



Responsible Investment



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Editorial policy

The CSR Report 2014, as with the previous edition, consists of a full report, a digest report, and four feature booklets on *Climate Change*, *Natural Capital*, *Responsible Investment*, and *Environmentally Friendly Property*. We have published a digest version of our CSR report along with feature booklets so that readers can gain a deeper understanding of our Group’s proactive initiatives. You can visit our website to view our other CSR initiatives.

<http://www.smtb.jp/csr/>

* This booklet introduces various initiatives and activities by our Group, led by Sumitomo Mitsui Trust Bank (SuMiTB).

Who is “SuMi TRUST”?

Largest Japanese Asset Manager
AUM of USD 497 billion (as of June 30, 2014)

Leading Asian Asset Manager

- A subsidiary of Sumitomo Mitsui Trust Holdings, Inc. (code: 8309), the largest trust bank in Japan, also offering retail and wholesale financial services, and real estate services
- Growing global client base as well as expanding global fiduciary capabilities



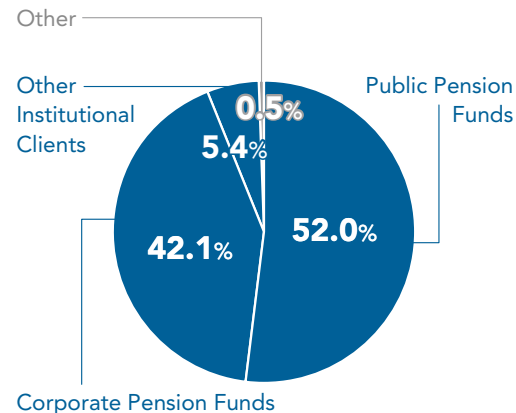
“SuMi TRUST” is the marketing name of the Sumitomo Mitsui Trust Group.

Breakdown of Asset Under Management

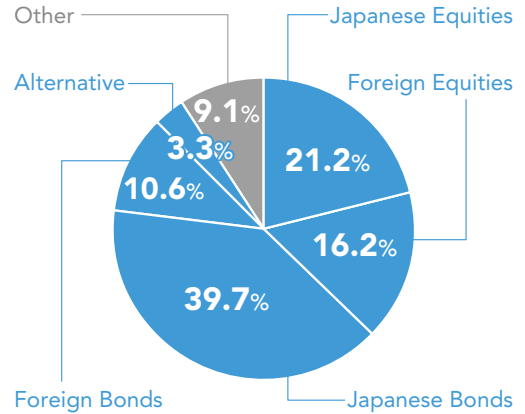
We have the largest asset under management sourced in Asia. The majority of our clients are prominent public pension funds and corporate pension funds in Japan. Our total AUM as of June 30, 2014 was USD 497 billion, of which USD 105 billion was invested in Japanese equities.

Our AUM from international investors is increasing, and we primarily provide them asset management and property investment services. This booklet mainly introduces our commitment to responsible investment in the asset management of the Fiduciary Services Business.

Client Type	USD bln	Weight
Public Pension Funds	258	52.0%
Corporate Pension Funds	209	42.1%
Other Institutional Clients	27	5.4%
Other	3	0.5%
Total	497	100.0%



Asset Class	USD bln	Weight
Japanese Equities	105	21.2%
Foreign Equities	80	16.2%
Japanese Bonds	197	39.7%
Foreign Bonds	53	10.6%
Alternative	16	3.3%
Other	45	9.1%
Total	497	100.0%

