonds issued by these companies to raise capital as responsible investments.



### The Group's responsible investment lineup

#### Sumitomo Mitsui Trust Bank, Limited

##### Sustainable Growth

Japan's first responsible investment to be managed on behalf of corporate pensions and public pensions (same portfolio as "Good Company")

#### Sumitomo Mitsui Trust Asset Management Co., Ltd.

##### Good Company

##### China Good Company

World's first responsible investment fund for China established by a non-Chinese financial institution

##### Biodiversity Companies Support Fund

First biodiversity-dedicated fund to be developed in the world

##### SRI Plan

#### Nikko Asset Management Co., Ltd.

##### Nikko Eco Fund

Japan's first responsible investment fund, launched in 1999

##### Nikko Global Water Fund

##### Nikko World Bank Bond Fund (World Supporter)

##### SMBC Nikko World Bank Bond Fund

##### World Bank Green Bond Fund

World's first fund to invest in green bonds (joint development with the World Bank)

##### Green Balanced Fund

Japan's first full-scale balanced-type responsible investment (see page 23)

##### Listed Index Fund FTSE Japan Green Chip 35

Japan's first listed index ETF responsible investment

Stock exchange

Report

Company

Securities market

IR

The Stock Transfer Agency Business Planning Department of Sumitomo Mitsui Trust Bank organizes the "Focus Club" that provides information to corporate IR, administration, and legal sections about trends among Japanese equity institutional investors and their views on corporate governance. The Focus Club aims to provide useful data for companies that issue CSR reports by conducting interviews on what foreign institutional investors expect in CSR reports, given the increasing emphasis on environmental, social and governance (ESG) initiatives among these investors. In other words, the Focus Club obtains information about what kind of CSR activities and philosophies are needed for companies to become medium- to long-term investment targets. Currently, we are following developments of the integrated reporting style, which is expected to become the standard form for reports.

The Group is a member of the Global Compact Japan Network (GC-JN), consisting of Japanese signatory companies to the United Nations Global Compact. (See page 64.) Since fiscal year 2011, we have served with Daiwa Securities Group Inc. as joint organizers of the SRI Caucus, where we conduct practical discussions with participating companies on how ESG information is being utilized through the responsible investment value chain and what sort of stance companies should take on disclosure of information in order to respond to expansion of the responsible investment market.

Since the establishment of its World Supporter in June 2007, Nikko Asset Management has donated a portion of trust fees paid by the fund's investors to the International Development Association (IDA), an organization working for the reduction of world poverty. The semi-annual donations have surpassed 300 million yen on a cumulative basis. The donated funds support IDA's efforts to reduce poverty in developing countries, focusing particularly on support for children's healthcare, education and so on.



Bill Wilder, Nikko AM President and CIO (left) presenting the donation list to Kenneth G. Lay, the World Bank Vice President and Treasurer (right)

# Financial Instruments and Services for Solving Social Issues



Japan is currently facing numerous social problems such as a declining birthrate and aging population, deterioration of education quality, and new kinds of crime. Many observers point to the declining birthrate and aging population as Japan's biggest challenges, as they bring various secondary problems that extend to government finances, social welfare, and healthcare. The Group is making efforts, in particular, to enhance its clients' capacity to counter these problems by developing and providing new financial products and services that utilize the trust function.

