



SUMITOMO MITSUI TRUST HOLDINGS



SuMi TRUST
SUMITOMO MITSUI TRUST HOLDINGS

2021 INTEGRATED REPORT

—ANNUAL REPORT—

Year ended March 31, 2021

Reason for Existence (“Purpose”)

Creating new value with the power of trusts and
let prosperous future for our clients and society bloom



Management Principles (“Mission”)

- (I) Swiftly provide comprehensive solutions to our clients by fully utilizing the significant expertise and comprehensive capabilities.
- (II) Adhere to the principles of sound management based on a high degree of self-discipline with the background of fiduciary spirit and establish strong credibility from society.
- (III) Strive to fulfill all shareholder expectations by creating distinct values through fusing the various functions featuring the trust bank group.
- (IV) Offer a workplace where the diversity and creativity of its employees are more fully utilized to add value to the organization and where employees can have pride and be highly motivated in fulfilling their missions.

Ideal Model (“Vision”)

—Towards “The Trust Bank”—

Based on the fiduciary spirit and with significant expertise and comprehensive capabilities, the Sumitomo Mitsui Trust Group will create distinct values by leveraging a new business model, combining its banking, asset management and administration, and real estate businesses, and will move onto the global stage as a leading trust bank group which boasts the largest and highest status in Japan.

Codes of Conduct (“Value”)

In order to pursue the Management Principles of the Sumitomo Mitsui Trust Group, the executives and employees commit themselves to comply with the six Codes of Conduct described below.

Completely Client-oriented
—Truthfulness and Loyalty—

Contribution to Society
—Dedication and Development—

Realization of Organizational Capability
—Trust and Creativity—

Establishment of Individuality
—Self-help and Self-discipline—

Strict Compliance with Applicable Laws and Regulations

Resolute Stance against Antisocial Forces

Sumitomo Mitsui Trust Holdings

Integrated Report 2021

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Editorial Policy

The Sumitomo Mitsui Trust Group publishes this integrated report so that readers can better understand the Group's initiatives to achieve sustainable growth and provide value to stakeholders by creating both social and economic value. In this report, after providing an overview of the Group's medium- to long-term vision, we discuss our business strategy as a trust banking group, our environmental, social, and governance (ESG) initiatives, and the management foundation that underpins them. In applying our editorial approach, we strive to improve and expand not just financial information but also non-financial information such as business models and ESG factors, referencing the integrated reporting framework issued by the International Integrated Reporting Council (IIRC). We also disclose information appropriately, in accordance with our disclosure policy. For more detailed financial data or ESG information, please refer to the Financial Data Section, our Sustainability Report, or visit our website.

<Reporting Coverage>

Reporting Period : From April 1, 2020 to March 31, 2021 (Partially including the information after April 1, 2021)

Scope of Reporting : The Sumitomo Mitsui Trust Group; including Sumitomo Mitsui Trust Holdings, Inc., Sumitomo Mitsui Trust Bank, Limited, other subsidiaries and affiliated companies

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Theme 1

The reason for existence of trusts is now greater than ever before

We have hitherto applied the wide array of functions and flexibility of trusts to contribute to solving social issues.

In these ever-changing times, the problems faced by our individual and corporate clients are growing increasingly challenging and complex.

Accordingly, the fields in which we can utilize trusts to solve new social issues continue to expand.

Greatest bank vault in the Far East

The enormous bank vault door pictured here is located underneath the Nihonbashi Business Department and Tokyo Chuo Branch of SuMi TRUST Bank. Manufactured by the Mosler Safe Company of the United States, it is 2.5 meters in diameter, 55 centimeters thick, and weighs 50 tons. Known as the greatest bank vault in the Far East for its security and sophistication, it has continued to safeguard the precious assets of our clients since its installation in 1929.

Question

For what reason does the SuMi TRUST Group exist?

The SuMi TRUST Group's reason for existence, or "Purpose"

Our ideal
vision

Creating new value with the power of trusts and
let prosperous future for our clients and society bloom

Roles expected
by society

From our very founding, the SuMi TRUST Group has strived to be the "Best Partner" most trusted by our clients based on our unwavering client-oriented philosophy. Our reason for existence ("Purpose") incorporates our positive commitment to solving social issues going forward, as well as the idea that we can achieve sustained growth for ourselves through such contributions.



*Our inspiration,
pride, and
motivation*



Creation of value for
clients and society

Realization
of virtuous
circulations

Development of society, as well as enhancement
of the Group's corporate value



*Realization of
prosperity, happiness,
and well-being for all*

Power of Trusts

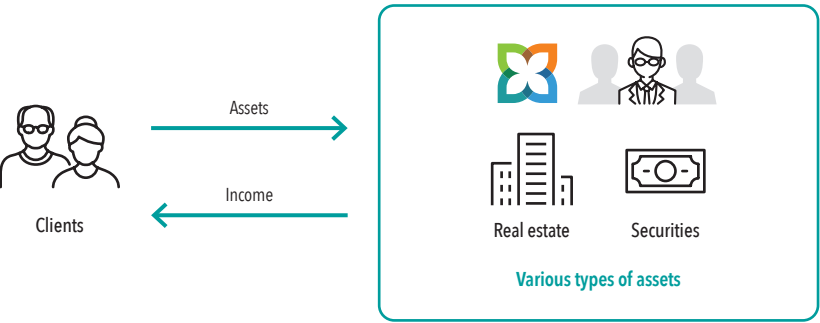
Ability to realize the intentions of clients entrusted to us = wide-ranging and flexible functions

“Trusts” offer a wide array of functions and flexibility. Flexibly exercising these diverse functions enables us to address the various issues faced by clients and society.



Leveraging our high level of expertise to manage and administer assets

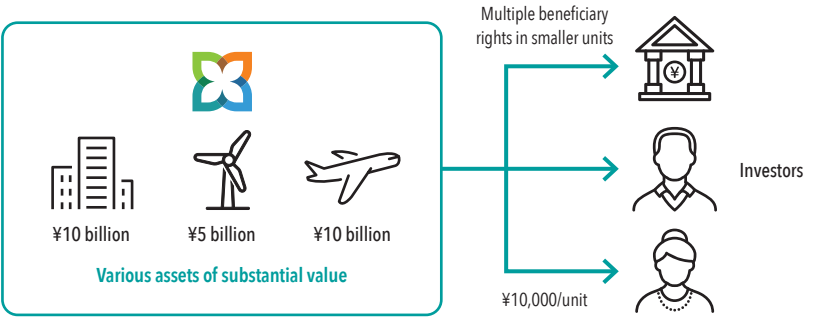
By taking advantage of our extensive expertise in managing and administering the valuable assets entrusted to us, our trusts deliver high added value to our clients.



Asset conversion function

Flexible alteration of asset composition and quantity

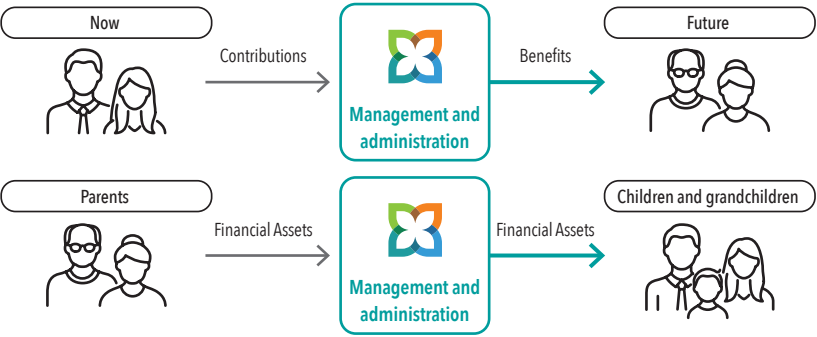
By converting assets held in trust to trust beneficiary rights, even assets that essentially are indivisible, or property of substantial value, can be divided into smaller units for circulation, thus facilitating the smooth circulations of funds, assets, and capital.