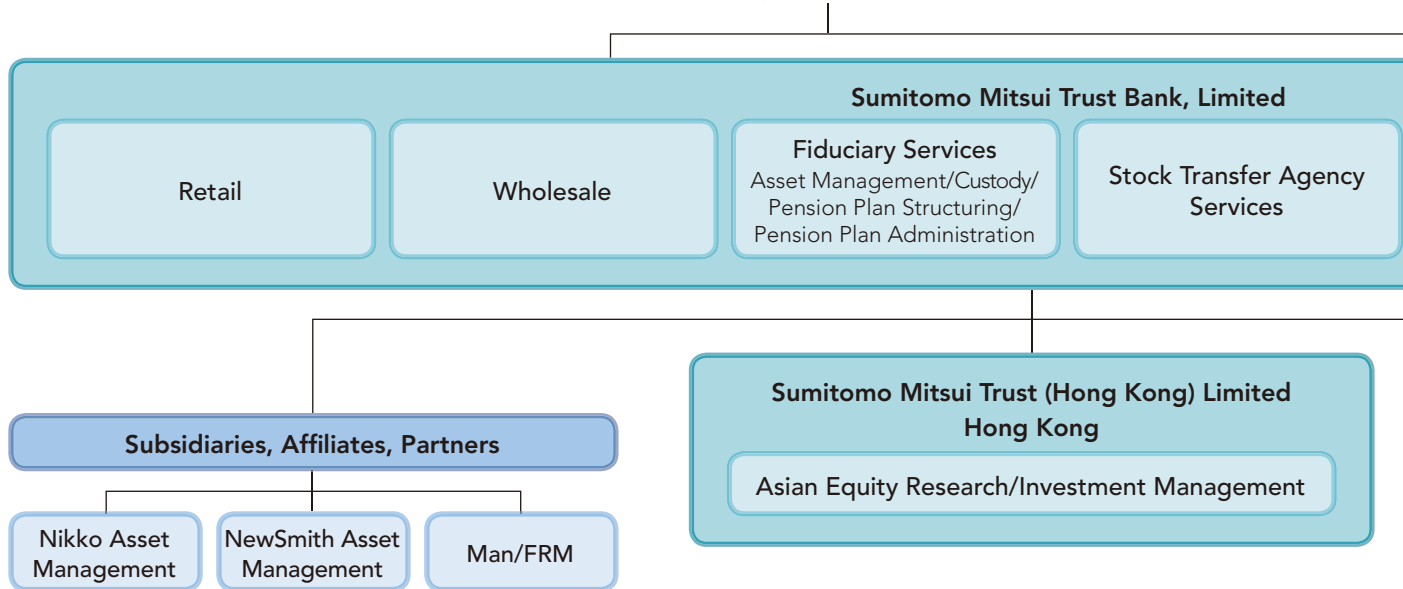


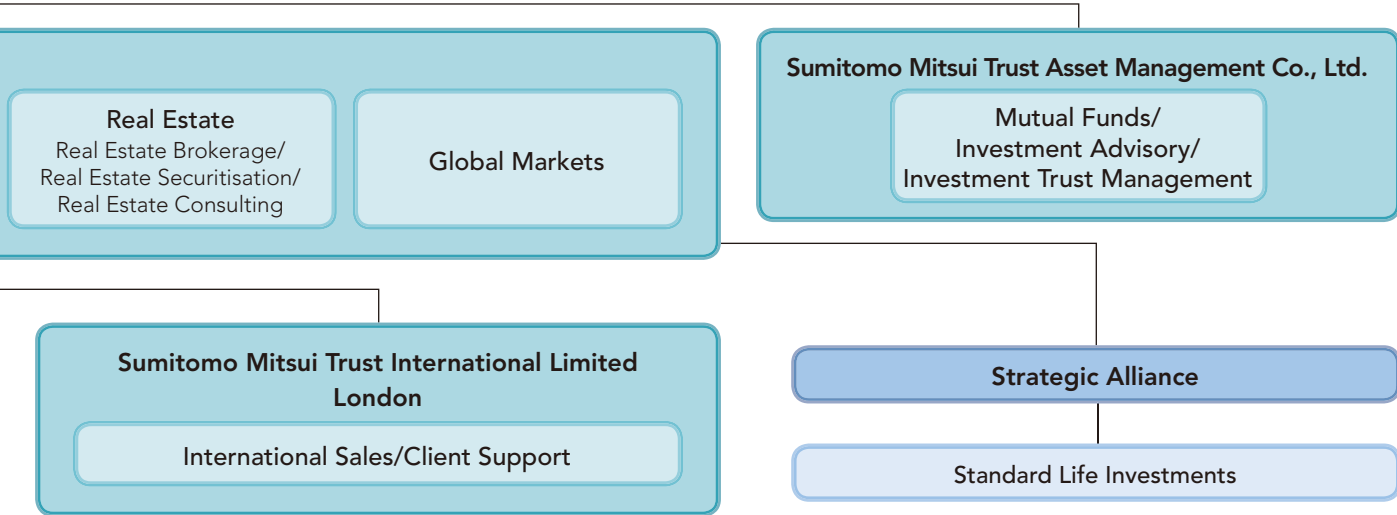
Group Overview



SUMITOMO MITSUI TRUST HOLDINGS

Listed on the Tokyo Stock Exchange First Section and included in the Nikkei 225
Originated in 2011





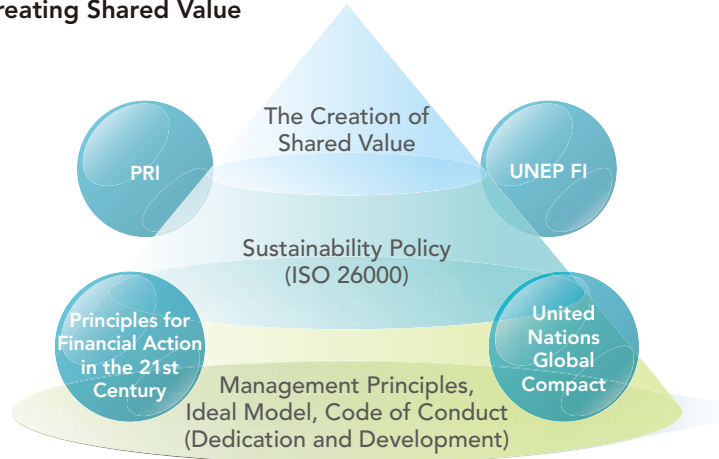
Our ESG-themed Initiatives

Creating Shared Value through Strategic CSR

“Creating Shared Value” is the concept of companies creating social value by addressing society’s needs and challenges while simultaneously creating their own economic value.

Sumitomo Mitsui Trust Group’s (the “Group”) pursuit of CSV is based on its Management Principles (“Mission”), Ideal Model (“Vision”), and Codes of Conduct (“Values”), as well as its Sustainability Policy—its basic policy on social responsibility. These policies clearly reflect our attitude toward the creation of economic and social values. The initiatives are driven by the commitment of the top management.

Process of Creating Shared Value



Global ESG Meeting

As a trust bank, we operate in a wide range of business. SuMiTB is wholly committed to ESG activities under the guidance of the Corporate Planning Department.

At the global ESG meeting, representatives of each business division discuss ESG issues and related activities in each area, along with industry trends. The aim is to realize “Creating Shared Value” by our Group. The meeting is attended by the relevant staff of the CSR Promotion Office at the Corporate Planning Department, the Fiduciary Services Business, Stock Transfer Agency Business, Environmentally Friendly Property Business, and Wholesale Financial Services Business. Through the global ESG meeting, asset management staff obtain deeper insights into the commitment to ESG in line with global requirements in the asset management business. They leverage this acquired knowledge in their duties.



Global Collaboration and Educational Activities

The Group has signed on to various international guidelines and principles involving corporate conduct. It has actively involved itself in the formulation of international standards in cooperation with international organizations, foreign companies and NGOs, while it implements such activities.

Accession to the United Nations Environment Programme Finance Initiative (UNEP FI)



The UNEP FI is an international network that encourages financial institutions to take action to preserve the environment and to make development sustainable. The Group has proactively supported UNEP FI ever since it became the first Japanese trust bank to sign on to it in October 2003.

Participation in the UNEP FI Property Working Group (UNEP FI PWG)

The UNEP FI PWG is one of the working groups formed by signatory institutions of the UNEP FI to promote property finance that facilitates sustainable development, namely Responsible Property Investment (RPI). In addition to joining the working group in June 2007, the Group became a member of the media team that promotes RPI and conducts activities as one of its leading members.

