

Financial Inclusion Initiatives

Target 8.10 of the SDGs seeks to “strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.” This kind of concept is known as financial inclusion—it refers to the support extended to people excluded from utilizing financial services because of poverty, discrimination, or other reasons so that they may gain access to such basic financial services in order to alleviate economic instability in their lives.

The Group is working with external partners and harnessing our various trust bank functions in an effort to accelerate our initiatives on financial inclusion with a particular focus on problems unique to Japan.

Challenges in Achieving the Initiatives

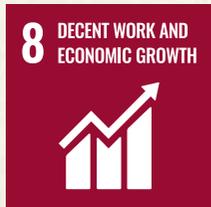
- Spreading awareness (correct perception of the current situation) in society about the growing number of financially vulnerable people in Japan owing mainly to increasing poverty and the rise of dementia patients
- Strengthening collaboration with aid agencies like NPOs and financial institutions
- Developing methods of support at financial institutions that reflect the current situation in Japan

Initiatives for Solving the Challenges

- Grasping an understanding of the situation through collaboration mainly with NPOs
- Identifying the issues unique to Japan (particularly dementia) in a super-aged society
- Enhancing support services in light of the Group's resources
- Supporting the improvement of financial literacy among the financially vulnerable

KPIs for Solving the Challenges

- Reviewing the significance of initiatives carried out within the Group thus far and establishing measures for implementation
- Developing programs for collaboration with NPOs and other entities



Financial Inclusion Initiatives at the SuMi TRUST Group

1. Establishing a financial inclusion promotion framework

Initiatives related to financial inclusion were previously implemented at various Group companies. From November 2019, however, the Corporate Planning Department's Sustainability Management Office assumed control of

these activities across the entire Group and took steps to develop an implementation strategy and expand the scope of initiatives. Its specific policies are outlined below.

1. Improving accessibility mainly through expansion of online transactions
2. Using mainly charitable trusts to provide finance schemes to people with little financial leeway
3. Financial inclusion initiatives for various types of loans
4. Initiatives based on the *G20 Fukuoka Policy Priorities on Aging and Financial Inclusion*
5. Flexible approach to mainly terms of repayment on loan transactions (initiatives for financial facilitation)

2. Improving accessibility mainly through expansion of online transactions

Given that financial infrastructure is already in place in Japan, expanding online transaction platforms in order to improve accessibility to financing would be one way to address financial inclusion.

enhance the convenience of client transactions by providing services through which a number of procedures can be completed online (internet banking) or over the phone (telephone banking) via its Sumitomo Mitsui Trust Direct platform.

For example, SuMi TRUST Bank is endeavoring to

Initiatives at SBI Sumishin Net Bank

SBI Sumishin Net Bank is an online-only bank that was launched in September 2007 as a joint venture between SuMi TRUST Bank and SBI Holdings, Inc. Since its foundation, the bank has endeavored to improve client services by striving to realize its goal of providing 24-hour, 365-day internet banking that offers the most easy-to-use and attractive products and services.

Recently, the bank has been actively rolling out new services that harness cutting-edge information technology. For example, it launched a robo-advisor by integrating the API of a fintech company, introduced an AI screening model for home loans, and started up transaction lending for corporate clients. It will continue to make every effort to further improve its services and user convenience (see page 85 for details).

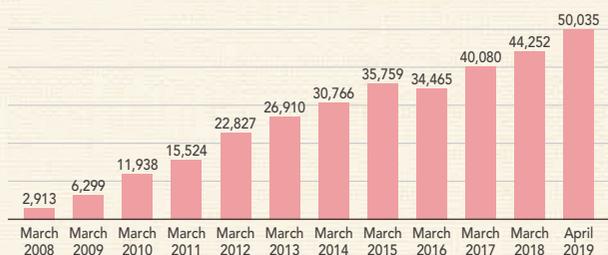
Examples of convenient services of SBI Sumishin Net Bank:

- Online account openings for which personal identification can be completed with one's smartphone
- Debit cards featuring Visa or Mastercard contactless payment function
- Multi-currency (15) pre-paid JAL Global Wallet card for JAL Mileage Bank members (through JAL Payment Port Co., Ltd., a JV established with Japan Airlines Co., Ltd.)

These initiatives have been favorably received by the market; as of April 2019 both total deposits and the cumulative amount of mortgage loans handled had exceeded the ¥5 trillion mark.