Time conversion function

Transcending time to ensure client wishes are fulfilled in the future

In order to assist our clients to realize and enjoy a prosperous future, our trusts have a function to manage and safeguard assets for extended period of time. Under certain scenarios, trust assets and the accompanying wishes of clients can be passed on to the next generation.



Our human resources maximize the power of trusts to generate new added value

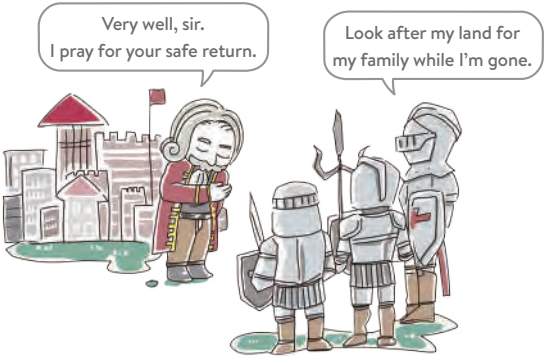
It is ultimately “people” that give shape to the power of trusts—that is, the diverse and flexible functions of trusts and the confidence placed in us by clients and society. At the same time, our diverse employees embody the power of trusts—they share their enthusiasm for trusts and realize the intentions of clients.



➡ P.44, P.78 FEATURE STORY 01 : Human resources

An unchanging system—entrustment for the future

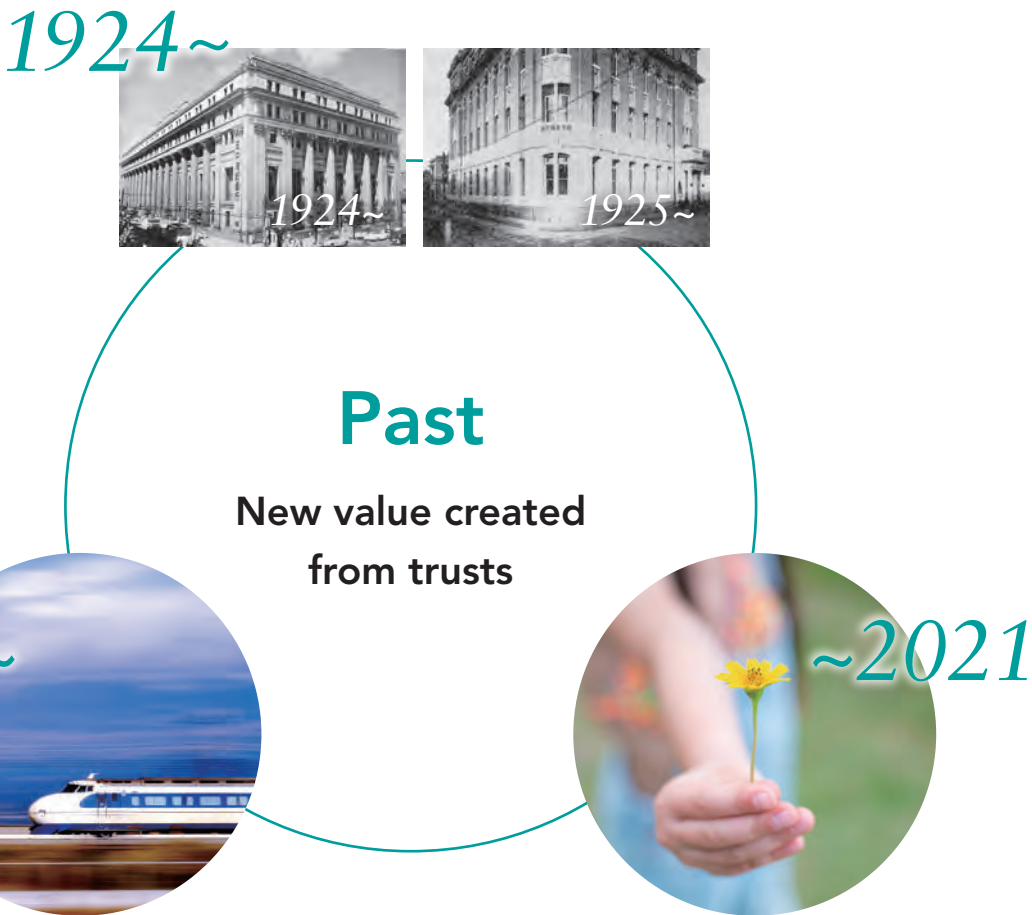
It is said that the origin of trusts can be traced back to the “use” system that emerged in medieval England around the time of the crusades (11th–13th century). A soldier heading off to battle would delegate the administration of his land and possessions to a trustworthy person to be managed on behalf of his family being left behind. The soldier’s wishes were for his precious assets to be entrusted for the future of his family—this is the origin of the trust system.



Creating New Value

**A company, demanded by the times,
in which people could place their “trust”**

The Japanese word for “trust” (as a type of financial service) first started to be used in the latter half of the Meiji era (1868–1912). To define its legal foundation and to encourage the sound development of the system, the *Trust Act* and the *Trust Business Act* were promulgated in 1922. Our Company was established as Japan’s first trust company based on the fiduciary spirit set forth in those laws.



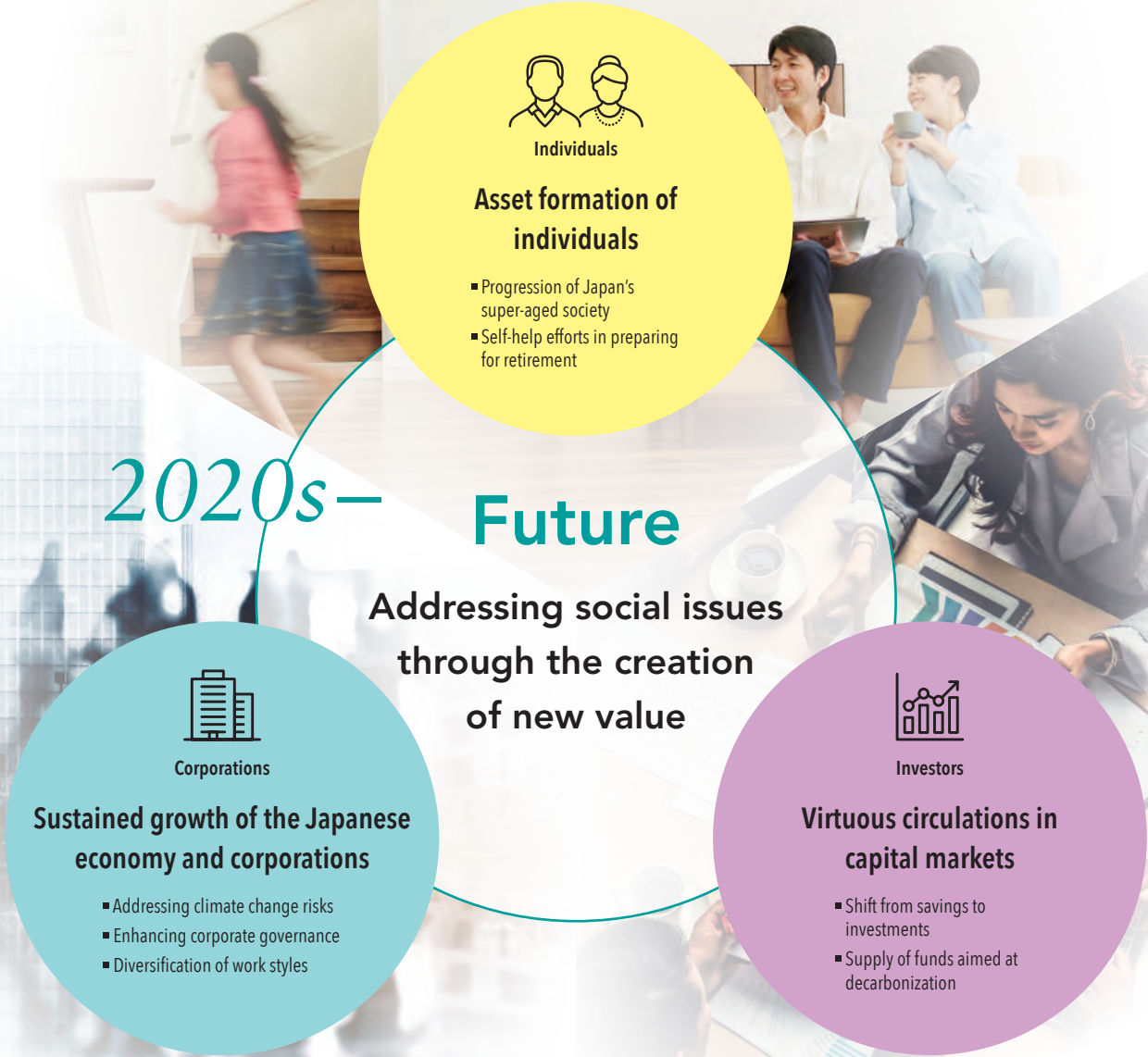
Solving numerous social issues with the functionality of trusts