The Natural Capital Declaration



Sumitomo Mitsui Trust Holdings (SuMiHD) became a signatory to the Natural Capital Declaration proposed 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 in June 2012. Sumitomo Mitsui Trust Holdings is the only financial institution in Japan to have signed the declaration.

Accession to the Principles for Responsible Investment



The Group companies became a signatory of the Principles for Responsible Investment, which were jointly established by the U.N. Global Compact and the UNEP FI. These principles require institutional investors and fund management institutions to give consideration to ESG (Environmental, Social, and Governance) factors when making investment decisions.

Signing of a Leadership Declaration under the Business and Biodiversity Initiative "Biodiversity in Good Company"



At the ninth meeting of the Conference of the Parties to the Convention on Biological Diversity held in May 2008 in Bonn, Germany, the Group, together with 33 other companies from around the world, signed a leadership declaration under the Business and Biodiversity Initiative "Biodiversity in Good Company," which was led by the German government. Since that time, we have been playing a role as a leading company in this field and making proactive efforts to address this issue.

Signing the United Nations Global Compact (UN Global Compact)



The UN Global Compact, proposed by former UN Secretary-General Kofi Annan, is a code of conduct regarding human rights, labor, the environment, and anti-corruption. Signatory companies are called on to take measures to implement the compact. In July 2005, the Group signed the compact, becoming the first Japanese bank to do so, and declared its resolve to act as a good corporate citizen by complying with and promoting the code of conduct. The Group also became a member of the Global Compact Japan Network (GC-JN), in which signatory companies of the UN Global Compact participate.

Membership in Business for Social Responsibility (BSR)



BSR, based in the United States, is an organization that promotes CSR, and it is engaged in the development of sustainable business strategies through collaboration with more than 250 member companies all over the world. In January 2010, the Group became a member of BSR and receives various forms of support in promoting CSR that is specific to business, such as the dissemination of information on global trends relating to sustainability.

Formulation and Practice of "Principles for Financial Action towards a Sustainable Society" (Principles for Financial Action in the 21st Century)

The Group has been actively involved in the formulation of the Principles for Financial Action in the 21st Century. These principles aim at concrete action toward creating a sustainable society jointly taken by Japan's major financial institutions. As the current chair of the steering committee, we are pressing ahead with efforts to coordinate the signatories and to ensure the widespread adoption of these principles.



Global Collaboration and Educational Activities

Doing Our Part to Develop a Global RI (Responsible Investment) Market

All of our group companies are PRI signatories, and we have co-chaired the PRI Japan network since 2010. In September 2014, at the annual PRI conference held in Montreal, Canada, we introduced our activities in Japan.

The SuMiHD Group is also a member of the Global Compact Japan Network (GC-JN), an organization in which UN Global Compact signatories in Japan participate. We have co-chaired the “SRI subcommittee” along with Daiwa Institute of Research and Daiwa Securities since 2011, and held a number of seminars. We will continue to distribute information related to responsible investment widely through a range of channels such as seminars, ESG case studies and investor information services, which are a part of securities services operations.



Participating in ICGN Conference in Tokyo

The International Corporate Governance Network (ICGN) conference in Tokyo took place on March 3 and 4, 2014, under the auspices of Japan Exchange Group, Inc. The ICGN is a non-profit organization formed by institutional investors, who are its main members. Since its establishment in 1995, it has developed as a global organization made up of leaders in corporate governance. It now has approximately 600 members, including many global investors.

In addition to supporting the conference as a main sponsor, SuMiTB also participated in a panel discussion on the first day of the conference.



Participating in RI Asia Annual Conference

An annual conference of Responsible Investor (RI) Asia took place in Tokyo for the first time on March 5 and 6, 2014. The conference features socially responsible investment and is held annually in the United States, Europe and Asia. Lectures and panel discussions covered global forecasts on sustainable corporate growth, responsible investment and ESG investment. In addition to supporting the conference as a sponsor, SuMiTB also participated in a panel discussion.

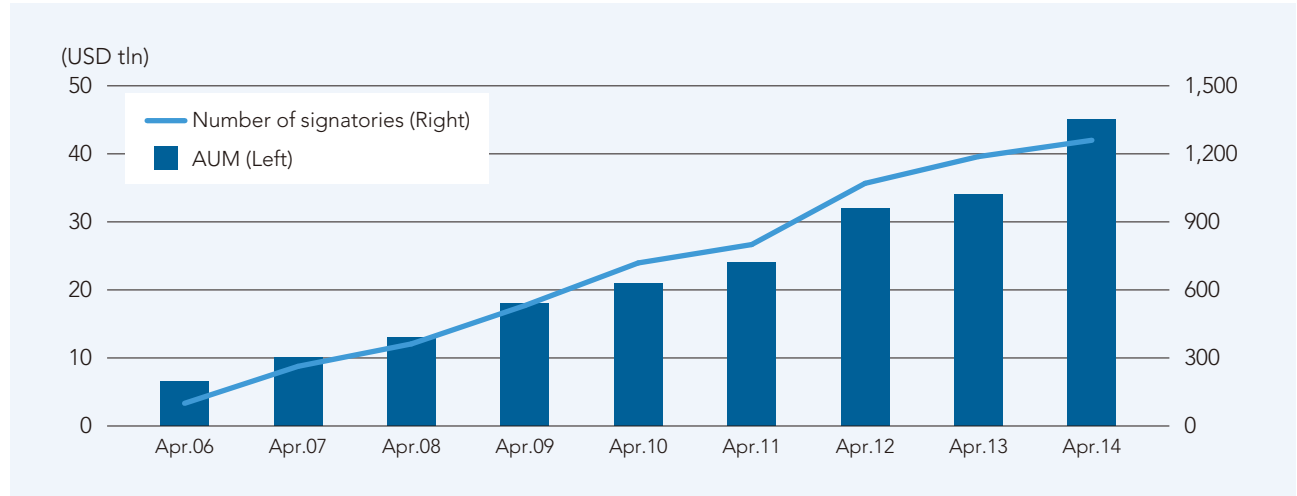


Changing Global Investment Environment

Growing Interest in Environmental, Social and Governance (ESG) Issues

Recently, as more people call on companies to fulfill their corporate social responsibilities, the investment community increasingly sees environmental, social and governance (ESG) issues on a global basis.