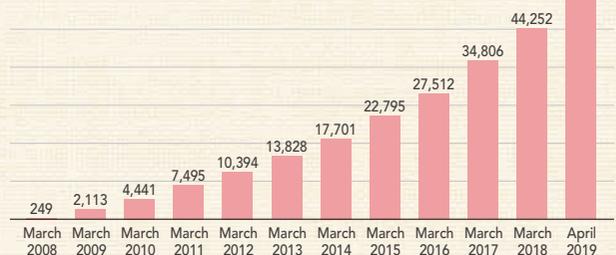
Total balance of bank deposits

(¥100 mn)



Amount of mortgage loans handled

(¥100 mn)



3. Using mainly charitable trusts to provide finance schemes

SuMi TRUST Bank is using mainly charitable trusts to provide finance schemes to people with little financial leeway. As part of this initiative, we provide charitable trusts to benefactor clients with the goal of offering

low-interest or no-interest scholarships to students who do not have the financial means to further their education (see page 21 for details).

Examples of charitable trusts designed to supply scholarships

Name of charitable trust	Eligible persons
MinebeaMitsumi Scholarship Fund for Orphans of the Great East Japan Earthquake	Children and students orphaned in the Great East Japan Earthquake
Junior Chamber International Matsuyama Scholarship Fund for Orphaned Children of Traffic Accidents	High school students living in Matsuyama City and orphaned from a traffic accident
Yoshihiko & Kazuko Yamashita Memorial Scholarship Fund for Orphaned Children of Traffic Accidents	Students attending high school or university in Saga City and orphaned from a traffic accident

Overview of charitable trust designed to supply scholarships (in the case of MinebeaMitsumi Scholarship Fund for Orphans of the Great East Japan Earthquake)

Qualifying conditions for subsidy on school expenses

(1) Children and students orphaned in the Great East Japan Earthquake

(includes children and students with only one parent (owing to death or separation) who died or was unaccounted for as a result of the disaster)

(2) Children and students currently attending elementary or junior high school (including schools of an equivalent nature)

Subsidy amount: ¥100,000 annually

Subsidy period: Until graduation from junior high school

4. Financial inclusion initiatives for various types of loans

(1) Special home loan guarantees against the eight major diseases

Cancer, acute myocardial infarction, stroke, and the five serious chronic diseases of high blood pressure, diabetes, chronic kidney failure, cirrhosis of the liver, and chronic pancreatitis are what are known as "the eight major diseases." The number of people affected by these ailments in Japan is growing as the population ages. For cases where clients with unpaid principal on their home mortgage are diagnosed with one of the eight major diseases and fall under prescribed conditions, SuMi TRUST Bank offers a guarantee service for the remainder of their home mortgage.

This service offers three levels of coverage: full, light, or lump-sum payment upon cancer diagnosis. Clients with a mortgage loan and aged between 20 and 45 or between 46 and 55 can select the breadth of coverage according to their needs.

Clients can also choose to reduce the entirety of their loan to zero (full-benefit type) or by half (half-benefit type) in the event they are diagnosed. In addition, clients aged between 20 and 45 that select full coverage will be guaranteed total hospitalization coverage, including a lump-sum payment, if they are hospitalized as a result of an illness or injury other than the eight major diseases, while clients

aged between 46 and 55 that select lump-sum payment upon cancer diagnosis will be paid one million yen if they are diagnosed with cancer for the first time in their life.

(2) Card loans

SuMi TRUST Bank has two types of card loans available for home loan clients only. These products can meet the various future capital needs of clients because the funds can be used for any purpose other than running a business. Funds can be borrowed with no transaction fee from SuMi TRUST Bank branch ATMs or from the ATMs of Japan Post Bank, Seven Bank, and E-net. Clients can also easily borrow funds via internet banking (Sumitomo Mitsui Trust Direct).

(3) Housing assistance loan for seniors aged 60 and over

SuMi TRUST Bank offers non-recourse mortgage loans to clients aged 60 or older that can be used to purchase a new home or to finance a home renovation. A non-recourse loan means that even if the amount of money from the sale of real-estate collateral is not enough to repay the loan in full after the contract expires as a result of the contracting party's death, their heir will not be requested to make any payments.

5. Initiatives based on the G20 Fukuoka Policy Priorities on Aging and Financial Inclusion

The world's population continues to rapidly age and there are fresh concerns that conventional financial services will be unable to meet their needs. Through much discussion about the topics of aging and financial inclusion, the Global Partnership for Financial Inclusion (GPII)* and the OECD jointly prepared and adopted the *G20 Fukuoka Policy Priorities on Aging and Financial Inclusion* at the G20 plenary meeting of finance ministers

and central bank governors in June 2019. The document sets out eight key priorities to help the international community address the challenges of aging populations.

