

Corporate Governance

As Japan's only financial group specialized in trust banking, the SuMi TRUST Group is enhancing its corporate governance system in line with its business model.

When changing into a "company with Three Committees" in June 2017, in addition to the statutory committees required by the Companies Act, SuMi TRUST Holdings established the Risk Committee and the Conflicts of Interest Committee, as advisory bodies to the Board of Directors. Furthermore, an external director serves as chairman of the Board of Directors, in order to increase the Group's management transparency.



1. Basic Initiative Policy

In order to adhere to the principles of sound management, based on a high degree of self-discipline with the background of fiduciary spirit, and to establish strong credibility with society, SuMi TRUST Holdings commits itself to enhancing its corporate governance system in line with the following basic philosophy, with the objective of supporting sustainable growth and medium- to long-term enhancement of the enterprise value of the SuMi TRUST Group. In addition, the Board of Directors sets out and discloses the SuMi TRUST Group's Management Principles ("Mission"), Ideal Model ("Vision"), and Codes of Conduct ("Value") as the anchor for all of our activities,

which is shared by all of the directors, officers, and employees of the SuMi TRUST Group.



Basic Philosophy

- SuMi TRUST Holdings shall respect shareholder rights, and endeavor to develop an environment in which shareholders can exercise their rights appropriately and effectively, and to secure the effectively equal treatment of shareholders.
- By recognizing the importance of its social responsibilities and public mission, SuMi TRUST Holdings shall endeavor to appropriately cooperate with its stakeholders, including shareholders, clients, employees, business partners, and local communities, and to establish a corporate culture and climate in which it conducts sound business operations based on a high degree of self-discipline.
- In order to establish a basis for constructive dialogue with its stakeholders, SuMi TRUST Holdings shall separately set out its Disclosure Policy, and endeavor to appropriately disclose corporate information, including non-financial information, and ensure the transparency of its corporate management.
- As the financial holding company that assumes the corporate management function of the SuMi TRUST Group, SuMi TRUST Holdings adopted the institutional design of a "company with Three Committees," and, by separating the execution and supervision of business, shall endeavor to ensure the Board of Directors' role of effective supervision.
- SuMi TRUST Holdings shall engage in constructive dialogue with its stakeholders in order to contribute to sustainable growth, as well as the medium- to long-term enhancement of the enterprise value of SuMi TRUST Holdings.

2. Perspectives Regarding the Corporate Governance System

SuMi TRUST Holdings is a financial holding company with subsidiaries such as SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, Nikko Asset Management, JTC Holdings, and Sumitomo Mitsui Trust Research Institute, etc. and aims to be our clients' "Best Partner," by providing "Total Solutions" that combine our banking business, asset management and administration business, and real estate business, based on a fiduciary spirit, and by

making full use of our significant expertise and creativity. In addition, in order to fulfill our principles and meet the expectations of stakeholders, SuMi TRUST Holdings endeavors to ensure the soundness and reliability of its business model and the transparency of the management of the SuMi TRUST Group, and further enhances the SuMi TRUST Group's corporate governance.

3. Board of Directors

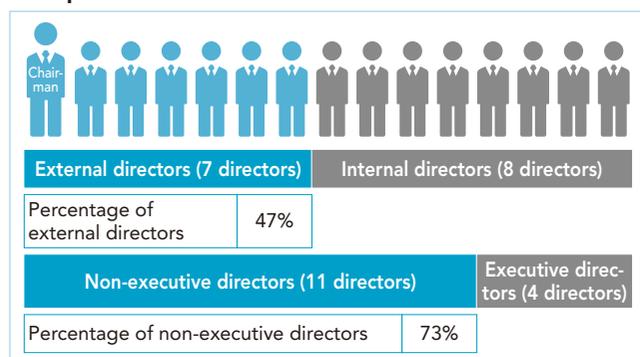
(1) Roles of the Board of Directors

The Board of Directors ensures the fairness and transparency of the SuMi TRUST Group's corporate management as its central role, by setting out the basic management policy of the SuMi TRUST Group and supervising the overall management of the Group. Thus, with the exception of matters that are required by law to be decided by the Board of Directors, the Board of Directors, in principle, delegates decisions on the execution of business to executive officers, and supervises the execution of business by executive officers, etc. Meanwhile, the Board of Directors provides and improves an environment in which external directors may properly supervise the execution of duties by the Board of Directors and the top management, as well as any conflicts of interest that may arise between SuMi TRUST Holdings and the management team, etc. from the standpoint of stakeholders, in order to support sustainable growth and the medium-to long-term enhancement of the enterprise value of the SuMi TRUST Group. In light of the importance of environmental and social issues related to sustainability, the Board of Directors prescribes a basic policy regarding social responsibility that is to be implemented by each Group company (the "Sustainability Policy"). Under this Sustainability Policy, the Board of Directors enhances awareness among its officers and employees, and promotes positive efforts to resolve these issues while taking its stakeholders into consideration, with the aim of supporting the sustainable growth of society and increasing the enterprise value of the SuMi TRUST Group. Furthermore, the Board of Directors establishes policies regarding the provision of products and services suitable for the true benefit of our clients (the "Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group"), acts to ensure client comfort and satisfaction by sharing our "client-orientation" policy within the SuMi TRUST Group, and promotes the practice of fiduciary duties in the SuMi TRUST Group by supervising each Group company's commitment to its fiduciary duties.

(2) Composition of the Board of Directors

The Board of Directors of SuMi TRUST Holdings is comprised of no more than 20 directors, which is the number of directors prescribed in the Articles of Incorporation, and includes the number of directors that is necessary and appropriate to provide an effective supervisory system required of a financial holding company that serves the corporate management function of the SuMi TRUST Group. Due

Composition of the Board of Directors



- All seven external directors have been registered as independent officers with the relevant financial instruments exchange.
- Breakdown of 15 directors: 14 men, 1 woman
- The Board of Directors met 16 times from December 1, 2018 to November 30, 2019. Only one director was absent once.



consideration is also given to ensuring the diversity and expertise of the Board of Directors.

In light of the importance of the functions of external directors in corporate governance, as a general rule, at least one-third of the directors on the Board of Directors are independent external directors. The Board of Directors establishes and discloses Independence Standards of Independent Directors.

In determining candidates for directors, SuMi TRUST Holdings takes into consideration, among other factors, a balance between individuals who are capable of exerting strength in the management of specific business fields, and individuals who are suitable for corporate management. SuMi TRUST Holdings strives to secure a board that is, as a whole, sufficiently balanced and diverse in terms of knowledge, experience, and capability to properly supervise the wide range of business fields in which SuMi TRUST Holdings has dealings, as a trust bank group.

(3) External Director Serving as Chairman of the Board of Directors

While a "company with Three Committees" is, in principle, able to delegate important business execution decisions to executive officers, the Board of Directors is required to exercise a greater supervisory function. In light of the role expected of the Board of Directors, SuMi TRUST Holdings has appointed Mr. Isao Matsushita, an external director, as chairman of the Board of Directors.