The loan trusts we first introduced in 1952 supplied long-term, stable capital to Japan’s mainstay industries, underpinned the country’s period of high economic growth, and provided households with stable interest income. From the late 1950s onwards, we actively developed new products leveraging trust schemes, which brought forth new products such as pension trusts, asset formation trusts, and charitable trusts.

Flexible approach to creating new value in line with the changing times

Since the 2000s we have also made use of asset liquidation trusts to securitize loan claims, accounts receivable, real estate, and other assets following amendments to Japan’s *Act on the Securitization of Assets*, and since 2001 and 2002, we commenced the management of defined contribution pension trusts and defined benefit corporate pension trusts, respectively. Likewise, we continue to introduce products in line with the changing times to help solve new challenges arising in society.

Considering that social issues have become increasingly challenging and complex, we believe the SuMi TRUST Group now has the perfect opportunity to harness the power of trusts to create new social and economic value. We intend to transect and combine the Group’s strengths in order to generate innovation and assist in finding solutions to social issues.



Letting prosperous future for our clients and society bloom

The new value created by the SuMi TRUST Group not only benefits direct stakeholders, but also extends far and beyond to reach a broad range of indirect stakeholders through a multitude of channels.

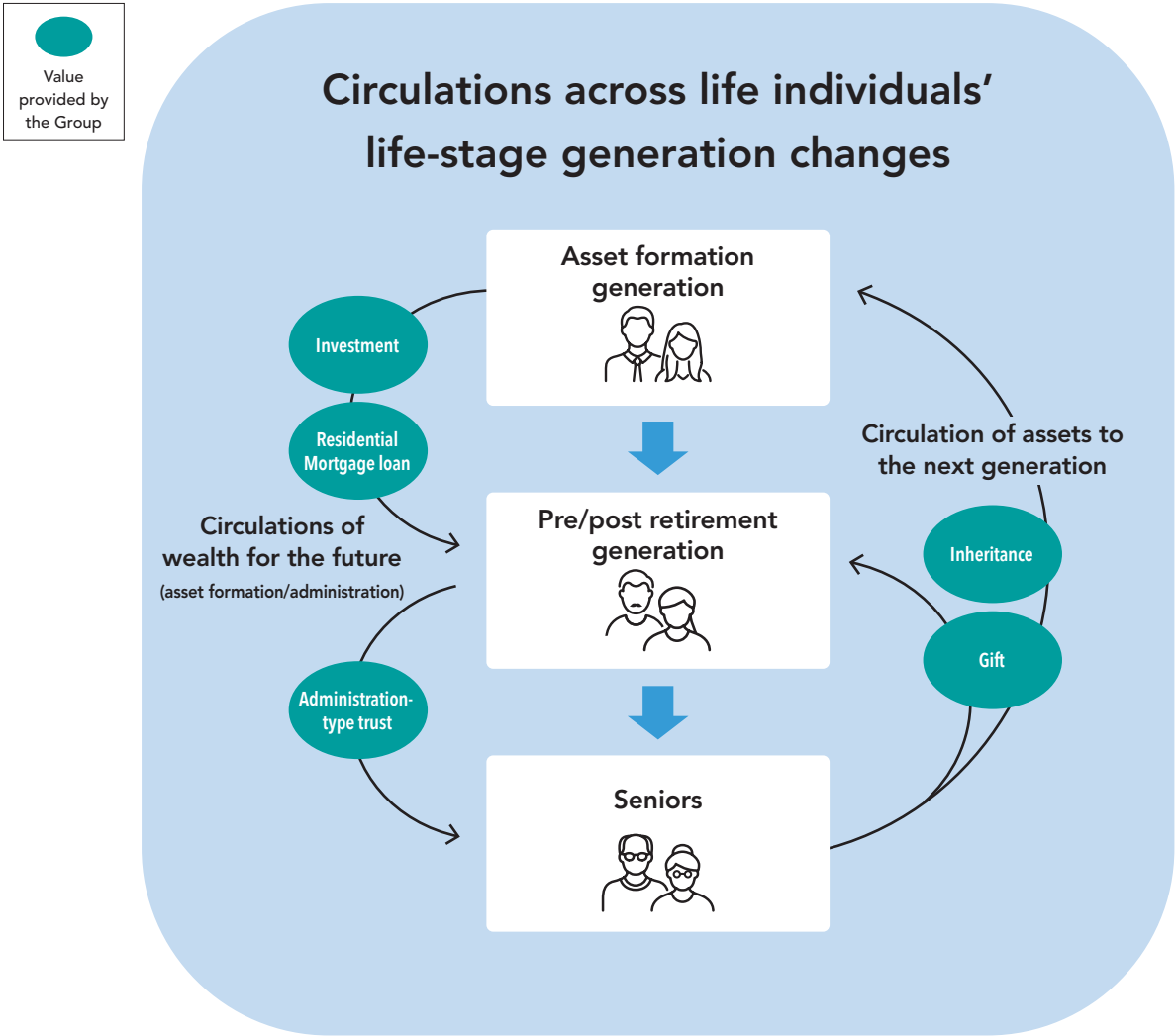


— Transcending time —
Ensuring well-being for even more stakeholders and the next generation