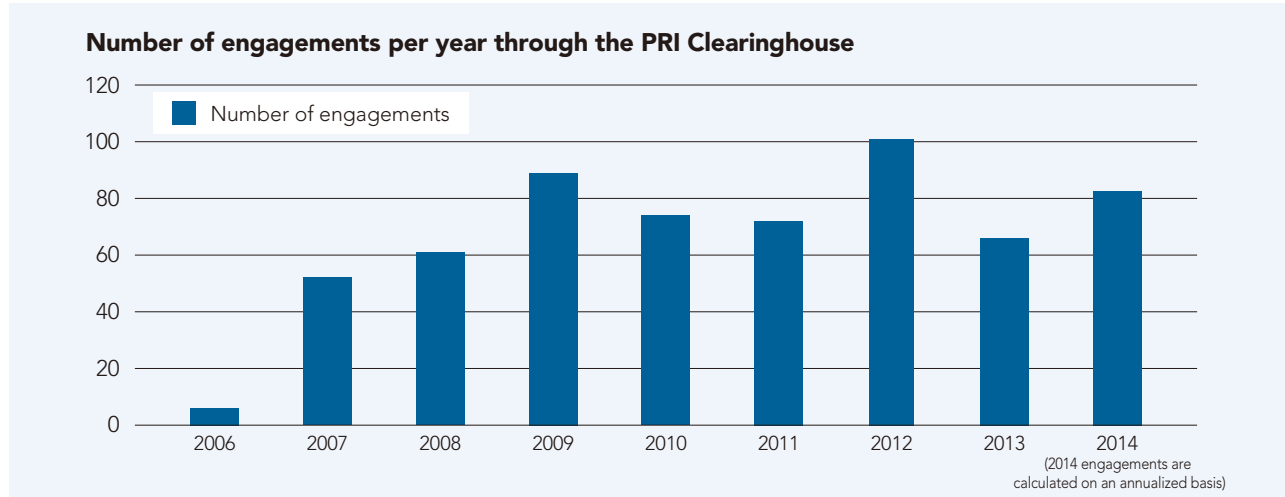
The number of institutional investors who became signatories of Principles for Responsible Investment (PRI) has been steadily increasing over the years, now totaling over 1,000 institutions, with total AUM of USD 45 trillion. There has been a clear trend in the investment industry to commit itself to ESG issues and cooperate with each other through PRI and other organizations.



Source : PRI

Global Trends in Engagement

Given growing interest in ESG issues, the number of cases where investors engage with companies on ESG themes is increasing around the world. PRI also offers a clearinghouse service where signatories can collaborate on engaging management via an online platform.



Source : PRI, Sumitomo Mitsui Trust Bank

Capital Market Reform in Japan

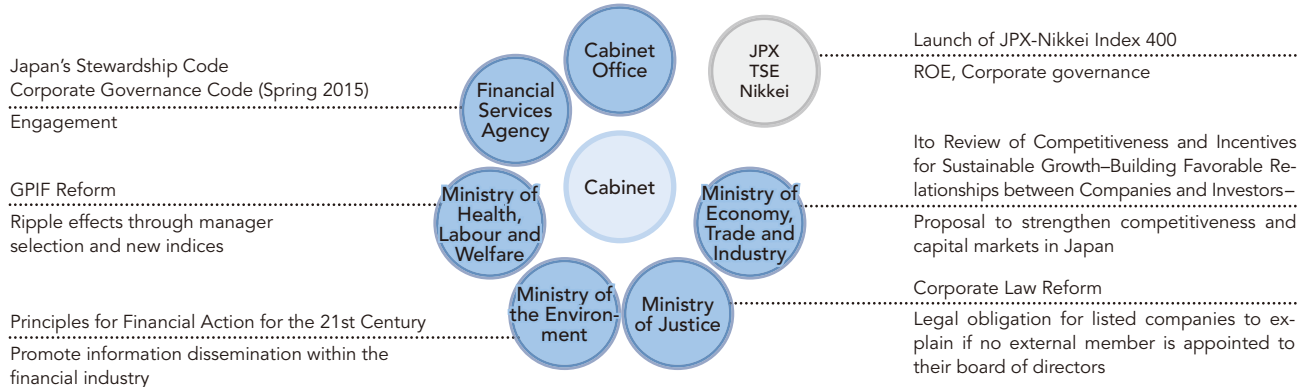
Capital Market Reform as Part of the Growth Strategies of Abenomics

The Japanese government has been committed to a national effort to drive speedy capital market reform since the Abe administration came to power in December 2012. Each ministry and agency is implementing relevant policies in each area of responsibility in coordination with counterparts.

The final goal of the capital market reform is to create a virtuous economic cycle by improving ROE and corporate governance at companies, for which various measures have been adopted.

Capital Market Reform Measures Conducted by Each Ministry

The Japanese government is working on capital market reform nationwide, with ministries working together with elected officials on implementation.



Four Initiatives of Capital Market Reform

Three measures have already been implemented, namely the introduction of Japan's Stewardship Code, GPIF reform and adoption of JPX-Nikkei Index 400.

The Corporate Governance Code is also scheduled to be introduced in 2015, and the capital market reform is driven by four initiatives.