SuMi TRUST Bank fully supports the priorities and therefore set out and announced the following initiatives to address each of the eight priorities.

* The GPII is an inclusive platform for all G20 countries, interested non-G20 countries, and relevant stakeholders to carry forward work on financial inclusion, including implementation of the G20 Financial Inclusion Action Plan.

Summary of specific initiatives to address the eight priorities

G20 Fukuoka Policy Priorities	The Group's leading initiatives
Customize —address the diverse needs of older people	100-Year Life Solution Trust (100-Year Passport): An asset management-type trust product that can also help clients with dementia owing to its features for safeguarding, utilizing, and transferring funds Other: Products related to inheritance, endowment, moving home, and donations; Diners Club cards, etc.
Protect —tackle financial abuse and fraud of older people	Mandatory passing of gerontology exam run by the Society for Applied Gerontology Japan: Retail branch managers must acquire necessary knowledge of healthcare, nursing care, and social insurance, as well as issues concerning the physical and mental wellbeing of the elderly, their lifestyles, and communities Other: Trusts designed to prevent fraud; taking part in writing of the Guide for Dementia Friendly Financial Services and placement of this booklet at all branch offices
Support lifetime financial planning	Housing assistance and reverse mortgage loans for seniors aged 60 and older: These products help elderly clients finance a new or refurbished home Other: Use of Lifecycle–Navi simulation tool; investment products and insurance, etc.
Encourage stakeholder engagement —a multi-sectoral approach	Partnership with Daini Tokyo Bar Association to introduce family lawyers: This service introduces family lawyers (personal lawyers) that can address the various needs of clients, such as monitoring to prevent incidents or matters concerning discretionary guardianship Other: Collaboration with community-based comprehensive support centers, COLTEM, International Longevity Center (ILC), Tokyo Metropolitan Government, etc.
Strengthen digital and financial literacy	Seminars on topics like asset management, "second life," DC plans, inheritance, and business succession: Each seminar is designed to address the needs of each generation and held on a nation-wide basis or on a branch basis at different times and for different occupations Other: Silver College seminars for integrated study; establishment of research institutes related to asset building, etc.
Innovate —harness inclusive technologies	Introduction of new system when visiting clients: We have introduced a new system when visiting elderly clients at home so that procedures can be completed more easily; the use of a host DB-linked tablet device reduces the burden of the client having to fill out forms Other: Use of AI in asset management; online-based consulting; monitor-based consultation system between branch and remote locations, etc.
Target key audiences —address vulnerabilities	Guardianship System Support Trust and Discretionary Guardianship System Support Trust: Products that manage and safeguard a ward's estate under the respective legal guardianship and discretionary guardianship systems Other: Special donation trusts; rules on writing/reading on behalf of clients; response quality checks by examiners for disabled persons, etc.
Use data and evidence (priority item mainly for policymakers)	Issuance of research reports: Analyzing and estimating trends in household assets based on official data from public agencies and other organizations Other: Responding to public agency surveys; collecting and analyzing client voices; in-store surveys by external research agencies, etc.

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Approach to asset management for clients with dementia

Once a person loses his or her ability to make decisions because of dementia or some other reason, they struggle to manage their deposits and savings or stay on top of various financial agreements. They may also end up signing a contract for a transaction that is not in their best interests or become easy targets for bank-transfer scams or unscrupulous business practices.

In asset management, needless to say, protecting assets must be prioritized before anything else. What is required next is daily living support in order to manage money needed for day-to-day living. And offering support to help them communicate their intentions is also key. Even though someone may have dementia, what they want to do or what they want done remains the same. For this reason, we need to devise a way for them to communicate their intentions and ensure their wishes are fulfilled under a private contract while they are still capable of making decisions.

SuMi TRUST Bank offers various products and services in line with this thinking (see page 46 for details).



6. Flexible approach to mainly terms of repayment on loan transactions (initiatives for financial facilitation) —

SuMi TRUST Bank believes that the smooth supply of necessary funds to clients is the most important role of a financial institution. In order to actively give full

swing to this financial intermediary function, the Bank established a Basic Policy on Facilitation of Financing (excerpt shown below).