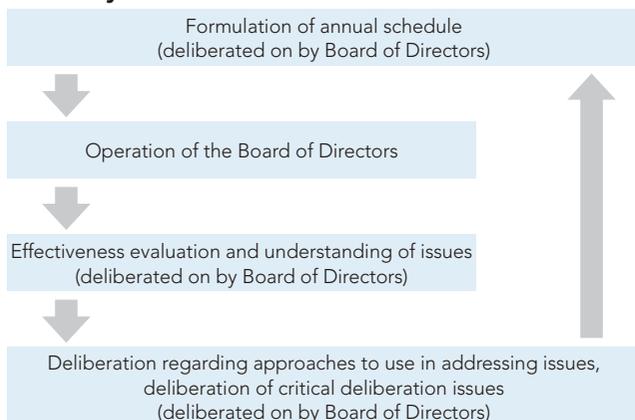
In addition, SuMi TRUST Holdings has established the Corporate Secretariat as an organization that assists the chairman in fulfilling his duties, thereby providing information for use in the selection of agendas for Board of Directors meetings, and offering assistance regarding matters such as the clarification of points related to the agendas of Board of Directors meetings.



(4) Results of the FY2018 Evaluation of the Board of Directors

SuMi TRUST Holdings conducts an annual evaluation of the effectiveness of the Board of Directors as a whole (the “Evaluation of the Board of Directors”), and reviews and implements remedial measures for the challenges it recognizes, thereby implementing a PDCA cycle to improve the effectiveness of the Board of Directors. The key points of the FY2018 Evaluation of the Board of Directors are as indicated below.

PDCA Cycle



■ FY2018 Key Evaluation Points of the Board of Directors

- (1) Implementation of multifaceted evaluations, including a self-evaluation by the Board of Directors and each committee’s self-evaluation, as well as the Board of Directors’ evaluation of each committee and executive officers’ evaluations of the Board of Directors
- (2) Implementation of third-party evaluations through questionnaires and interviews with directors by external experts
- (3) Confirmation of some degree of effectiveness through self-evaluations based on third-party evaluations; recognition of future issues
- (4) Exchanges of opinions at the external directors’ meeting regarding the results of the evaluation of the Board of Directors

FY2018 Implementation Schedule for the Evaluation of the Board of Directors

Month and Year	Evaluation Process
January-February 2019	Conducted questionnaires on directors, executive officers, and members of each committee (including external committee members other than directors. Same hereinafter)
February-March	External experts conducted interviews with directors
April	The board of directors deliberated the results of the evaluation of the board of directors Exchanges of opinions by external directors at the External Directors Meeting
May	Areas of greater focus for future deliberations were discussed by the board of directors
June	Additional matters for consultation for each committee were prepared An annual deliberation schedule for the board of directors was prepared

■ Measures to Address FY2017 Challenges

Based on the efforts for tackling challenges in fiscal year 2017, described below, the FY2018 Evaluation of the Board of Directors checked the status of improvements for each challenge, and confirmed that the conditions had improved for all challenges, compared with conditions in fiscal year 2017.

- (1) **Refinement of the infrastructure for operation of the Board of Directors to contribute to efficient and enhanced deliberation**
 - With regard to the topics to be deliberated on in greater depth by the Board of Directors, an annual deliberation schedule was formulated, and the topics were discussed by the Board of Directors. Appropriate deliberation opportunities were provided to the Board of Directors and committees.
 - Board of Directors materials were improved with an eye toward monitoring by the Board of Directors.
- (2) **Further demonstration of supervisory functions over management matters important for promotion of the midterm management plan**
 - From a supervisory perspective, management priority issues and medium- to long-term themes were selected as “management themes” and deliberated on in-depth by the Board of Directors.
 - Progress in the deliberation of risk appetite framework ideals, based on the trust bank group business model, was confirmed.
- (3) **Enhancement of coordination between the Board of Directors and each committee with a view toward ensuring the further demonstration of their functions**
 - Through deliberations by the Board of Directors, processes were introduced for clarifying the advisory issues of each committee for fiscal year 2018.

■ Results of the FY2018 Evaluation of the Board of Directors and Future Measures

Through the FY2018 Evaluation of the Board of Directors, SuMi TRUST Holdings concluded that the Board of Directors and each committee had been operated with a sense of their own purpose, in an effort to invigorate deliberation and enhance objectivity and transparency, and that they had maintained a certain level of effectiveness.

On the other hand, through the Evaluation of the Board of Directors, SuMi TRUST Holdings identified the following three challenges as requiring improvement and enhancement by the Board of Directors and each committee, and is working continuously to address these issues.

- (1) **Enrichment of discussions of medium- to long-term management challenges and strategies, including formulation of the next midterm management plan**
- (2) **Enhancement of monitoring aimed at improvement of group governance**
- (3) **Enhancement of framework that supports the operation of the Board of Directors**

In its pursuit of sustainable growth and the medium- to long-term enhancement of enterprise value, SuMi TRUST Holdings is committed to further enhancing the effectiveness of the Board of Directors and each committee, by continuously implementing the PDCA cycle through the Evaluation of the Board of Directors.

4. Committees

In order to ensure the effectiveness of its corporate governance system and further enhance the soundness and reliability of its business model and the transparency of its management of the SuMi TRUST Group, SuMi TRUST Holdings has established the Risk Committee and the Conflicts of Interest Committee as advisory bodies to the Board of Directors, in addition to the Nominating Committee, the Compensation Committee, and the Audit Committee, the establishment of which is required under the Companies Act. Independent external directors participate in the Risk Committee and the Conflicts of Interest Committee.

As a financial group specialized in trust banking, we have established the Conflicts of Interest Committee, which has supervisory functions unparalleled in other financial groups.

(1) Nominating Committee

The Nominating Committee determines the content of proposals regarding the election and dismissal of directors to be submitted to the General Meeting of Shareholders, receives requests for consultation regarding the election and dismissal of executive officers including the President, as well as the succession plan for the management team from the Board of Directors, and deliberates and makes reports on these matters. It also receives requests for consultation regarding the election and dismissal of directors from the Board of Directors of SuMi TRUST Bank and Sumitomo Mitsui

Trust Asset Management, and deliberates and makes reports regarding these matters. The Nominating Committee consists of three or more directors, and a majority of the members are independent external directors. The chairperson of the Nominating Committee is selected from the pool of committee members who are independent external directors.