## 1 Initiatives to Enhance the Security of Retirement Years in an Aging Society

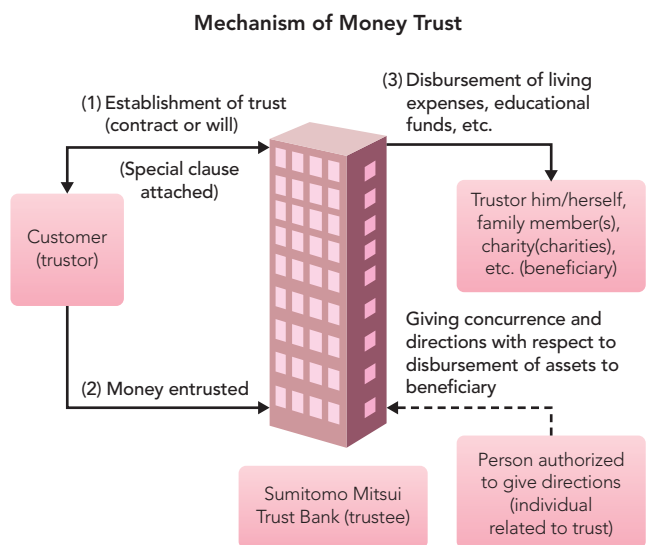
### Anshin Support Trust

Sumitomo Mitsui Trust Bank offers Anshin Support Trust, a product that leverages the unique functions of a trust bank to provide medium- to long-term, made-to-order support for the preservation and management of clients' precious assets for their sake as well as their families'.

Two types of Anshin Support Trust are available: a "money trust," and a "life insurance trust."

#### (1) Money Trust

As for the money trusts, the trustor him/herself (self-benefit trust) or another person (individual or corporation) (third-party benefit trust) can be named as the trust beneficiary. In this way, trust assets are disbursed according to the client's wishes, to him/herself, family members, charities, or any other bodies.



#### (2) Life Insurance Trust

The life insurance trust was the first product in Japan that allows a client to flexibly designate in advance their beneficiary and how the proceeds are to be disbursed and used. Developed in collaboration with the Prudential Life Insurance Co., Ltd., the trust has been offered since July 2007.

### Testamentary Trusts

Sumitomo Mitsui Trust Bank offers testamentary trusts as a service to support the passing on of various assets such as deposits, securities, and real estate to the next generation in accordance with the wishes of the client. Through testamentary trusts, we can meet the needs of clients who want to prevent disputes over inheritance in advance, to divide their estate in a reasonable way reflecting the actual situation, or to make bequests to persons other than their heirs.

### Business Succession Trusts (In the Form of a Substitute Will)

Sumitomo Mitsui Trust Bank offers business succession trusts (in the form of a substitute will) as a product to cater to the preferences of business proprietors who wish to designate inheritors of their stockholdings in advance or to avoid dividing up their stockholdings. This is a securities administration trust in which the founder or proprietor of a company becomes at first the trustor and the primary beneficiary, and the beneficiary changes at the time of the trustor's death. With the use of the trust, assets can be passed on promptly without conventional inheritance procedures, thus avoiding inheritance disputes or other troubles over stocks (voting rights, etc.) in case something happens to the business proprietor, and business succession can proceed in a stable manner.

### Guardianship System Support Trusts

In Japan, the adult guardianship system has been established to designate guardians in order to protect adults ("wards") who are in situations where their judgment has been impaired due to dementia, intellectual disabilities, or other reasons. The Guardianship System Support Trust is a trust to protect the assets of a ward and to contribute to the stability of his or her living into the future. Establishment or

dissolution of the trust is carried out based on documents issued by family court.

### Special Donation Trusts

The special donation trust is a product for the purpose of contributing to stable living into the future for special disabled persons. With this trust, funds (of 10 million yen or over) donated by family members or others are managed securely by Sumitomo Mitsui Trust Bank through jointly operated designated money trusts and other instruments, and disbursed to the special disabled person by the bank on behalf of the client. Up to 60 million yen of donations is tax exempt in a special donation trust for the purpose of ensuring the stable living of a special disabled person. There is no term limit on this trust.

### Reverse Mortgages

In March 2005, Sumitomo Mitsui Trust Bank began offering reverse mortgages, which lend funds to allow clients to live comfortably in their retirement years by using their residence as collateral. The funds can be received in an annual specified amount like a pension, or at any time in an amount within the preset limit.