Japan's Stewardship Code

▶ Principles of conduct for institutional investors

- Promotion of "constructive dialogue" between institutional investors and companies
- Driving sustainable growth by conducting shareholder-oriented corporate management
- Seven principles of conduct, Number of signatories: 160 (as of Aug 2014)
- Requesting institutional investors to "Comply or Explain" (comply with the principles or explain the reason for non-compliance)

Corporate Governance Code

▶ Principles of conduct concerning the corporate governance of corporations

- Principles concerning the corporate governance of listed companies
- Organization of content by the Tokyo Stock Exchange and the Financial Services Agency at the forum of distinguished experts
- Participation of OECD as advisor
- Scheduled to be formulated in the spring of 2015, requesting companies to "Comply or Explain"

GPIF Reform

▶ Allocation of assets to Japanese equities and adoption of the new mandate

- Shift from government bond-oriented portfolio toward risk assets such as Japanese equities
- Adoption of additional indexes (three, including JPX-Nikkei Index 400)
- First-time adoption of engagement fund focused on sustainable growth

JPX-Nikkei Index 400

▶ An incentive for corporations to enhance ROE

- New index launched in January 2014
- Selection of composite companies for index based on their ROE and corporate governance
- Adopted by GPIF as a new index, attracting attention of international investors
- Selection into this index provides the Japanese companies with an incentive to improve management

SuMiTB's Commitment to ESG as an Asset Management Company

Equity Analysts at SuMiTB

Framework

The Investment Research Department at Sumitomo Mitsui Trust Bank has many analysts with over 10 years of experience that thoroughly covers all sectors. They conduct well over 10,000 interviews a year. Having consolidated the functions of the credit analyst team since 2014, the department has a research framework that pursues synergy effects from multifaceted viewpoints such as macro, micro, equity and debt.

ESG Activities by Equity Analysts

Main driver of the engagement activities

Through signing Japan's Stewardship Code, we will be performing the engagement activities in a more systematic way than in the past, and the main driver in these activities will be the analysts. Analysts engage in quality dialogue with companies for sustainable growth from the perspectives of both business and governance, based on profound understanding of the companies or sectors they manage. We will enhance medium- to long-term investment returns by giving feedback on what has been discussed with fund managers.

ESG integration

In 2014, SuMiTB launched an ESG integration that applies the ESG evaluation process to active funds, capitalizing on the insights earned through the management of RI (responsible investment) funds over the past ten years. Specifically, analysts assign ESG ratings with qualitative evaluation to each investing stock, by taking into account the dialogue with management, and an intra-sector comparison on the basis of external data. Fund managers utilize these measures when making investment decisions.

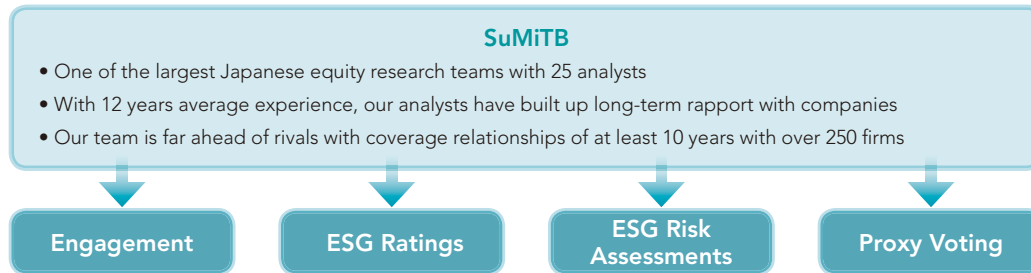
Four Pillars of SuMiTB's Initiatives

SuMiTB's ESG initiatives in asset management comprise the Four Pillars, namely engagement, ESG ratings, ESG risk assessment, and the exercise of voting rights.

We are working on our initiatives through capitalizing on the insights of fund managers and analysts into ESG accumulated through more than ten years experience of operating RI (responsible investment) funds. We also rely on company research, analysis and qualitative evaluations by one of Japan's largest teams of analysts who specialize in Japanese equities. We have outsourced basic ESG-related research and assessment on companies to The Japan Research Institute, one of the leading think tanks in Japan. For engagement, we will be enhancing the framework by utilizing the insights available from an external collaborative investing institution (Misaki Capital Inc.), in addition to using our own internal framework.

SuMiTB's Efforts —Four Pillars for Exerting Influence on Japanese Companies

- Established a structure supporting the entire Japanese economy via asset management functions
- Using Four Pillars, SuMiTB influences Japanese firms to change



(as of October 31, 2014)

Our ESG Engagement Policy

SuMiTB has introduced policies to actively engage investee companies in the belief that providing solutions to environmental, social and governance (ESG) issues so as to develop a sustainable society will contribute to upholding the best interests of the ultimate beneficiaries who entrust their assets to us. This policy is illustrative of the issues and actions that serve as criteria for ESG engagement from the perspective of an asset management company.

SuMiTB's Actions with Respect to Environmental and Social Issues

- We require investee companies to address global environmental and social issues, in line with the social good.
- In the event of a non-humanitarian act or other violations of the standards of conduct set out in the United Nations Global Compact, we dialogue with the investee companies that committed the violation to request improvement.

Our Actions with Respect to Governance Issues

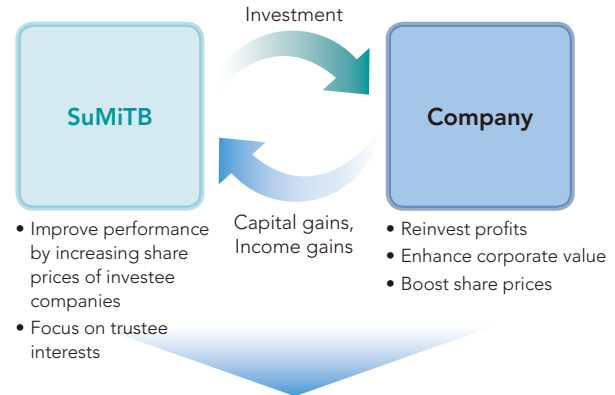
- If it is determined that management discipline at investee companies is not working in the interests of shareholders as a whole, we urge the investee companies to adopt internal governance measures to improve management discipline.
- In the event of management misconduct, such as violations of the law causing impairment to shareholder value, we exercise our voting rights in a way that clarifies management's responsibility and ensures the maintenance of legal compliance. Furthermore, we assess compensation systems in which management shares with shareholders the benefit of increasing shareholder value over the medium- to long-term, while demanding from investee companies active disclosure and accountability that serves the interests of investors.