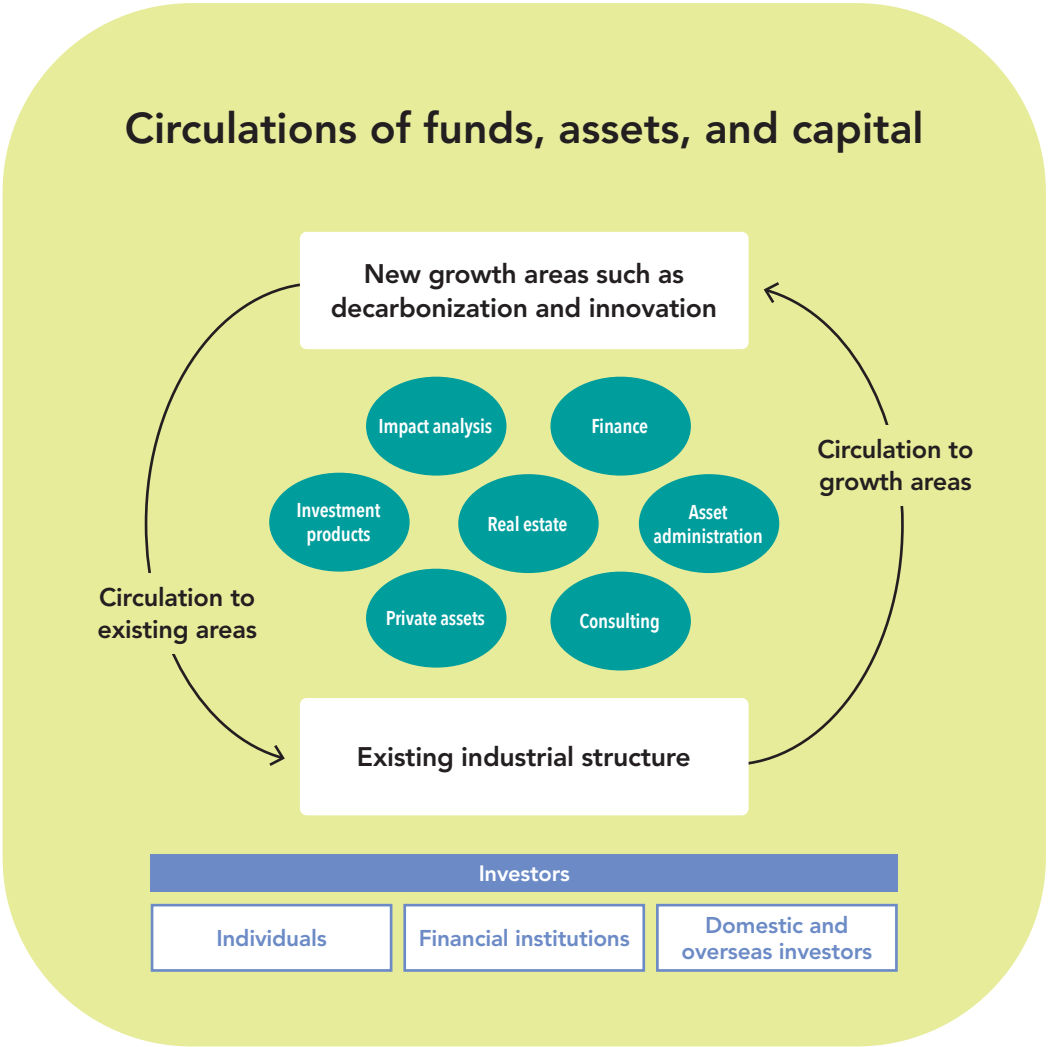
Business Model

The SuMi TRUST Group draws on its wide array of trust functions to deliver high value-added products and services to clients based on the keyword of “circulation.” Through the provision of values, we aim to exert a positive impact on clients and society and achieve sustained and stable growth of the Group whilst contributing to the development of society.



With the arrival of an age of 100-year life, time horizons are changing because the number of years in retirement are increasing. This development is giving rise to new challenges in the area of asset formation and administration. As such, the smooth handover of financial assets held by the senior generation in the super-aged society of Japan is an important topic. It is therefore crucial that the following two major circulations are set in motion: (1) the circulation of individual wealth for the future by way of asset formation; and (2) the circulation of assets to the next generation through inheritance and succession.

The SuMi TRUST Group will harness the power of trusts and offer its broad-ranging support to facilitate the smooth circulation of funds and assets across the life stages of individuals and between generations with the aim of realizing an affluent, super-aged society in which people can live with peace of mind.



Against the backdrop of mounting interest in the Sustainable Development Goals (SDGs) that were adopted at a United Nations summit, social and industrial structures are being significantly transformed, even in Japan, by the formulation of a green growth strategy that seeks to achieve a carbon-neutral society by the year 2050. To realize this vision and to continue solving social issues, investment in new growth areas and fields should be promoted through circulation of funds, assets and capital.

The SuMi TRUST Group will contribute to “creating a virtuous circulation from increased enterprise value leading to increase in household savings, assets, and capital,” with the proactive and intersectoral utilization of highly specialized trusts.

Business Domains

The SuMi TRUST Group leverages its significant expertise and comprehensive capabilities to create unique value under a business model that combines banking, asset management and administration, and real estate services.



Retail total solution services

To meet the wide-ranging needs of individual clients that differ in each stage of life, we offer high-quality, comprehensive consulting to provide various services, including asset formation and management, asset administration, and inheritance and asset succession.

Wholesale total solution services

By continuing to develop our total solutions model—which contributes to solving both visible and potential issues of clients—we aim to be the financial institution designated as the “Best Partner” among our corporate clients.

Wholesale asset management

We aspire to be our clients’ “Best Partner” through the provision of total solutions that encompass both assets and liabilities by combining a wide array of the Group services, such as asset administration (real estate, stock transfer agency services, pensions, etc.) and alliance services (trust agencies, affiliate real estate agencies, etc.).

Stock transfer agency services

As a provider of shareholder registry services pursuant to the Companies Act, we support our clients with corporate stock administration and provide IPO support and comprehensive consulting services aimed at addressing management issues related to IR/SR, including corporate governance and shareholder dialogue.

Real estate

We provide one-stop, optimal real estate solutions that solve the increasingly complex and diverse business challenges of our corporate clients and help individual clients build and manage assets.

Fiduciary services

Guided by our fiduciary spirit, we provide client-oriented, high added-value services across the entire Group, from the design of pension plans right through to their management and administration.

Asset management business

With one of the largest AUMs in Asia, we fully maximize the investment functions of the Group to deliver optimal asset management solutions to our clients and assist in devising solutions to social issues mainly through ESG engagement activities with investee companies.

Global markets

In this area of business we integrate client service functions (marketing and market-making operations such as interest rate and forex transactions and investment advisory), market functions (investment operations and financial management operations), and administrative functions to leverage our significant expertise and comprehensive capabilities and provide services in a timely manner.

Private banking

Our highly experienced, dedicated staff offer various one-stop solutions to clients to meet their varied needs and issues concerning assets and liabilities, including real estate, asset management, and business succession.

Asset formation advisory (work place)

We provide consulting to client companies and their employees concerning employee benefits in light of their HR systems, and offer products and services that contribute to the asset formation efforts of their employees.

Toru Takakura

Director, President
Sumitomo Mitsui Trust
Holdings, Inc.

With our “Purpose” (reason for existence) in mind, we shall strive to become the “Best Partner” favored by society and clients

It is my great privilege to be appointed as president of Sumitomo Mitsui Trust Holdings in April, 2021. I shall endeavor to realize a sustainable society and work towards sustainable and stable growth for the SuMi TRUST Group by committing to the Group’s “Purpose” defined as “Creating new value with the power of trusts and let prosperous future for our clients and society bloom.”

Tackling social issues head-on with the power of trusts

More than one year has passed since COVID-19 became a global pandemic. The outlook for the future remains uncertain, with no imminent end in sight to the pandemic and it is under these circumstances that society, companies, and individuals are being tested once again as to whether they can flexibly respond to the situation and cultivate changes in a forward-looking manner.