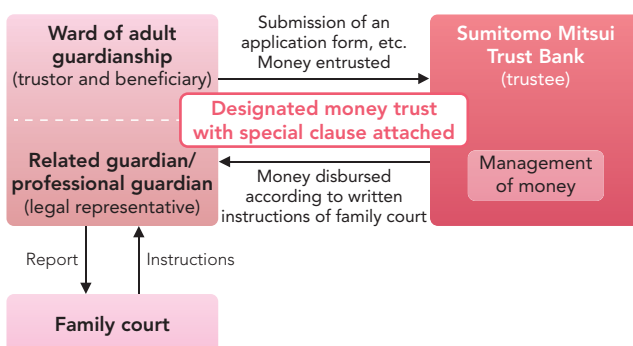
### Bringing Together Insights for a Comfortable, Long-Lived Society

What functions are demanded of private businesses, in light of the long-lived society emerging with the declining birthrate and aging population? Sumitomo Mitsui Trust Bank participates in a study group of private businesses organized mainly by the International Longevity Center Japan, and it takes part in discussions about new lifestyle proposals that will contribute to the realization of a comfortable, long-lived society.



A long-lived society study group

#### Guardianship System Support Trust





## 2 Mechanism for Use of Donations and Other Funds to Solve Social Issues

### Charitable Trusts

The charitable trust is a system in which funds are entrusted to a trust bank that administers and manages the funds to carry out charitable activities in accordance with a previously determined way. For example, these trusts may be used by individuals wishing to provide funds for charitable activities or by companies that wish to return a portion of their profits to society. Since the first charitable trust was set up in 1977, they have been used in a wide range of fields including the provision and support of academic scholarships, research in the natural and human sciences, environmental protection activities, international cooperation and international exchanges.

Since Sumitomo Mitsui Trust Bank undertook the entrusted management of its first charitable trust, the number of trusts under its management has steadily risen. As of March 2012, the number of charitable trusts under its management is 218 with assets of 27.8 billion yen. In fiscal year 2011, charitable trust funds totaling 1.3 billion yen were provided to 3,515 bodies in total (including individuals) for activities that serve the public good.

### Social Contribution Donation Trust

Sumitomo Mitsui Trust Bank launched a social contribution donation trust (also referred to as "Bridge to Tomorrow") in April 2011 that would connect clients' wishes with organizations engaged in activities that contribute to society using donations. When clients deposit their funds in a trust fund, one-fifth of the original trust principal is do-

nated once a year. Donors chose donation recipients from a list of ten organizations (as of October 5, 2012), and receive reports from the recipient on how the donations were used and what activities were conducted.

### Designated Donation Trusts

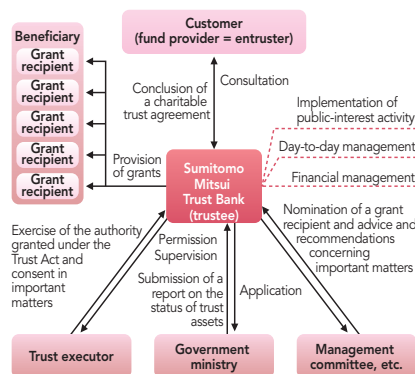
In June 2012, Sumitomo Mitsui Trust Bank started offering designated donation trusts, which are based on a new system established by revisions to the tax system in fiscal year 2011. Regular donations are made over a period of either five or ten years to the designated recipient. Donation recipients can be chosen from outside the list of organizations Sumitomo Mitsui Trust Bank provides. (The designation of a recipient is subject to review and other procedures by Sumitomo Mitsui Trust Bank, and trust fees are incurred.)

In July 2012, the designated donation trust was used by an individual client who wished to support healthcare professionals in the areas affected by the Great East Japan Earthquake. A total of approximately 12 million yen will be donated to Peoples' HOPE Japan (PHJ), a certified NPO, over the next five years. PHJ used a separate donation from the same client to give Ishinomaki City Hospital a "doctor car," which is used for house calls, and the donations to PHJ through the designated donation trust are going to be used to cover maintenance and operating expenses for the vehicle.

### Donations through Bequests

In order to meet the needs of clients who hope to see their assets used to serve the good of society, Sumitomo Mitsui Trust Bank provides support services through its testamentary trusts for estate donations. The bank collaborates with universities and other public interest bodies regarding bequest donations.