(2) Compensation Committee

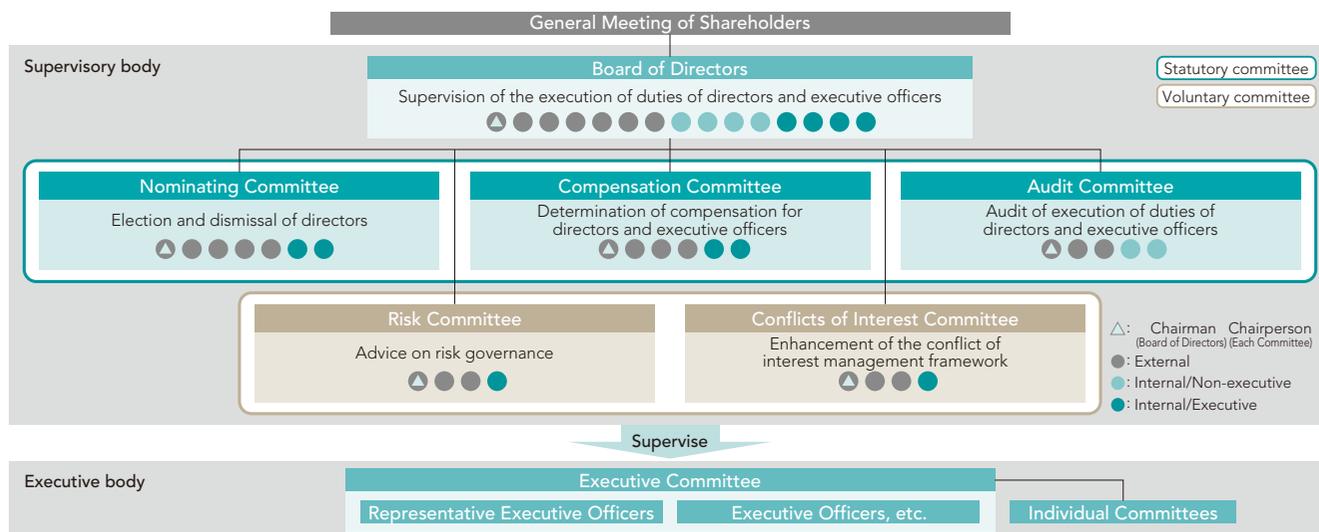
The Compensation Committee prescribes policy regarding decisions on the content of compensation for individual executive officers and directors, and determines the content of compensation for individual executive officers and directors, in accordance with this policy. It receives requests for consultation regarding policies on decisions on the content of compensation for individual directors, etc. from the Board of Directors of SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management, and deliberates and makes reports on these matters. The Compensation Committee consists of three or more directors, and a majority of the members are independent external directors. The chairperson of the Compensation Committee is selected from the pool of committee members who are independent external directors.

(3) Audit Committee

The Audit Committee audits the execution of duties by executive officers and directors, and prepares audit reports.

Committee Activities	Nominating Committee	Compensation Committee
June 27 to November 30, 2019	<p>Held 5 times 100% attendance</p> <ul style="list-style-type: none"> Partially revised the succession plan (human resource development plan for successors to top management) Confirmed succession plans for major posts (general managers, etc.) Checked implementation of training for newly-appointed executive officers Quarterly report on the Committee's activities to the Board of Directors 	<p>Held 5 times 100% attendance</p> <ul style="list-style-type: none"> Revised stock compensation system (from stock compensation-type stock options to share delivery trust) Considered and discussed issues related to the compensation system for directors and officers Quarterly report on the Committee's activities to the Board of Directors

Corporate Governance System



It determines the content of proposals regarding the election and dismissal of a financial auditor, and regarding refusals to reappoint a financial auditor that are submitted to the General Meeting of Shareholders.

In order to fulfill its role and responsibilities, the Audit Committee appropriately exercises its authority to investigate the status of business and the assets of companies belonging to the SuMi TRUST Group. It appropriately utilizes the internal control system of the SuMi TRUST Group, and systematically and efficiently conducts audits by receiving reports from executive officers, directors, and a financial auditor, and through communications with these individuals. The Audit Committee consists of three or more directors who do not concurrently serve as executive officers, and a majority of its members are independent external directors. The chairperson of the Audit Committee is selected from the pool of committee members who are independent external directors.

(4) Risk Committee

The Risk Committee receives requests for consultation from the Board of Directors on (i) matters concerning the business environment surrounding the SuMi TRUST Group, top risks, and materiality, and (ii) matters concerning the operation of its risk appetite framework, risk management, and monitoring of the effectiveness of the internal control system related to compliance management of the SuMi TRUST Group, and reviews

and reports on their appropriateness. In principle, a majority of the members of the Risk Committee are independent external directors and external experts. The chairperson of the Risk Committee is selected from the pool of committee members who are independent external directors.

(5) Conflicts of Interest Committee

The Conflicts of Interest Committee receives requests for consultation from the Board of Directors on (i) matters concerning the validity of the conflict of interest management framework of the SuMi TRUST Group, (ii) matters concerning the effectiveness of conflict of interest management, client explanation management, and client support management of the SuMi TRUST Group, as well as the enhancement of associated systems, (iii) matters concerning Policies regarding the Fiduciary Duties of the SuMi TRUST Group and the action plans, etc. of each Group company, (iv) particularly important matters concerning the dissemination of conflict of interest management and fiduciary duties in the SuMi TRUST Group, and other matters, and reviews and reports on their appropriateness. In principle, a majority of the members of the Conflicts of Interest Committee are independent external directors and external experts. The chairperson of the Conflicts of Interest Committee is selected from the pool of committee members who are independent external directors or external experts with professional knowledge and expertise in the concerned field.

Audit Committee	Held 8 times 100% attendance	Risk Committee	Held 3 times 100% attendance	Conflicts of Interest Committee	Held 2 times 100% attendance
<ul style="list-style-type: none"> Carried out organization auditing (audits utilizing the internal control system). Conducted systematic and efficient audits through appropriate collaboration with executive officers, directors, the Internal Audit Department, and accounting auditor, etc. Audit activities reported to the Board of Directors quarterly, focusing on important audit matters including audit instructions from the Board 		<ul style="list-style-type: none"> Discussed topics such as the risk appetite framework (RAF), based on business models Evaluated external environment assumptions on which the midterm management plan is based, and the Group's recognition of important risk situations Evaluated and provided guidance on restructuring and liquidation procedure plans formulated as a D-SIB 		<ul style="list-style-type: none"> With the aim of enhancing fiduciary duties, discussed topics such as ways to enhance our communication both internally and externally Discussed improvements to the conflict of interest management framework based on domestic and overseas trends 	

Members of Committees

(▲: Chairperson, ●: Member (external), ●: Member (internal/non-executive), ●: Member (internal/executive))

			Nominating	Compensation	Audit	Risk	Conflicts of Interest	
External	Directors	Isao Matsushita	▲	●				
		Takeshi Suzuki	●	●		●	●	
		Mikio Araki	●	●		▲		
		Shinichi Saito	●		▲			
		Takashi Yoshida			●			
		Hiroko Kawamoto	●	▲				
		Mitsuhiro Aso			●			
	Experts	Hideki Kanda*						▲
		Haruyuki Toyama*					●	
Akiko Hosokawa*							●	
Internal		Tetsuo Ohkubo	●	●				
		Masaru Hashimoto	●	●				
		Yutaka Nishida				●	●	
		Kuniyuki Shudo			●			
		Kouji Tanaka			●			

* Mr. Hideki Kanda is an external director of SuMi TRUST Bank. Mr. Haruyuki Toyama and Ms. Akiko Hosokawa are external experts.