The pandemic has induced far-reaching changes to people’s livelihoods and wrought extensive economic damage. On the other hand, it has given impetus to the digitalization of society as a whole and considerably changed people’s working styles and the values they hold. In the SuMi TRUST Group too, we have deployed network infrastructure and a communications environment that permits various in-house procedures to be completed online, which has greatly transformed our workflow; so much so that online meetings and working from home are now considered routine. It also means that employees telecommuting in Japan can assume the work of overseas offices, while those living outside of the Greater Tokyo area can still handle operations for the head office.

Until recently, it had been normal practice in the Group’s retail business to provide face-to-face consulting services to many of our elderly clients. However, major changes are afoot in the awareness of our clients and it was simply groundbreaking that we were able to achieve a smooth rollout of online-based consulting. The evolution of digital technology that eliminates the limitations of time and place is occurring with ever-gathering speed.

One more change in the external environment currently in the spotlight is decarbonization. Last year, new administrations came to power in Japan and the United States, which accelerated efforts towards decarbonization on the government policy front. To realize its stated goal of carbon neutrality by the year 2050 as announced by the Japanese Government, technological developments and enormous investment will be essential to reduce greenhouse gas emissions to net zero at company facilities and in the value chain mainly in the manufacturing industry. Accordingly, social infrastructure and industrial structures may well undergo large-scale transformations going forward.

When observing such major developments in society, and given the distortions that have emerged as a consequence of global economic growth, I have come to the realization that in this day and age, we can no longer turn our eyes away from current events.

A key topic for the business of the SuMi TRUST Group is to adapt to the changing times, create systems that are well-suited to the present day, and assist in building a new social framework. In the past, we leveraged the diverse and flexible functions of trusts to provide numerous solutions to social issues. For example, from the 1950s post-war reconstruction period through to Japan’s period of high economic growth, our loan trusts played a significant role in supplying long-term capital investment funds to core industries, thereby supporting Japan’s economic growth. In the 1960s, we endeavored to promote the adoption of corporate pension plans with the

use of pension trusts to assist the post-retirement livelihoods of company employees. And in various roles, we have participated in entire investment chains encompassing households, corporations, and investors by exerting positive impacts on the economy, society, and the environment.

Having such a track record is the very reason why I believe we can harness the power of trusts to help address social issues we currently face. For instance, we can contribute to the better functioning of capital markets by acting as an intermediary to steadily supply investor capital to areas that require it, such as current issues of promoting decarbonization and innovation,

by utilizing our asset management and administration capabilities. To address the problem of Japan’s super-aged society, we can provide a plethora of asset formation services mainly in the form of asset management, administration, and consulting. Moreover, we are making every effort to develop various trust products that cater to the needs of households to support capital transfer to the next-generation and asset inheritance.

Contributing to the realization of a sustainable society by solving social issues and delivering sustainable and stable growth for the Group is my vision for “The Trust Bank” in this new era.

Review of first year of Medium-Term Management Plan and important business initiatives

At the start of FY2020, the first year of our Medium-Term Management Plan, we harbored concerns about the impact the COVID-19 pandemic might have on our businesses. Nevertheless, we were able to demonstrate our resilience to external shocks as both consolidated net business profit before credit costs and net income exceeded our targets. This reconfirmed our conviction that the Group’s strengths lie in our revenue base backed by a solid and diverse business portfolio based on the two-pronged approach of banking and fee businesses, as well as a broad-ranging client base centering on asset management and administration services.

However, it recently came to light that we had long engaged in inappropriate handling of tallying general shareholders meeting voting rights exercise forms on behalf of client companies, thus greatly undermining the trust placed in us by our clients, the capital markets, and society. Personally, I seriously take these kinds of incidents to heart.

Taking this situation into account, in FY2021 we conducted a review of the Group’s management foundation and turned our attention to the following three key initiatives from the standpoint of strengthening the Group’s value creation.

- (1) Enhancement and sophistication of business operational quality beyond client expectations
- (2) Accelerate businesses unique to the trust banking group
- (3) Strengthening sustainability in management and society (including a reduction of strategic shareholdings)

(1) Enhancement and sophistication of business operational quality beyond client expectations

Owing to our inappropriate handling of operations when tallying voting rights exercise forms in our stock transfer agency services, we were duly reprimanded by not only the client companies that had entrusted such operations to us, but also by the capital markets and society at large. A trust banking group is deeply entrenched as part of Japan’s social infrastructure and serves as a focal point for many different stakeholders. As such, we became painfully aware again just how far our responsibilities extend beyond the clients we normally interact with. Enhancing and sophisticating business operational quality is listed as our first important business initiative for FY2021 because we believe it to be a trust banking group’s starting point as a fiduciary.

The word “fiduciary” can be traced back to 16th century England, originating from the Latin term meaning a reliable or trustworthy person. While the party (fiduciary) that accepts the trust of another party provides professional services under its own discretion, the party (settlor) extending that trust does face some element of risk by placing their complete trust in the fiduciary. Accordingly, policies and laws have continually been developed to strengthen the responsibilities of fiduciaries and now one of the “fiduciary duties” of a fiduciary is the duty of loyalty to act faithfully in the sole best interests of beneficiaries. At the same time, for us as the trust banking group and as an original fiduciary, I believe our real duty is to consciously and autonomously respond to the cordial trust placed

in us as professionals entrusted to look after our clients’ precious assets rather than simply upholding the heteronomous obligations, rules, and regulations imposed on our businesses.

We intend to reaffirm this spirit across the entire Group, always keep our client-oriented approach in mind, and steadily build on our efforts to improve service quality that exceeds not just our contractual obligations, but also our client expectations. In doing so, I am confident that we can forge even stronger relationships of trust with clients and society alike.

To be more specific, we will further enhance the visibility of our business processes, review from scratch what our front-offices have hitherto considered “normal” procedures, and enhance the abilities of our risk management-related departments to identify problematic processes. In other words, rather than just uncovering and improving current issues, we hope to set in motion a cycle of continuous risk management and autonomous improvement.

Also, in order to boost the effectiveness of our activities, I want our employees to maintain an even stronger feeling of being “connected.” The meaning of connected here is two-fold. Firstly, improving the communication channels between front-offices and risk management-related departments so

that a frank exchange of views and information, as well as constructive dialogue, can take place specifically with regard to whether our service quality is surpassing client expectations. In other words, “connections” between organizations. And secondly, the “connected” feeling that employees recognize when they know that their work is contributing to clients and society, even though their direct contact with clients may be limited. I believe this sense of being connected can be a source of motivation and pride for employees and become a driving force behind our efforts to improve our client services.

(2) Accelerating businesses unique to the trust banking group

The second important business initiative is the acceleration of businesses unique to the trust banking group. The SuMi TRUST Group is inseparably connected to the investment chain of the capital markets because our asset management and administration functions are integral to its workings. I believe that by making full use of these functions, we can contribute further to the virtuous circulations in the life stages of individuals, across multiple generations, and also in capital markets. These virtuous circulations can help solve issues

*Growing sustainably
together with society by
creating virtuous circulations
in capital markets*



faced by society by steadily supplying capital to where it is needed, such as the elderly, the next generation, or even growth fields like decarbonization. And I believe that the very contributions made to these virtuous circulations will ultimately lead to the sustainable growth of the SuMi TRUST Group.

To begin with, to complement our asset management and administration consulting services for elderly individual clients; an area in which we have long excelled, we feel there is business potential in similar services targeting clients of the working generation. This is because the COVID-19 pandemic has led to a rapid increase in opportunities for us to interact with clients online and eliminated the limits of scale and physical barriers imposed by our branch and staff resources. For example, SuMi TRUST Bank offers pension and other employee benefit services to employees of client companies by way of corporate transactions under proper information management, but it was difficult to organize meetings with those employees before the pandemic. However, online methods have been established to directly contact with individual employees recently, and we have been able to provide effective solutions that cater to the needs of every person. The funds that these employees hold will likely be allocated to medium to long-term investments, which in turn will also assist the intergenerational circulation of capital between individuals in the form of money being gifted to, or inherited by, the next generation.