Basic Guidelines concerning Facilitation of Financing

- When a client seeks to discuss or apply for a loan, or discuss or apply for changes to borrowing conditions, we will make every effort to address the client's request seriously and reach a solution appropriately and promptly after taking the client's circumstances into full consideration.
- When a client, for whom borrowing conditions had been changed, seeks to discuss or apply for a loan of necessary funds, we will address the client's request seriously and not reject it solely based on the fact that the client's borrowing conditions had been changed.
- When a client applying for changes to be made to borrowing conditions has transactions with other financial institutions, we will make every effort to protect the client's privacy and exercise due care in handling the client's personal information when collaborating closely with the financial institutions the client transacts with, provided we have been given the client's consent.
- When, for unavoidable reasons, we must turn down a client's request to discuss or apply for changes to borrowing conditions, we will make every effort to provide sufficient explanations to the client with as much time to spare as possible by referencing the client's hitherto transactions in order to gain the client's understanding and agreement.
- We will make every effort to appropriately and promptly respond to client inquiries, consultations, opinions, requests, or complaints about loans.
- When we receive a confirmation from a specified certified dispute resolution business operator (pursuant to paragraph 24 of Article 2 of the *Act on Special Measures Concerning Revitalization of Industry and Innovation in Industrial Activities*) to whom an SME client has requested the execution of specified certified dispute resolution procedures (pursuant to paragraph 25 of Article 2 of the *Act*; hereafter the "Turnaround ADR Procedures") whether we will make a request for the execution of the Turnaround ADR Procedures or not, we will make every effort to make the request so that a prompt dispute resolution can be reached.
- When we receive a debt factoring application from the Regional Economy Vitalization Corporation of Japan (REVIC) or the Great East Japan Earthquake Business Revitalization Support Agency, or when we receive a request for approval on claims management or disposal in accordance with a business revitalization plan, we will make every effort to respond appropriately.
We will also make every effort to appropriately cooperate on changing borrowing conditions for the business revitalization plan for which our approval is sought.
- We will actively provide business consultation services to clients and support initiatives aimed at improving business management of clients.
- We will make every effort to provide training and guidance to employees so that they may improve their capabilities for appropriately assessing the business value of clients.
- We will respect our Guidelines for Management Guarantee and make every effort to sincerely and flexibly respond to cases where we conclude a guarantee agreement with a client.

Guided by the basic guidelines above, SuMi TRUST Bank promptly and politely responds to clients seeking to discuss changes to loan repayment terms if the loan has become difficult to repay because of financial circumstances. Individual and corporate clients can visit their transacting branch to discuss their situation in person,

while mortgage loan and business loan clients can also make use of our toll-free number.

The table below shows the number of loan claims received the requests for changes to borrowing conditions as of the end of March 2019.

Number of Loan Claims Received the Requests for Changes to Borrowing Conditions

► In the case of SMEs

	End of March 2019
Number of loan claims for which restructuring of loan conditions, etc. was requested	4,744
Of which, number of loan claims regarding implementation () is the loan ratio	4,381
Of which, number of loan claims regarding refusal () is the refusal ratio	100
Of which, number of loan claims under examination () is the ratio of claims under examination	7
Of which, number of loan claims regarding withdrawal () is the ratio of claims withdrawn	256

* As of the end of March 2019, the figures include claims regarding trust accounts as follows. Request: 1, Implementation: 1, Refusal: 0, Under examination: 0, Withdrawal: 0
Claims regarding trust accounts refer to loan claims for which SuMi TRUST Bank received requests for restructuring of loan conditions, etc. from clients among those entrusted to SuMi TRUST Bank from other financial institutions, etc. for securitization and other purposes. SuMi TRUST Bank, a trustee, responds to them based on judgments by multiple people involved in trusts pursuant to the provisions of trust agreements.

► In the case of housing loan clients

	End of March 2019
Number of loan claims for which restructuring of loan conditions, etc. was requested	6,419
Of which, number of loan claims regarding implementation () is the loan ratio	4,987
Of which, number of loan claims regarding refusal () is the refusal ratio	285
Of which, number of loan claims under examination () is the ratio of claims under examination	40
Of which, number of loan claims regarding withdrawal () is the ratio of claims withdrawn	1,107

* As of the end of March 2019, the figures include claims regarding trust accounts as follows. Request: 511, Implementation: 429, Refusal: 18, Under examination: 0, Withdrawal: 64
Claims regarding trust accounts refer to loan claims for which SuMi TRUST Bank received requests for restructuring of loan conditions, etc. from clients among those entrusted to SuMi TRUST Bank from other financial institutions, etc. for securitization and other purposes. SuMi TRUST Bank, a trustee, responds to them based on judgments by multiple people involved in trusts pursuant to the provisions of trust agreements.