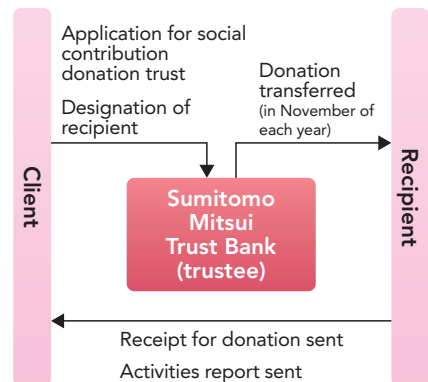
Mechanism of Charitable Trust



List of Charitable Trusts by Donation Type

Type	Number of trusts under management
Scholarship	74
Promotion of natural science research	42
Promotion of human science research	6
Promotion of education	25
Social welfare	10
Promotion of arts and culture	9
Protection and propagation of animals and plants	1
Conservation of the natural environment	8
Development and maintenance of the urban environment	20
Promotion of international cooperation and exchanges	16
Other	7
Total	218

Mechanism of Social Contribution Donation Trust



### 3 Financial Products to Encourage Diverse Lifestyles

#### Housing Loans Exclusively for Working Women "Exerina"

As part of its encouragement of diverse lifestyles, Sumitomo Mitsui Trust Bank offers "Exerina," an exclusive housing loan that lends support exclusively to working women for the purchase of their own homes.

This loan is offered exclusively to women aged 20 years old and over to finance their purchase of newly built or existing condominiums that will serve as their residence. In addition to a preferential interest rate reduction of 0.1% for the first year after the birth of a child, borrowers who take out an initial loan of 10 million yen or over for a term of 10 years or more can enroll in medical life insurance with premiums paid by Sumitomo Mitsui Trust Bank. Special features of this loan also include an exemption from fees for early repayment.

#### Property Formation Savings

Property formation savings, officially known as "workers' property formation savings," is a salary deduction savings plan conducted through a worker's employer based on a "workers' property formation savings contract" between the worker and the financial institution. Sumitomo Mitsui Trust Bank offers three types of savings plans: "General property formation savings," which can be used for any purpose such as recreation, children's education, or weddings and includes a partial opt-out option; "residential property formation savings" to be used for purchase, renovation, or expansion of a residence; and "pension property formation savings" to secure capital for individual pension planning.

### 4 Social Contribution as a Business Activity

#### Support for the Bell Mark Movement

By collecting the Bell Mark labels found on everyday products, schools can purchase needed equipment based on the number of points they have assembled; this is known as the Bell Mark movement, which began in 1960. Although numerous banks were involved at the start, since 1982 Sumitomo Mitsui Trust Bank has overseen all administration related to transactions for the movement.

We now administer a total of 28,349 parent teacher association(PTA) accounts nationwide (as of the end of

September 2012) and take care of tasks such as handling payments from sponsoring companies to PTAs, and transferring assistance funds from partner companies to the Bell Mark Educational Support Foundation. In addition, we look after financial aid transfers to regions affected by disasters and adversities (friendship assistance).

When schools purchase equipment through the Bell Mark movement, 10% of the purchase price is donated to the Bell Mark Foundation, to be used as financial aid for schools including those in remote areas and those damaged in disasters, as well as schools in developing countries. Sumitomo Mitsui Trust Bank continues to support the Bell Mark project as a social contribution that is part of our business.

#### Participant Protection Trust

Paperless transactions of securities improve the convenience of securities trading by reducing the risks of loss, theft and forgery and cutting the transportation and storage costs. However, financial damage for investors ("participants") may arise, in case of erroneous records attributable to mistakes made by a transfer organization or an account management organization\*. The participant protection trust is a safety net scheme that compensates participants for losses of up to 10 million yen, should such financial damage arise and the account management organization go bankrupt without fulfilling the compensation payment obligation.

Sumitomo Mitsui Trust Bank has been entrusted with the management of the participant protection fund since the establishment of this scheme in 2003 because of its excellent records on the entrusted management of charitable trusts and its superior asset management capability.

\* Account management organizations include securities companies and other financial institutions.