For transactions with business owner clients too, we are focusing on the management of abundant risk capital and business succession by the next-generation; in other words, business needs that mark the starting point of a virtuous circulation. In January 2020, we established UBS SuMi TRUST Wealth Advisory Inc. and so far, we have worked on establishing a consulting process to mainly meet the real estate and asset management needs of business owners and high-net-worth clients. And we are still adhering to our plan of jointly establishing a securities company specializing in wealth management after the summer of 2021.

In our corporate business, through the provision of positive impact finance and other products and services that involve impact assessments, we are well ahead of our competitors in terms of supporting the circulation of capital in sectors where companies are required to solve social issues such as carbon neutrality.

In our asset management business, the Group's three asset management firms continue to draw on their respective strengths to contribute to the circulation of funds and capi-

tal. Sumitomo Mitsui Trust Asset Management is bolstering its management of long-selling products that are pivotal to medium to long-term asset formation, whilst also stepping up engagement activities with the aim of encouraging companies to address ESG issues. Nikko Asset Management is utilizing its own in-house capabilities together with a global network of overseas partners to launch industry-leading products in Japan and abroad and expand its ETF business offerings. Meanwhile, SuMi TRUST Bank is working to provide private asset investment opportunities. It is currently diversifying investment assets such as project finance for renewable energy with the aim of launching a sophisticated product in the environmental field and is taking steps to offer smaller units for private asset investment.

By leveraging the Group's diverse and flexible functions in this way, we are beginning to see more areas open up in which we can contribute to the building of virtuous circulations in society and I certainly feel that the Group's business growth is benefitting from tailwinds from the changing times. And I am even more confident now that the Group can achieve sustainable and stable growth in the future.

(3) Bolstering sustainability in management and society

The third important business initiative—strengthening sustainability in management and society—embodies two concepts. One is the building of a rock-solid, efficient management foundation by streamlining the allocation of managerial resources, while the other is the promotion of sustainability in society.

1) Streamlining the allocation of managerial resources

So that we can contribute to solving the medium to long-term issues currently faced by society and our clients, the SuMi TRUST Group itself must lead a sustainable existence. To that end, we will review our management plans, make optimum use of capital, expenses, personnel, and other managerial resources, and transition to a capital-light business model characterized by asset efficiency without compromising on service quality. Particularly with regard to capital, this fiscal year we made some major changes to our policy on strategic shareholdings. We believe a reduction in strategic shareholdings will not only improve the Group's capital efficiency, but also contribute to the development of Japan's capital markets and the virtuous circulations of funds and capital. The Group's current policy, in principle, is to divest all strategic shareholdings as a conventional stable shareholder and accelerate

the pace of divestment. Top management will spearhead dialogue with clients, make known its approach to corporate governance, and continue to deliver solutions geared towards sustainably enhancing corporate value and solving issues for clients. In this way, I believe we can gain the understanding of all stakeholders to reduce our strategic shareholdings and forge stronger mutually trusting relationships with clients.

We will also continue to implement cost structure reforms, as called for in our Medium-Term Management Plan, and hasten legacy cost cutbacks, including the reduction of excess office space at branches of SuMi TRUST Bank and the head office. The resources we raise from the aforementioned measures will be reallocated to improving our internal control systems for the purpose of ensuring service quality, and we also intend to invest in growth areas centering on fee businesses with high returns on invested capital.

2) Promoting sustainability in society

Sustainable and stable growth of the SuMi TRUST Group hinges on the existence of a sustainable environment and society. As such, we are focused on value creation that integrates the relationship between society and the Group's management and we

are strengthening how we communicate this information.

We have divided the Group's management materiality into three categories: (1) impact; (2) governance and management foundation; and (3) finance. Of these categories, we are strongly aware of the connections to business in the "impact" category because that is where our corporate activities have positive or negative impacts on the economy, society, and the environment. While this integrated report does touch on our views regarding issues of materiality, in January 2021, we were one of the first financial institutions to publish a Sustainability Report incorporating the common metrics for measuring stakeholder capitalism compiled by the World Economic Forum and others, and have been enhancing dialogue with markets and society. Furthermore, in December 2020, we published our first TCFD Report in light of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In it, we updated our sector policy on coal-fired power generation as part of our objective in assisting to realize a sustainable society by intensifying our stance on decarbonization, and we also announced a new long-term target for sustainable finance of ¥5.0 trillion in cumulative loans for the period FY2021 through 2030.

Creating a vibrant work environment

In the second year of the Medium-Term Management Plan we intend to survey the entire SuMi TRUST Group, steadily develop business operations systems that continue to be favored by our clients, and double down on our efforts to prepare for the next stage of growth. In particular, our human resources are a topic of utmost importance because they underpin the Group's sustainable growth.

We employ a large number of people possessing expertise in asset management, pension systems, real estate, and other lines of business. The Group has always been a veritable breeding ground where specialist personnel can demonstrate their capabilities to the fullest, but we are further committed to creating a workplace environment in which ranks of specialists boasting various qualifications and skills are able to acknowledge and respect one another's differences and work with much enthusiasm so that the collective know-how of everyone can be pooled to generate even higher levels of added value.

More specifically, we will ramp up personnel placements and exchanges across the Group to support business strate-

gies, hire more specialists to reinforce our sustainable growth, and bolster our IT and global workforce. Not only will we actively appoint female employees to managerial positions and support their career development, we will look to incorporate different sets of values into management and create new businesses by pushing ahead with the hiring of energy and chemical technology experts with the aim of deploying their technology in social settings, as well as the recruitment of IT proficient human resources through the establishment of a new strategic subsidiary.

Our employees form the basis of our managerial resources. That is why we aim to engage in health and productivity management so that every individual can fully demonstrate their potential capabilities and concentrate to work with a healthy mind and body. Added value is created when employees demonstrate their high levels of expertise, which in turn improves the well-being of our clients and society as a whole. I believe that when our employees are aware of this, their own well-being is also likely to improve.

Returns to shareholders

In line with the Group’s sustainable and stable growth, we hope to keep on steadily expanding returns to all of our shareholders going forward.

We aim to boost the return of profits to shareholders via dividends in line with sustainable business growth, so in FY2021 we forecast a ¥10 increase and a dividend payment of ¥160. We are targeting a dividend payout ratio of 40% in or around

FY2022, as outlined in our shareholder return policy, and in addition to profit growth, we will endeavor to further strengthen shareholder returns.

We will also consider executing share repurchases in a flexible manner from the viewpoint of striking the best balance between capital adequacy and efficiency.

In conclusion

As the business environment continues to transform at a blistering pace, we are now in an era in which it is difficult to predict what lies in store for the future because systems, rules, and other givens, as well as anticipated risks, are constantly changing. To stand up and face these uncertain times, I believe the most effective method is possess the determination to create and set in motion one’s own future.

For the SuMi TRUST Group, it is now even more important that we put in place the systems with which we can flexibly respond to change and remain our clients’ “Best Partner” as a reliable part of social infrastructure befitting of a sustainable future.

For the very reason that society is experiencing such troubled and uncertain times, we will ensure that every executive and employee is conscious of, and takes responsibility for, their own thoughts, decisions, and actions by keeping in

mind the Group’s “Purpose” (reason for existence) defined as “Creating new value with the power of trusts and let prosperous future for our clients and society bloom.” In doing so, we will forge ahead with the building of the Sumitomo Mitsui Trust Group that continues to be favored by society and our clients.