5. Compensation System for Directors and Executive Officers

(1) Policy Regarding Decisions on the Content of Compensation

- Compensation for directors and executive officers is intended to function effectively as an incentive for the improvement of corporate performance and expansion of enterprise value.
- Rather than focusing on a single-year performance evaluation in which short-term contributions to profit are emphasized, we are building a compensation system with a balance of near-term incentives and medium- to long-term incentives, with rewards based on a comprehensive evaluation that reflects earnings contributions over the medium to long term.
- We accurately assess the roles that directors and executive officers of SuMi TRUST Holdings must perform in corporate management, as well as the results of their efforts, in order for them to adequately discharge their supervisory duties over the Group companies, and determine individual compensation based on highly transparent, fair, and objective evaluations.

- The Compensation Committee forges deeper collaborations with committees in order to build a higher accountability compensation system, and engages in deliberations with the aim of operating a fair and balanced compensation system.
- Neither internal nor external committee members participate in decisions regarding their own compensation.

(2) Overview of the Compensation System

In principle, in fiscal year 2018, a combination of monthly compensation (fixed compensation and individual performance compensation), executive bonuses, and stock-compensation-type stock options was paid.

In fiscal year 2019, a system was introduced that combines a share delivery trust, the content of which includes assessments of ESG related activities and scores from evaluation agencies, as well as assessments of fiduciary duties and customer satisfaction (CS) related activities.

(Please check our website for further details:
https://www.smth.jp/about_us/management/governance/pdf/191108.pdf)

FY2018 Compensation ratio*1	Approx. 40%	Approx. 30%	Approx. 15%	Approx. 15%
Compensation type	Fixed compensation portion of monthly compensation	Individual performance compensation portion of monthly compensation*2	Company performance-linked bonus	Stock-compensation-type stock options
Payment standard	<ul style="list-style-type: none"> • Paid based on position, etc. 	<ul style="list-style-type: none"> • Evaluation for previous fiscal year • Medium- to long-term performance contributions • Medium- to long-term activity status • Qualitative assessment of capabilities, etc. 	<ul style="list-style-type: none"> • Consolidated net business profit before credit costs • Consolidated net income 	<ul style="list-style-type: none"> • Single fiscal year performance • Stock price • Other management environment, etc.

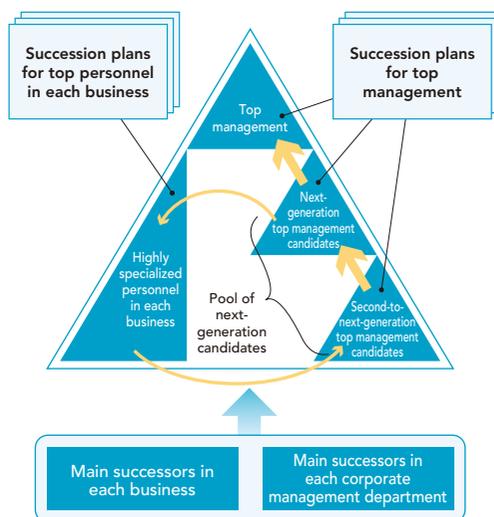
*1 For the President (also applies to table's content)
 *2 Ranging between 70% and 160% of the standard amount

6. Succession Plan

In order to realize the sustainable growth of the Group and enhance its enterprise value, the Group has created succession plans for the top management of SuMi TRUST Holdings and its major subsidiaries, SuMi TRUST Bank and Sumitomo Mitsui Trust Asset Management. We have also created management personnel development plans for the personnel that will be responsible for the management of each business and corporate management.

These plans define the ideals and requirements of directors and executive officers, and assist with the management and development of a pool of candidates that meet these ideals and requirements.

The status of the progress of succession plans and management personnel development plans is reported regularly to the Nominating Committee, which reports to the Board of Directors.



7. Changes to the Institutional Design of Group Companies

In order to enhance the SuMi TRUST Group’s corporate governance system, three primary Group companies of SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, and Nikko Asset Management, have changed from a “company with a Board of Corporate Auditors” to a Company with an Audit and Supervisory Committee.

Furthermore, Nikko Asset Management has changed from being a directly owned subsidiary of SuMi TRUST Bank to being a directly owned subsidiary of SuMi TRUST Holdings. In doing so, it aims to further promote the Group’s asset management business while enhancing corporate governance, such as efficient and appropriate management of conflicts of interest within the Group.

Changes to the Institutional Design of Group Companies/Transfers within the Group

June 2017	SuMi TRUST Holdings became a “company with Three Committees”
October 2018	Sumitomo Mitsui Trust Asset Management became a Company with an Audit and Supervisory Committee
June 2019	SuMi TRUST Bank and Nikko Asset Management became a Company with an Audit and Supervisory Committee
July 2019	Nikko Asset Management became a directly owned subsidiary of SuMi TRUST Holdings

8. Management Themes for Enriching Agendas at Board of Directors Meetings

The Board of Directors supervises the status of the execution of duties by executive officers, etc., defines basic management policy, and selects business models and makes decisions regarding risk-taking by formulating a management plan.

In order to thoroughly play this role, the Board of Directors of SuMi TRUST Holdings selects management themes, consisting of legal and regulatory requirements, priority management issues, and medium- to long-term themes, and discusses these themes in the Board of Directors meetings.

In addition to directors of SuMi TRUST Holdings, external directors of SuMi TRUST Bank also participate as observers in discussions regarding these management themes. Discussions are conducted freely, without any obligation

to reach conclusions. The perspectives and expertise of external directors are leveraged in order to enrich the agendas at Board of Directors meetings.

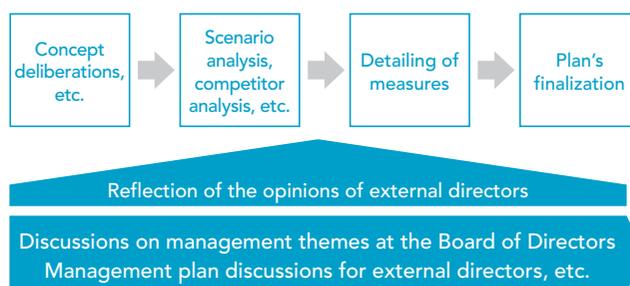
Past Management Themes

December 2018	Utilization of trust functions to address social and economic issues
May 2019	Next midterm management plan
July	(Next midterm management plan)
September	Materiality review (Next midterm management plan)
November	Next midterm management plan

* Items in parentheses were not listed as management themes but were discussed by giving more time following the management theme

9. Early Stage Participation in the Midterm Management Plan Formulation Process

Fiscal year 2019 is the final year of the current midterm management plan. Full-fledged discussions were carried out with the aim of formulating the next midterm management plan, to begin in fiscal year 2020. In formulating the plan, management themes were discussed at the Board of Directors from the early stages of deliberation regarding its concepts. In addition, management plan discussions were carried out by external directors outside of Board of Directors meetings. These discussions leveraged the expertise of external directors.



10. External Directors’ Meetings

In order to further improve the effectiveness of our corporate governance, we regularly hold external directors’ meetings, which are only attended by external directors.

These external directors engage in discussions that

are active and unrestrained, sharing information and awareness from independent and objective positions. These meetings contribute to the greater objectivity and independence of the Board of Directors.