Our Policies on Initiatives for Domestic Companies

Engagement Activities Based on Japan's Stewardship Code

In February 2014, Japan's Stewardship Code was introduced by the Financial Services Agency. The Code is intended to help institutional investors achieve expansion of medium- to long-term investment returns by promoting greater corporate value and sustainable growth through "purposeful dialogue" (i.e. engagement) with companies. SuMiTB had already been engaged in this type of initiatives, but we developed a framework for shifting to a more systematic operation, taking advantage of the Code's introduction. SuMiTB's approach in engagement aims at enhancing the corporate value of investee companies by providing them with motivation by giving opportunities to consider and awareness of (expression of opinions) better management. Engagement shall be carried out by one of Japan's largest teams of analysts who specialize in Japanese equities. Utilizing their own insights, they will conduct quality dialogue with investee companies focusing on their management challenges. Another advantage of SuMiTB is its trusting relationships with companies, which have built up over the years.

Engagement Activities



Sustainable growth of the Japanese economy

* For our response to Japan's Stewardship Code, please visit the URL below.

<http://www.smtb.jp/tools/english/asset/stewardship.html>

Engagement Activities with Overseas Companies

ESG Monitoring and Engagement

SuMiTB is conducting engagement with related organizations on the specific agendas stated in the ESG engagement policy. In addition, SuMiTB has established the ESG Monitoring Committee chaired by the General Manager of the Asset Management Department, for thoroughly keeping everyone up to date and for monitoring situations.

Moreover, SuMiHD participates in the clearinghouse run by PRI. We have, for example, started collaborating with overseas signatories on engagement relating to water risks.

Engagement with Companies with Links to Anti-personnel Mines and Cluster Bombs

The issues of anti-personnel mines and cluster bombs are being addressed on an international level and from a humanitarian point of view. These weapons disrupt the maintenance of peace and stability as well as restoration and development in affected regions. Accordingly, the Ottawa Convention (1999) on the prohibition of anti-personnel mines and the Oslo Convention (2010) on cluster bombs have been enforced in Japan. The global fund management industry, meanwhile, is increasingly acting to cut off financial support to related companies by stopping investment in them in addition to discouraging production of these weapons.

In line with the above trend, SuMiTB basically excludes companies that manufacture anti-personnel mines and cluster bombs* from the portfolio of active management products. For companies involved in making such weapons that are held in our passive management products, we are encouraging them through engagement activities to suspend the manufacture of these weapons.

* On the basis of a list of companies prepared by Dutch NGO IKV Pax Christi in the report "Worldwide Investments in Cluster Munitions: a shared responsibility."

Introduction of ESG Ratings

ESG Evaluation for Management

ESG Evaluation in Active Management

SuMiTB's analysts evaluate the level of commitment to ESG at each company and assign ESG ratings by a three-grade assessment system based on the intra-sector relative comparison. With more than 10 years experience in managing RI (responsible investment) funds, SuMiTB's analysts have a high level of sensitivity toward ESG, and are thus capable to evaluate based on the reality of Japanese companies. For basic research, SuMiTB utilizes external data available primarily from The Japan Research Institute.

With respect to the rationale for ESG ratings and the reasons behind changes, analysts are sharing information with fund managers on a timely basis.

As for companies with poor ESG ratings, the analysts request those deemed to have particularly serious problems to make improvements through engagement activities.

ESG Ratings

- Launched in 2014, utilizing insights and know-how based on over 10 years experience with RI funds, aiming at ESG-conscious stock selection
- Applying to active Japanese equity funds

Basic research by The Japan Research Institute—ESG Score

Assigning scores in the categories of E (environment), S (social) and G (governance) to companies in each sector, based on the understanding of SuMiTB's philosophy
Research through surveys to companies, CSR reports, checking media coverage, interviews, etc.



Qualitative evaluations by analysts of SuMiTB

Capitalizing on the insights gained from in-depth interviews with top management and IR staff, as well as research and analysis over the years SuMiTB's analysts are capable of making evaluations based on the reality of the Japanese companies.



ESG ratings

Our Initiatives in ESG Risk Assessment

Our Initiatives in the Risk Assessment Related to ESG

SuMiTB has launched an initiative in which highly relevant global ESG issues are identified in each sector, whereby potential ESG risk associated with each stock in the respective sector is grasped. The objective is to prepare against the downside risk in events related to ESG.

Under this initiative, we conduct monitoring as appropriate that reflects irregular risks whenever they arise.

We will confirm the stable operation of the initiative in RI (Responsible Investment) strategy. We are expecting this initiative to be applied to other products in the future.



- Global framework to identify and analyze 40 ESG issues
- Our assessments reflect irregular risks as they materialize, with monitoring as needed
- Employed as a way to engage with our investee companies

(as of October 31, 2014)

ESG Integration (Management Products)

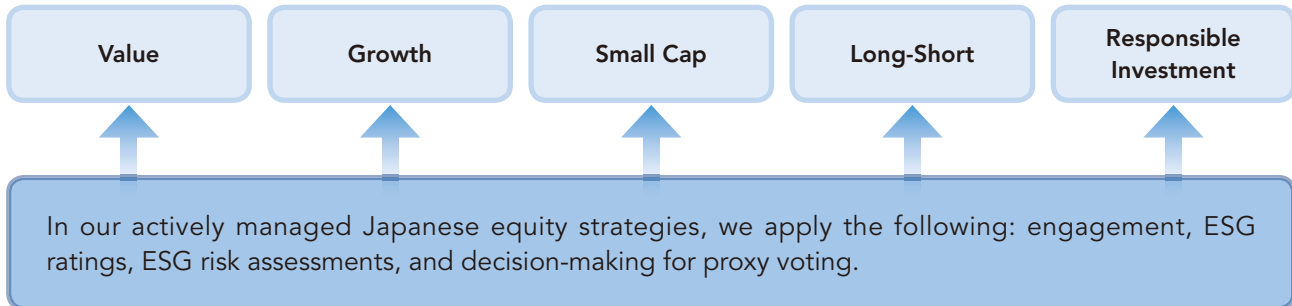
Adoption of the Four Pillars of SuMiTB's Initiatives into Fund Management

At SuMiTB, we started ESG integration, which incorporates the ESG evaluation process into its active funds, from 2014. We will utilize the aforementioned Four Pillars of SuMiTB's initiatives (engagement, ESG ratings, ESG risk assessment, and exercise of voting rights) in making investment decisions on active management products of Japanese equities.