We appreciate your continued understanding and cooperation.

July 2021

Director, President
Sumitomo Mitsui Trust Holdings, Inc.

Toru Takakura



Pioneering the future with the power of trusts

My most important principle for work is “to exercise my own judgment and be my own driving force when striving for what I have set out to achieve.” Immediately after the Great Hanshin-Awaji Earthquake in 1995, I took command of business affairs on behalf of the Human Resources Department. During that time when there was a very real possibility that telephone conversations could be cut off at any minute, I learned the hard way that during times of crisis, making quick decisions and taking swift action was crucial and that being in two minds and delaying one’s decision would only aggravate matters. For me, this experience was a major turning point in my career because it prompted me to reassess about my attitude towards work.

At the same time, it is important that one’s own decisions are well-informed as much as possible. Therefore, habitually obtaining firsthand information from close to the source is key. Everyone has a bias to unconsciously select the most convenient information on which to base their decisions. As everyone has past experiences and accumulated knowledge, completely eliminating one’s bias is not possible, but ever since I assumed a management position, I have endeavored to broadly listen to various opinions and challenged myself to view things from a neutral standpoint so that my own thoughts are impartial. One example of this approach would be the series of seminars that we hosted for small number of employees to engage in active discussion. Despite the fact that these seminars required the participants to spend a considerable amount of time and preparation over a few months to read the assigned books and submit a report before sitting down for discussion, approximately 200 employees took part over nearly seven years through to March 2020. Even though I was keen to communicate my own thoughts to the participants, I wanted to cherish the opportunity of hearing the opinions of young and mid-level employees from different backgrounds to explore what they thought and what kind of values they hold. In doing so, I unexpectedly acquired fresh perspectives previously unfamiliar to me. I always contend that the strength of an organization is borne of diversity and lending an ear to the wide-ranging opinions of others on a day-to-day basis is, I believe, an important preparatory step towards making swift, level-headed decisions.

At the time of the merger between the former Chuo Mitsui Trust and Banking Group and the former Sumitomo Trust and Banking Group, I worked as the

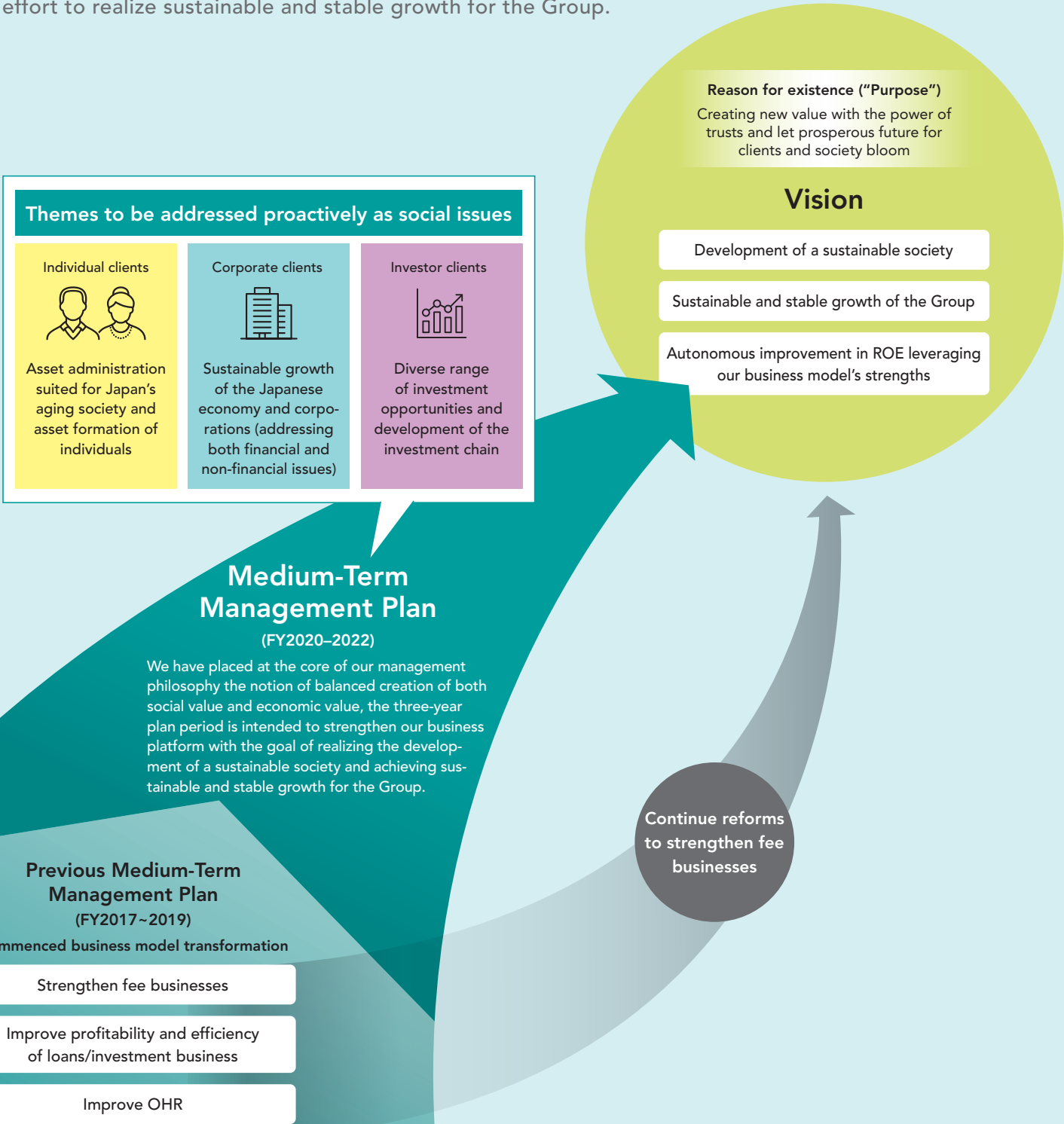


general manager of the department tasked with facilitating the business integration. Despite the fact that both entities were trust banking groups, there were so many differences in internal rules and non-verbal corporate culture. So, with the aim of realizing a true integration, we set about formulating a mission, a vision, and values that would encourage the employees of the new company to quickly unite and set their sights on a single common objective. We also engaged in discussions on countless occasions with various members in order to build a foundation that the Group could always return to when faced with challenging times in the future. Particularly regarding the Group’s values, we inherited those from the codes of conduct of the legacy banks; namely, “Trustfulness and Loyalty,” from the former Sumitomo Trust and Banking, “Dedication and Development,” from the former Mitsui Trust and Banking, and “Trust and Creativity,” from the former Chuo Trust and Banking. We then added “Self-help and Self-discipline,” to represent our existence as an independent trust banking group. While securing diversity is key to the development of our organization, the underlying assumption is that, all individuals have established their individual identity through self-help and self-discipline. To complement our mission, vision and values, we defined our “Purpose,” when we unveiled our new Medium-Term Management Plan last year. Given the many unimaginable and fitful changes occurring in society today, like the COVID-19 pandemic for instance, it is even more important that we discern the essence of our purpose based on our set of principles. The entire SuMi TRUST Group shall work together to give shape to our purpose by utilizing the power of trusts in an increasing number of fields.

Medium-Term Management Plan (FY2020–2022)

We have aligned the three-year period of our Medium-Term Management Plan—which commenced in FY2020—as a time to reinforce our business platform with the aim of achieving continuous and stable growth of the SuMi TRUST Group.