11. Dialog between External Directors and Investors

In December 2018, we held “SuMi TRUST IR Day,” at which external director Mr. Shinichi Saito, who serves as chairperson of Audit Committee, provided an explanation of our corporate governance initiatives and conducted a Q&A session with the investors in attendance.



12. Regarding Cross-Shareholdings

Policies Regarding Cross-Shareholdings

The SuMi TRUST Group shall not acquire and hold the shares, etc. of business counterparties, etc. (the “Cross-Shareholding Shares”), except in the case where it is deemed that such acquisitions and holdings will contribute to medium-to-long term enhancement of the corporate value of the SuMi TRUST Group, from the perspective of, among other things, establishing a stable transactional relationship over the long term or a business alliance, or facilitating or reinforcing collaborative business development with business counterparties, in principle.

Regarding individual Cross-Shareholding Shares, at a Board of Directors meeting, SuMi TRUST Holdings shall examine the relationship between the benefits/risks of holding the shares and capital cost and verify the suitability of holding them, etc., taking into account the aspect of maintaining and enhancing the overall relationship with business counterparties.

In principle, the SuMi TRUST Group shall sell the Cross-Shareholding Shares in cases where the significance and rationality of holding them is not observed, after taking into consideration various factors, including the impact of selling the shares on the stock market.

Standards for Voting on Cross-Shareholding Shares

SuMi TRUST Holdings and SuMi TRUST Bank, which is a core subsidiary of SuMi TRUST Holdings, shall decide to

vote for or against each resolution and exercise voting rights pertaining to the Cross-Shareholding Shares (the “Voting Rights”), after comprehensively taking into consideration the business conditions, etc. of the issuer of the Cross-Shareholding Shares (the “Issuer”), as well as the impact on sustainable growth and medium-to-long term enhancement of the corporate value of the issuer and the SuMi TRUST Group.

In the case where special attention is required in exercising voting rights due to such things as a long-term slump in business performance, organizational restructuring, or the occurrence of significant compliance violations, etc., of the issuer, SuMi TRUST Holdings or SuMi TRUST Bank shall, through a variety of methods including engaging in dialogue with the issuer, collect sufficient information and make a decision in favor for or against each agenda item, paying particular attention to the following: appropriation of retained earnings, appointment of directors and corporate auditors, retirement allowance to corporate auditors, etc., organizational restructuring, and management buyout, etc.

In the case that there is a risk of conflicts of interest upon the exercise of voting rights, SuMi TRUST Holdings and SuMi TRUST Bank shall properly deal with the risk pursuant to the Management Policy Concerning Conflicts of Interest prescribed separately.

13. Measures for Protection of Stakeholders’ Interests

Management System of Related Party Transactions

When SuMi TRUST Group engages in transactions with its officers or major shareholders, etc., the transactions shall be referred to the Board of Directors for prior approval, in order to ensure that such transactions do not harm, among other interests, the interests of SuMi TRUST Group or the common interests of its shareholders, except where the trading terms are obviously equivalent to those of general transactions.

Management System of Transactions Involving Conflict of Interest with Customers in SuMi TRUST Group’s Business Operations

SuMi TRUST Group shall separately prescribe the Management Policy Concerning Conflicts of Interest (the “Management Policy”) pursuant to laws, etc., in order to ensure that none of the various services provided by each group company and its related parties unfairly harm the interests of its customers. Pursuant to the Management Policy, SuMi TRUST Group shall appropriately manage transactions that may give rise to a conflict of interest, and shall properly implement its business operations.

Compliance Hotline System

In order to promptly and appropriately respond to any serious violation of laws/regulations and internal rules or to acts that likely constitute such violation, SuMi TRUST Group has established a compliance hotline system where all officers and employees, etc. (including part-time employees, dispatched employees, retired employees, and officers and employees, etc. of partner business operators, etc.) can directly report to the Compliance Department or external law firms, in addition to the regular reporting channels. This hotline system enforces rigorous control of information and protection of whistleblower privacy to ensure their protection, and prohibits adverse treatment of whistleblowers who utilize the system appropriately and those who cooperate with the investigation. In addition, in order to ensure unified management of the Group, SuMi TRUST Holdings has its subsidiaries establish systems equivalent to this system (as necessary). The

reported information is consolidated at SuMi TRUST Holdings, so that the Company can utilize this information to enhance its compliance system going forward.

Furthermore, in order to promote the appropriate use of the system, SuMi TRUST Bank, one of the major subsidiaries, has taken the lead in establishing and providing Q&As and training tools for employees and others. Compliance awareness surveys are also implemented at major subsidiaries, etc. in order to gauge their level of awareness.

The approach taken for the compliance hotline system is also taken for the accounting hotline system for the reporting of the Group's inappropriate accounting, etc. SuMi TRUST Holdings conducts activities to raise the awareness of subsidiaries, etc. as well as discloses the contact points for whistleblowers on its website.

(See our website for more information:

https://www.smth.jp/about_us/management/compliance/index.html)

14. Internal Control

An internal control system is designed to prevent the occurrence of misconduct by putting various mechanisms and rules into place for the purpose of conducting sound management in a company. Basically, there are four objectives: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, (3) compliance with laws and ordinances concerning business activities, and (4) safeguarding of assets. Through development and operation of its internal control system, a company can attain these objectives.

To attain the aforementioned objectives, the Board of Directors has determined the Basic Policy on the Internal Control System so the Group can attain the aforementioned objectives. The basic policy pertains to the following: (1) the compliance system (ensures compliance with laws, regulations, etc.); (2) the risk management system; (3) the business execution system; (4) the system to ensure management transparency; (5) the management



system to ensure appropriateness of Group operations; (6) the information storage and management system; (7) the internal audit system; and (8) the system for audit committee's audits.