The ways of considering ESG ratings differ by individual investment style. As for top companies held by a fund or companies with low ESG ratings and thus considered to involve ESG risk, opportunities are arranged for analysts and fund managers to discuss the ESG evaluations, which are used to refine our stock portfolio. Meanwhile, we will proactively conduct engagement activities for the companies exposed to ESG risk.

ESG Integration

A system for applying ESG initiatives to our actively managed Japanese equity funds has been established



Our Flagship RI (Responsible Investment) Strategy for Japanese Stocks

Three Steps for Our RI Fund

Flagship RI Fund for Japanese Stocks

The flagship RI fund for Japanese stocks is one of the oldest responsible investment funds in Japan, having been managed since 2003. Its stock selection focuses on ESG, and its degree of contribution to the improvement of financial returns. Its distinguishing features are its insights of SuMiTB's RI fund management team along with basic research by The Japan Research Institute.

The Japan Research Institute Chooses "Best-in-class" for RI Universe

The Japan Research Institute, one of the most influential think tanks in Japan, conducts a survey covering 2,000 companies to select "best-in-class" companies as candidates for the RI universe.

The evaluation criteria consist of E (environment), S (social), G (governance) and V (Value). V has been adopted as a new criterion from the previous fiscal year to evaluate the contribution of ESG initiatives to a company's business growth.

SuMiTB Investment Team Selects Our RI Universe Candidates

We exclude companies with high credit risks from The Japan Research Institute list of RI candidates. Our monthly committee chaired by the General Manager of Equity Investment Department decides candidate stocks for our RI universe.

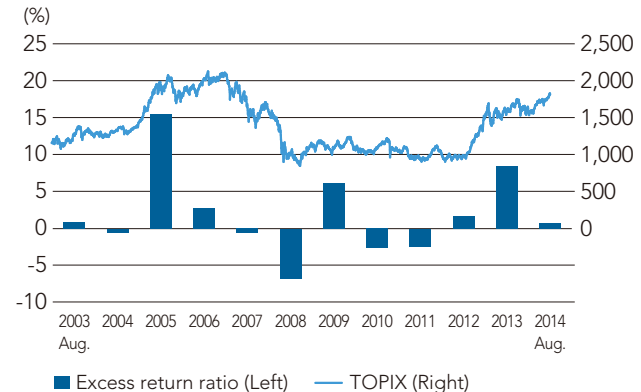
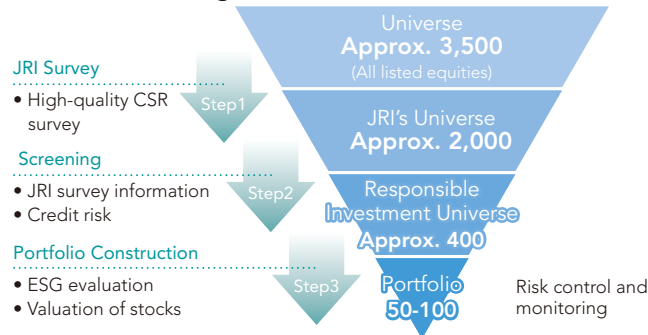
SuMiTB Portfolio Managers Choose Stocks

Our portfolio managers choose stocks from among our RI universe based on 1) assessment of ESG-associated potential risks and evaluation of a company's business growth created through its ESG efforts, and 2) equity valuation methods of valuation and earnings momentum derived from the earnings forecasts of our Japanese stock analyst teams. We seek to achieve an excess return versus the benchmark TOPIX.

Performance of Our RI Fund

The chart below on the right shows the cumulative excess return rate and TOPIX return since the launch of the flagship RI fund. Since the Abe administration came to power at the end of 2012, the Japanese stock market has performed solidly. We expect this trend to continue, on the back of positive factors including improvement in corporate performance and the government-sponsored capital market reform. In addition, the environment is becoming increasingly favorable for this fund as Japanese companies are becoming more and more ESG-conscious.

Investment Management Process



Source: Sumitomo Mitsui Trust Bank, Ltd. (as of June 30, 2014)
JRI: The Japan Research Institute

Our Products

SRI Japan Open (Good Company)

The SuMiHD Group launched Japan's first RI (Responsible Investment) Fund aimed at corporate pension funds in 2003 (flagship RI fund). Using the same RI approach, the "Good Company" mutual fund targets a wide variety of investors, including individuals, and is now regarded as one of Japan's standard-setting RI funds.

The Good Company fund strictly screens for and invests in companies with proactive ESG initiatives aimed at enhancing corporate value. It aims to achieve excess returns compared to the performance of its benchmark, the Tokyo Stock Price Index.

**(Investment Manager:
Sumitomo Mitsui Trust Asset
Management)**



China Good Company

The "China Good Company" fund is a RI (Responsible Investment) Fund that applies the same methodology as the Japanese flagship RI fund to Chinese stocks. The fund is attracting the attention of US and European investors as the world's first Chinese RI fund developed by an investment manager not owned by a Chinese financial institution (established in 2010).

For stock selection, we draw on the Japan Research Institute's ESG surveys and research, and we are working with Business for Social Responsibility (BSR), a US-based CSR consultant, to build a structure to gather any negative information about target companies in a timely manner.

**(Investment Manager:
Sumitomo Mitsui Trust Asset
Management)**



World Bank Bond Fund

Nikko Asset Management, a group company, developed this fund together with the World Bank. More than 30% of its portfolio is in green bonds, a fixed income instrument issued by the World Bank. Funds raised with green bonds are in principle used for lending to projects that address climate change in developing countries. This fund is thus recognized globally as a fund through which its investors can feel they are making a social contribution.

(Investment Manager:
Nikko Asset Management)



Biodiversity Fund for Supporting Companies

Biodiversity refers to “a wide range of species and creatures” and “the connections among them.” The Biodiversity Fund for Supporting Companies invests in Japanese companies that actively commit themselves to biodiversity conservation and sustainable use of biodiversity-reliant resources using the family-fund method. SuMiTB is an advisor on management of the mother fund.