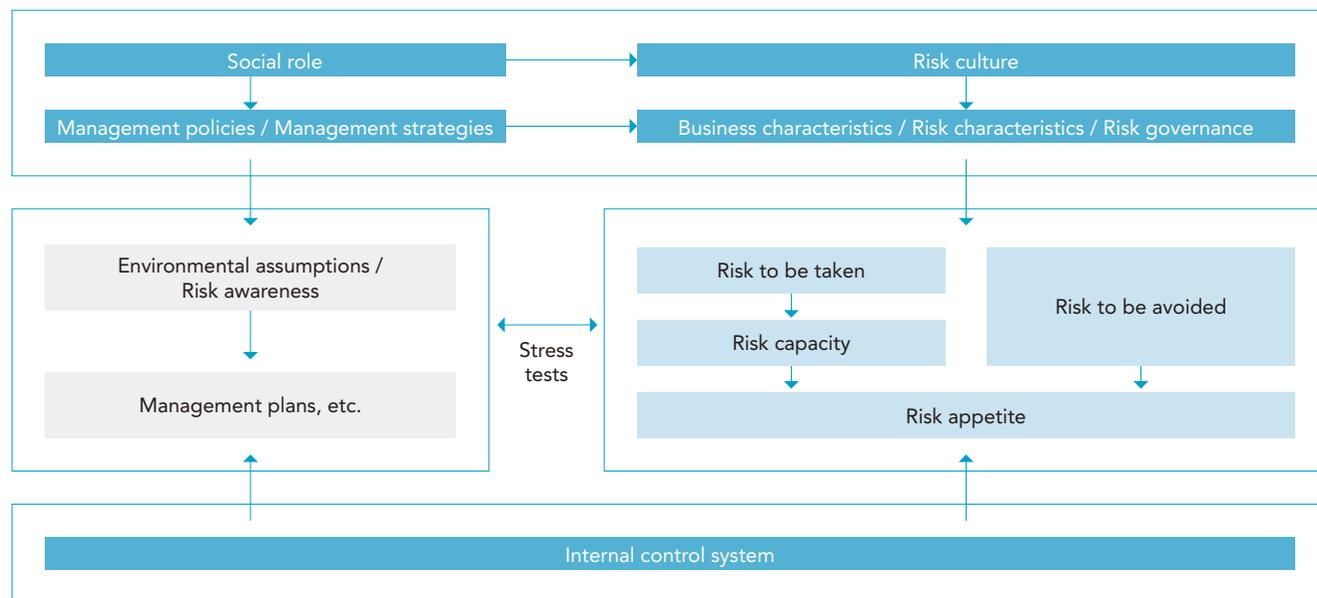
15. Risk Appetite Framework

(1) Positioning of the Risk Appetite Framework

The Risk Appetite Framework (RAF) is a group-wide corporate management framework consisting of the process for determining risk appetite (the type and amount of risk to be willingly taken to achieve the management plan) within the Group's risk capacity, in order to achieve the management strategies formulated by management based on the Group's social role and management principles, together with the internal control system underpinning that process.

The Group's RAF aims primarily to strengthen profitability and enhance risk management, and promote the enhancement of the transparency of deliberation and determination process for the overall risk taking policy in capital allocation and profit maximization, etc. through the setting, communication, and oversight of risk appetite, as well as the optimization and speed-up of allocation of management resources and reinforce the monitoring system through the use of RAF as the universal language of the Group.

Outline of the Risk Appetite Framework



(2) Operation of Risk Appetite

Determining Risk Appetite

The Group classifies risks into two categories: (1) risk to be taken (that occurs in relation to activities that generate returns) and (2) risk to be avoided (such as conduct risk that cannot be tolerated by the Group).

Under RAF, the Group establishes a risk-taking policy, which is an overriding management policy based on its Mission, Vision, and Value, and sets risk appetite indicators to be resolved by the Board of Directors. In addition, the Group sets more in-depth risk-taking policy and risk appetite indicators by business within the scope of policy set by the Board of Directors, which will be resolved by the Management Committee.

The risk-taking policy and risk appetite indicators are determined in accordance with the management plan. These are reviewed at any time at least once a year or when necessary.

Monitoring of Risk Appetite

In order to verify that risk taking is carried out appropriately based on its business model, the Group sets separate risk appetite indicators from the perspective of return, risk, and cost, and monitors them regularly. If the indicators deviate from the set levels, the Group analyzes the cause and implements countermeasures or revises the levels.

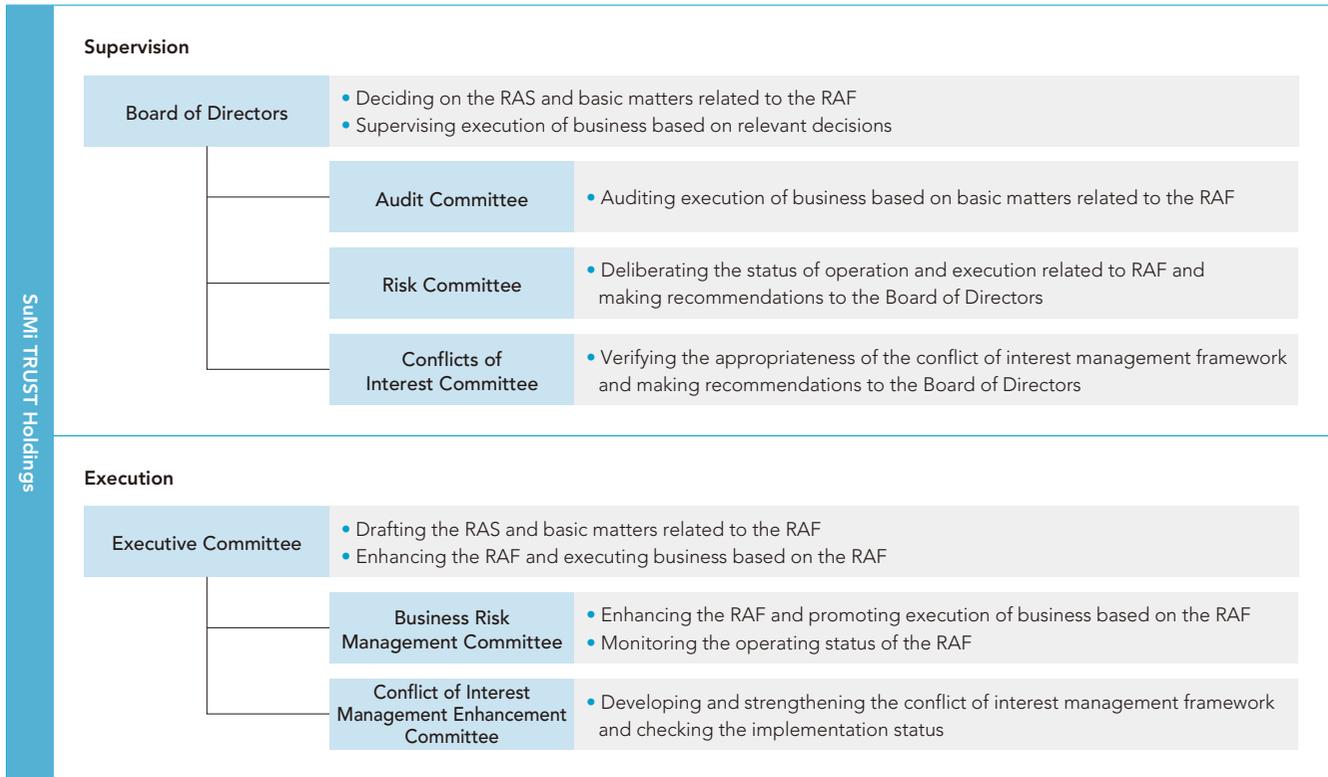
Risk Governance

Risk governance, which forms a part of corporate governance, is a framework for identifying, measuring, managing, and controlling risks, as well as ensuring appropriate risk taking, by clarifying and monitoring risk appetite.

The Group promotes the enhancement of risk governance, with the aim of achieving the sound development of the Group.

SuMi TRUST Holdings strives to enhance the operation of risk appetite through discussions at the Risk Committee and the Conflicts of Interest Committee, etc. as part of its initiatives to enhance corporate governance.

Risk Appetite Framework Operating System



(3) Fostering a Risk Culture that Takes Root across the SuMi TRUST Group

The Group defines risk culture as a basic philosophy that prescribes the codes, attitudes, and conduct of the Group’s organizations, as well as its directors, officers and employees, that flexibly carry out risk taking, risk management, and risk control based on an appropriate assessment of risks, guided by a high degree of self-discipline based on the fiduciary spirit.