Few US and European investment funds focus on biodiversity, so this fund is attracting attention in the global investment community.

(Investment Manager:
Sumitomo Mitsui Trust Asset
Management)



Our Philosophy on the Exercise of Voting Rights

SuMiTB exercises proxy voting rights as a step and a method to make an investee company's management appreciate the significance of governance based on shareholder value, and to act in compliance with this precept.

Basic Policy on the Exercise of Voting Rights

In view of the importance of corporate governance, SuMiTB decides its basic policy on the exercise of voting rights to ensure that the exercise of these rights can make the management of investee companies respect the interests of and maximize long-term benefits for shareholders and ultimately benefit customers.

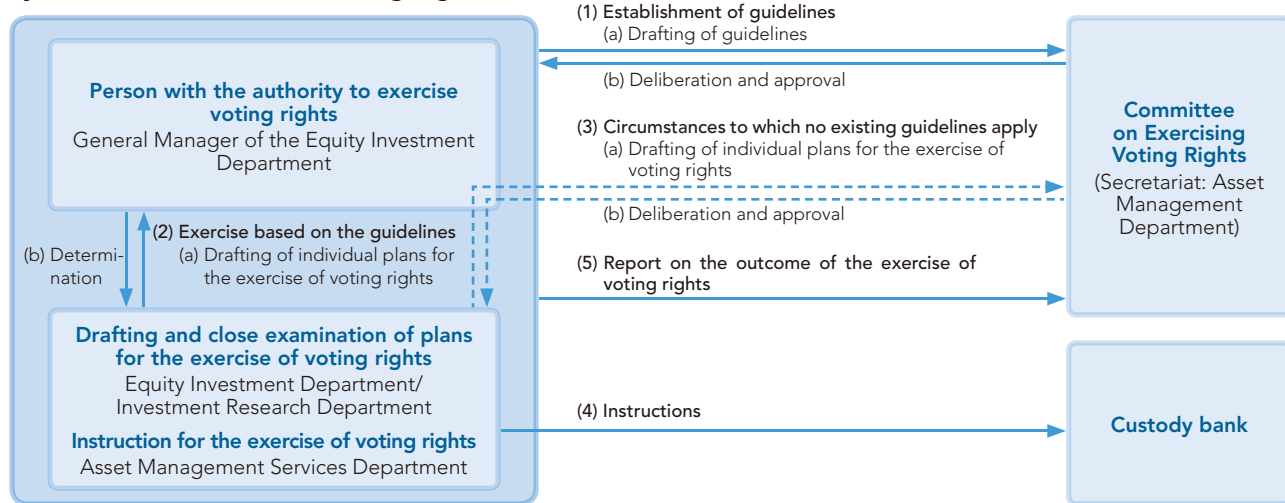
Corporate Governance System and Investment Criteria

We believe that the management policies and decisions of a company should be made not just to reflect the interests of shareholders but should also be based on the reconciliation of interests among various stakeholders including employees, creditors and clients. As such, we believe that a company's management must actively develop sound corporate governance systems that respect the interests of shareholders, in which efficient utilization of shareholders' equity and proactive disclosure to stakeholders are realized. The status of a corporate governance system in this broader sense can be a form of investment criterion. Whenever we find companies in our portfolio that do not pay sufficient heed to shareholder interests, we offer them guidance so that they pay proper attention by indicating our intention through the exercise of voting rights.

Our Policies on Misconduct or Anti-social Behavior

We regard misconduct or anti-social behavior by an investee company or its management to be a serious breach of corporate governance, and we endeavor to exercise voting rights in a way that improves the effectiveness of the company's corporate governance.

System for the Exercise of Voting Rights



Our Philosophy on the Exercise of Voting Rights

A View to Strengthening Corporate Governance Systems

We focus on communication with investee companies and to have dialogue on the development and improvement of their corporate governance systems. On this basis, our analysts who are familiar with companies' situations examine what methods would be most effective in encouraging companies to strengthen their corporate governance systems, with a view to maximizing the interests of shareholders through a range of contacts with those companies.

Our Philosophy on the Exercise of Voting Rights

An internal system for the exercise of voting rights has been in place since 2000. We have started checks in qualitative aspects including whether investee companies are involved in any corporate misconduct, as well as quantitative aspects based on performance evaluation criteria. In 2004, we formulated criteria for the exercise of voting rights with respect to the independence of outside directors, ahead of other asset management companies in Japan. SuMiTB is deciding and exercising its voting rights based on its proprietary criteria, in an effort to improve corporate governance at the investee companies.

Status of Exercise of Voting Rights by Category of Proposal

Our track record on the exercise of voting rights for domestic shares at general meetings of shareholders held in the period from July 2013 to June 2014 is as follows.

1. Proposals Made by Investee Companies

	Approving votes	Dissenting votes	Abstention	Blind trust	Total
Appropriation of surplus, etc.	1,399	48	1	0	1,448
Appointment of directors	1,368	409	1	0	1,778
Appointment of corporate auditors	1,231	203	1	0	1,435
Partial amendment to Articles of Incorporation	574	12	0	0	586
Payment of retirement benefits	178	114	0	0	292
Revision of compensation for officers	356	13	0	0	369
Issuance of share warrants	100	48	1	0	149
Appointment of independent auditors	33	0	0	0	33
Matters related to reorganization strategies ^{*1}	41	0	0	0	41
Other proposals by the company ^{*2}	189	32	0	0	221
Of those related to measures to deflect hostile takeovers, etc.	141	32	0	0	173
Total	5,469	879	4	0	6,352

*1 Merger, transfer or acquisition of business, share exchange, share transfer, company split, etc.

*2 Purchase of treasury stock, reduction of statutory reserve, capital increase by allocation of new shares to a third party, capital reduction, consolidation of shares, measures to deflect hostile takeovers, etc.

2. Proposals Made by Shareholders

	Approving votes	Dissenting votes	Abstention	Blind trust	Total
Total	0	154	0	0	154

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