In order to foster a risk culture that takes root across

the Group, we have formulated risk-taking policies for each business to clarify management strategies, and are endeavoring to have all its employees secure soundness through appropriate risk taking and develop a sustainable business model. In addition, we have formulated a Risk Appetite Statement clearly stating our RAF, which is used as a universal language in lively discussions concerning risk appetite within the Group.

16. Internal Auditing

(1) Basic Initiative Policy

The SuMi TRUST Group believes that establishing an efficient and effective internal auditing system commensurate with the size and nature of its business, the content of laws and regulations that apply to operations, and the type of risks is indispensable to achieve management targets, appropriate legal compliance, facilitating financing, client protection, and risk management.

Therefore, with the aim of ensuring the soundness of management by improving and enhancing the business

execution system and the internal management system, SuMi TRUST Holdings and its main Group companies have established internal auditing units that are independent of departments involved in business execution and that adequately act as a restraint function. The internal auditing units verify the appropriateness and effectiveness of the business execution system and internal management system, provide comments and recommendations for correcting problems, and follow up on the status of improvement measures.

(2) Internal Auditing Implementation System

(1) SuMi TRUST Holdings

1) Organization

In addition to establishing an Internal Audit Department independent of departments involved in business execution under the Board of Directors, SuMi TRUST Holdings has strengthened the supervisory and restraint capabilities (governance) with regard to management and business execution departments, by positioning the Internal Audit Department in a direct instruction and reporting relationship with the Audit Committee.

2) Functions and Roles

The Internal Audit Department formulates an internal audit plan, taking into account the basic policy on internal audits, which dictates the direction to be taken in the development of the SuMi TRUST Group's internal auditing system, as well as significant group-wide risks. After receiving the consent of the Audit Committee, the plan is approved by the Board of Directors. The Internal Audit Department reports the results of the internal audit, without delay to the President and the Audit Committee, while also analyzing the internal audit results, including those for Group companies, and reporting regularly to the Board of Directors.

In addition, the Internal Audit Department, as the department supervising the Group's internal auditing,

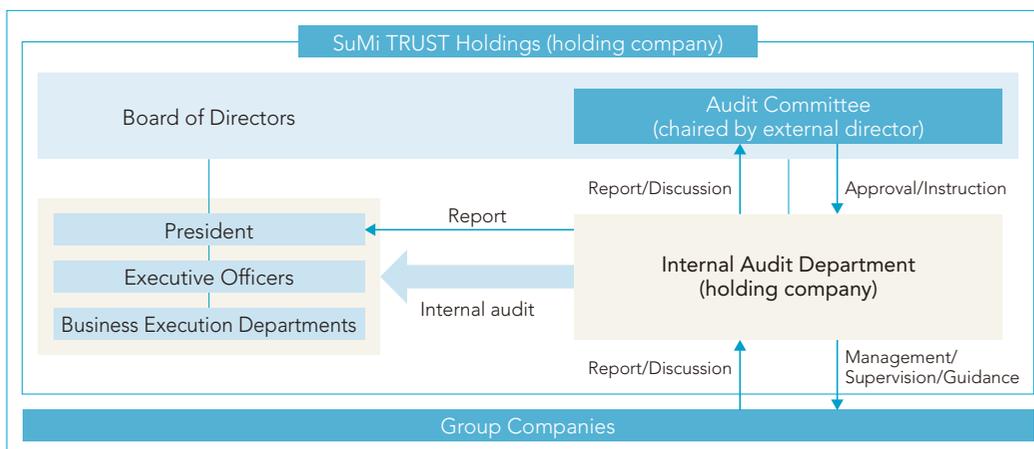
receives consultations from each Group company regarding the audit plan, and confirms its consistency with the basic policy. The Internal Audit Department carries out internal audits in collaboration with the internal auditing unit of each Group company. The role of the Internal Audit Department also includes receiving reports of internal audit results from Group companies, assessing and verifying the internal auditing system and its implementation status at each Group company, and providing guidance as necessary.

(2) Group Companies

Internal auditing units that are independent of departments involved in business execution have also been established at the main Group companies including SuMi TRUST Bank, and conduct internal audits. Each Group company formulates an internal audit plan in line with the basic policy on internal audits set by the holding company, which is approved by the Board of Directors after consultation with the holding company.

Results of internal audits are reported, without delay to the president and to the holding company, and are also reported regularly to the Board of Directors and the holding company.

The SuMi TRUST Group



17. Communication with Shareholders and Investors

(1) Basic Philosophy

SuMi TRUST Holdings aims for highly transparent corporate management by striving for timely and appropriate disclosure of corporate information, as well as through proactive IR activities and constructive dialogue with shareholders and investors in Japan and overseas.

Specifically, we endeavor to give our shareholders

and investors a deeper understanding of SuMi TRUST Holdings' performance, business conditions, business strategies, etc., by holding information meetings and other events in addition to disclosing corporate information in a timely, fair, and accurate manner.

(2) Activities Carried Out

(1) Activities for Individual Investors

We strive to provide information that will allow individual shareholders and investors to better understand the Group through measures such as organizing information meetings, setting up a dedicated website for individual investors, and distributing a newsletter for shareholders ("The Trust Newsletter – Business Report").

At an information meeting held in March 2019, we had a dialogue on management issues surrounding the banking industry, including specific initiatives, with Mr. Takashi Mitachi of the Boston Consulting Group as our guest.



For details, please see our website (Japanese only).
https://www.smth.jp/investors/individual_meeting/index.html

strategy and real estate business, as well as our strategic direction. In addition, Mr. Shinichi Saito, an external director and chairperson of the Audit Committee, gave a presentation on our governance.

(3) Received Japan Investor Relations Association "IR Special Award"

At the 2018 IR Awards selected by the Japan Investor Relations Association in November 2018, SuMi TRUST Holdings received the "IR Special Award" for the second time, following its first award in fiscal year 2010. The award recognizes our unique IR practices, which include "consistently improving IR practices," "taking on a leadership role in IR activities in the industry," and "being highly regarded for promoting IR to individual investors."



(2) Activities for Institutional Investors

Investor meetings on financial results aimed mainly at analysts and institutional investors are held twice a year, for the full-year and interim results. We also conduct briefings on our management strategy and financial position, etc. by participating in conferences organized by securities companies and by holding one-on-one investor meetings in Japan and overseas. At SuMi TRUST IR Day, held in December 2018, frontline leaders described the features and strengths of the Group's digitalization

IR Activities Carried Out in FY2018

Investor meetings on financial results for analysts and institutional investors	2 times
Overseas IR events	9 times
One-on-one meetings with institutional investors in Japan and overseas	Number of companies: 391 (including 199 overseas investors)
Information meetings for individual investors	Number of participants: 858

(3) General Meeting of Shareholders

In addition to promptly sending out the convocation notice for the General Meeting of Shareholders held in June of each year, we post the notice on stock exchange websites and our own website one week before it is sent out. We are also striving to improve the voting environment by making it possible to exercise voting rights online or by cell phone (including smartphones), and by participating in a platform for the exercise of voting

rights. Furthermore, we post an English translation of the convocation notice on our website at the same time as the Japanese version, before it is sent out, in an effort to increase the convenience of overseas investors.

Notices of resolutions and voting results are posted on our website immediately after the conclusion of the General Meeting of Shareholders.

18. Sustainability Initiatives of Sumitomo Mitsui Trust Group

(1) Fundamental Perspectives

SuMi TRUST Group's Basic Policy on Corporate Governance sets out the role of the Board of Directors as working to support the sustainable growth of society and increase the corporate value of SuMi TRUST Group by promoting active efforts to resolve sustainability-linked environmental and social issues while taking into consideration its stakeholders. The Group

views the three pillars of its sustainability initiatives to be "materiality management," as the strengthening of its management foundation, "sustainability initiatives in our business/providing value to the community," as business strategies, and the "appeal to investors" of these two activities.



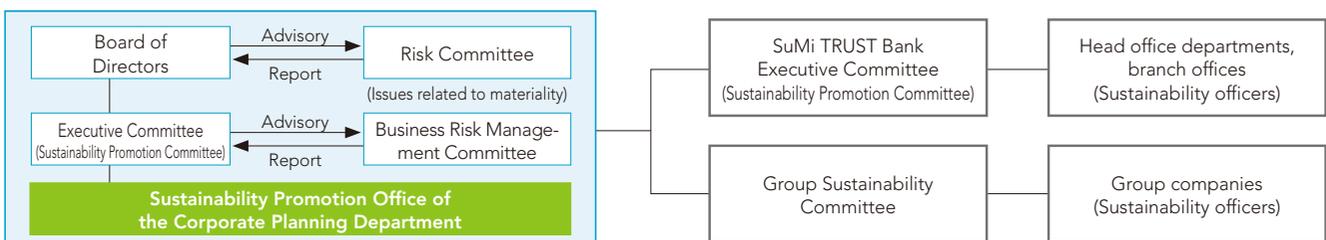
(2) Structure for Promoting Sustainability

- 1) The Board of Directors formulates the Sustainability Policy, while managing sustainability activities as a whole in an effort to enhance the awareness of officers and employees of SuMi TRUST Group. At times the Board of Directors freely discusses sustainability as a management theme in order to leverage the insight and viewpoints of external directors.
- 2) The Sustainability Promotion Committee, which is held as part of the Executive Committee, formulates medium-term policies on sustainability as well as the policies for each fiscal year and manages the sustainability activities of SuMi TRUST Group based on the PDCA cycle.
- 3) With regard to issues related to materiality, the Risk Committee and Business Risk Management Committee function as advisory bodies to the Board of Directors and Executive Committee respectively.
- 4) The Chief Sustainability Officer oversees the Group's overall day-to-day operations related to sustainability,

based on the instructions of the officers in charge. The Sustainability Promotion Office, Corporate Planning Department plays an integral role in the practical operations.

- 5) Sustainability officers and sustainability coordinators have been appointed at each Group company and each branch of SuMi TRUST Bank to play a role in promoting sustainability activities.
- 6) Group affiliates formulate policies based on their respective operational attributes, and have promoted them in sustainability activities. Also, Group Sustainability Meetings are held regularly to exchange information.

Officer in charge of sustainability activities	Kazuya Oyama (Managing Executive Officer)
Chief Sustainability Officer	Tsukasa Kanai (Fellow Officer)



(3) Four Pillars of Sustainability Promotion Office Activities

ESG management that aims to create shared value

- Supervision of sustainability activities (formulate management plans and promote sustainability activities based on the PDCA cycle)
- Promotion of materiality management
Act as secretariat for the Board of Directors and Executive Committee
Implement internal engagement
- Respond to ESG survey firms, engage in dialogue with investors
- Strategic ESG information disclosure through our integrated reports, ESG reports, etc.

Sustainability permeation across the Group, promoting "With You" activities

- Hosting various meetings
Group Sustainability Meetings, Global ESG Meetings, ESG Risk Response Project Team, Human Rights Due Diligence Liaison Committee, LGBT Matters Information Liaison Committee
- "With You" activities promotion at branches, budget grants, points management, and blogs management
- Providing information to individual clients about super-aging society problems, promoting regional collaboration, and responding to issues arising from dementia
(See page 178 regarding "With You" activities)



Developing innovative products and services, rolling out CSV businesses

- Developing innovative financial products and services that contribute to addressing environmental* and social issues



* We have coined the word "Eco-Trustution" to describe initiatives that provide solutions to ecological issues through the use of our trust function, and we are actively promoting such initiatives.

- Collect information on ESG risks for loans and investments related to climate change, natural capital, human rights, etc. which are prioritized by investors; disclose it internally

Building sound relationships with stakeholders

- Exchanging information with NPOs/NGOs in Japan and overseas, government organizations and universities, etc., and understanding the needs of stakeholders
- Actively participating in international initiatives (UNEP FI, United Nations Global Compact, Business and Biodiversity Initiative, Natural Capital Finance Alliance [formerly The Natural Capital Declaration], etc.)
- Actively participating and playing a leading role in financial alliance projects in Japan (Principles for Financial Action for the 21st Century, COLTEM Financial Satellite, etc.)

(See page 135 for details)

(4) Sustainability Medium-term Policies/FY2019 Policies

(1) Sustainability Medium-term Policies (FY2017-2019)

Themes	Medium-term Policies
Promote ESG management directly linked to increasing corporate value	<ul style="list-style-type: none"> • Further sophistication of materiality management • Bolster ESG risk management for loans and investments • Strengthen messaging to investors, elevate sophistication of ESG information disclosure in our ESG/CSR reports and integrated reports
Actively develop CSV businesses to substantially contribute to improving earnings	<ul style="list-style-type: none"> • Actively advance solution-based businesses linked to the five major sustainability themes of climate change, natural capital (biodiversity issues), environmentally friendly real estate, sustainable investment (ESG), and issues in super-aging societies
Pursue social returns	<ul style="list-style-type: none"> • Link CSV businesses and "With You" activities to the 17 SDG themes, build frameworks for specific initiatives and adopt concepts for pursuing not only economic returns but also social returns • Support research on problems arising from dementia, and actively contribute to property management initiatives in particular

(2) Sustainability FY2019 Policies

Themes	FY2019 Policies
Promote ESG management directly linked to increasing corporate value	<ul style="list-style-type: none"> • Establish position as No.1 financial institution for ESG management • Continuously strengthen materiality management (Comprehensive review of materiality in line with the formulation of new midterm management plan, etc.)
Actively develop CSV businesses to substantially contribute to improving earnings	<ul style="list-style-type: none"> • Develop a business framework based on international standards (being a signatory to the Principles for Responsible Banking (PRB)) • Further strengthen initiatives for the five major themes and develop total solution services • Establish policies for specific sectors
Pursue social returns	<ul style="list-style-type: none"> • Pursue social returns through Positive Impact Finance • Improve response to dementia-related issues