We intend to take the business model transformation that we have thus far pursued to the next level, and as we bear in mind our reason for existence (“Purpose”) we will squarely address the social issues faced by all of our clients, whether they be individuals, corporations, or investors, in an effort to realize sustainable and stable growth for the Group.



		FY2020 (actual)	FY2022 (targets)	Medium-Term Management Plan vision (FY2022 targets)	Longer-Term targets
Net business profit		¥294.7bn	¥290.0 bn	Acceleration of business model transformation / growth driven by crossing and merging	
Net income		¥142.1bn	¥190.0 bn	Sustainable and stable growth	
OHR (overhead ratio)		60.10%	Lower 60% range	Future investments in tandem with expense control	Upper 50% range
Common equity tier 1 capital ratio* ¹		9.40%	Mid-10% range	Ensuring capital sufficiency	Stably maintained above 10%
Return on equity		5.40%	Around 7%	Aiming for autonomous improvement in ROE	Around 9%
Fee income ratio		52.90%	Upper 50% range	Strengthening steady fee income	Stably maintained above 60%
Dividend payout ratio		39.50%	Around 40%	Emphasis on returning profits to shareholders via dividends in line with earnings growth / bolstering shareholder returns	
Client base ("Pre-Best Partners")	Individuals	270,000	290,000	Strengthening our base of "Pre-Best Partners," the stage needed if we are to build healthy relationships and boost our number of clients that ultimately choose the SuMi TRUST Group as their "Best Partner"* ² over the long-term or in a continuous manner	
	Corporations	620 companies	690 companies		
Responding to society following the COVID-19 pandemic (individual clients using online channels* ³)		1.99 mn	2.38 mn	Responding to changes in society and methods of communication as a result of the COVID-19 pandemic in an effort to improve the level of convenience for clients and boost productivity in the Group	

*1 Based on finalized Basel III standards
*2 How our clients view the SuMi TRUST Group
*3 Clients using internet banking or the Life Guide internet portal

Basic Strategies

Under our Medium-Term Management Plan, we aim to bolster our initiatives by anchoring the management of the Group to three basic strategies.

1. Strengthening our business portfolio (reinforcing foundation for sustainable and stable growth)

• **Strengthen business foundation**

We aim to create more opportunities to provide new products, services, and total solutions based on long-term, inclusive trustworthy relationships with existing clients.

In addition, we will endeavor to gain new clients and increase AUM mainly in the Group's areas of expertise. Through these initiatives we hope to meet the needs of clients and society and continue to generate economic value that underpins the sustainable growth of the Group.

• **Establish new areas of growth**

In light of social issues expected to arise in the future and the needs of clients that are rising to the surface, we will pursue renewed growth by establishing businesses that deliver solutions to such problems right across our

business portfolio. In order to harness the business creativity of intersecting and melding businesses and functions—one of our traditional strengths—we intend to reorganize SuMi TRUST Bank, the entity at the heart of the Group, to undertake extensive resource allocation and risk taking.

• **Promote strategic resource mix**

We will advance the optimal allocation of a diverse mix of managerial resources to areas of priority in an effort to further strengthen and streamline the Group's management structure. In addition to making effective use of capital and advancements in digital technology, we will also aim to flexibly combine management resources within the Group to build a resilient organization that balances both optimum allocation and maximized use of resources.

2. Capital strategy (balance sheet, efficient use of capital)

- Whilst maintaining sufficient capital, we aim to be more assertive in our use of strategic investments, bolster our active capital strategies, for example, by reducing strategic shareholdings and controlling risk assets, and promote capital policies that strike the right balance between financial soundness and capital efficiency.
- We intend to control risk assets mainly by accelerating

asset turnover, upgrade efforts to diversify our structure on foreign currency procurement, and continuously work on improving profitability of credit portfolios for both individual and corporate clients.

- We will emphasize the return of profits to shareholders via dividends and aim to bolster shareholder returns in line with sustainable and stable profit growth.

3. Sophistication of business quality (ability to create new businesses and improve existing businesses)

- As a trust banking group, we will aim to strengthen our client-oriented and customer satisfaction initiatives as a source of differentiation, integrate the units that handle fiduciary duty and CS (customer satisfaction) operations, enhance business quality management capabilities, and endeavor to instill greater employee awareness, includ-

ing risk culture, at our branches.

- We will seek to enhance Group-wide business management in the core areas of HR, finance, and risk management, taking into account changes in the operating environment, new regulatory requirements, and the growing importance of Group strategies.

Our initiatives to reduce strategic shareholdings

The SuMi TRUST Group shall endeavor to foster a virtuous circulation framework that facilitates circulation of funds, assets and capital through our asset management and asset administration services, and enhancement of our corporate clients' enterprise value by offering solution services, with the aim to develop Japanese capital markets.

To realize this objective, we intend to improve our bi-functional expertise as a trust bank Group that assumes the position of an investor as well as an advisor offering solutions to enhance enterprise value, and re-align our policy so that, in principle, we shall not hold any "strategic shareholdings as a conventional stable shareholder." During the interim policy transition period, we shall strive to fulfill our role as an advisor that "offers solutions to issues to enable sustainable increase in enterprise value through extensive dialogue with our clients."

1

Dialogue policy with our corporate clients whom the SuMi TRUST Group is a strategic shareholder

We shall take each client's business environment and stakeholders actions into account, to offer solutions suited to each client, deepening the understanding of each other to accelerate the reduction of strategic shareholdings. During the transition period, we shall continue to offer active dialogue and solutions to create positive impact and sustainable increase in enterprise value.

2

Policy regarding the exercise of voting rights regarding our strategic shareholdings

We intend to define our policy regarding client dialogue to enhance enterprise value, and we are evaluating our options to enhance the SuMi TRUST Group's exercise of voting rights for annual shareholder meetings to be held beyond June 2022. We are considering of publishing our thoughts on this issue in our interim disclosure in November 2021.

3

Pace of our strategic shareholding reduction

During the remaining 2-year period of our current Medium-Term Plan (FY2020 to FY2022), we intend to significantly accelerate the pace of reduction and aim to reduce our holdings by ¥100bn (at cost, or roughly ¥ 250bn at market value).

To ensure the implementation of this initiative, executives including top management is committed to lead the dialogue with our clients, and oversight from our board shall be strengthened to monitor its progress.



Nobuaki Yamaguchi

Senior Managing Executive Officer
Head of Finance and Treasury
Sumitomo Mitsui Trust Holdings

Introduction

It is my great privilege to be appointed as Head of Finance and Treasury in April 2021. While the COVID-19 pandemic has made it extremely difficult to make predictions about the future simply based on what has come before us, I am committed to managing the SuMi TRUST Group’s financial and capital operations with a view to sustainable and stable growth by constructively addressing social issues.

Review of FY2020—the first year of our Medium-Term Management Plan

Under our Medium-Term Management Plan that commenced last fiscal year, we intend to achieve further progress on transforming our business model whilst bolstering our business platform over the duration of the plan by aggressively tackling the social issues that confront mainly individuals, corporations, and investor clients. In reviewing earnings for FY2020, the first year of the Medium-Term Management Plan, my assessment is that we were able to demonstrate a certain level of resilience even during the coronavirus crisis.

Net business profit before credit costs deteriorated in the first half because of a downturn in income from investment management consulting and real estate brokerage services when we voluntarily suspended operations following the declaration of the first state of emergency. In the second half, however, net business profit gradually recovered mainly attributable to familiarization with online-based operating activities. Profit was also boosted by brisk recurring sources of revenue and one-off factors such as partnership investment earnings in connection with higher share prices.

		(¥ bn)	FY2019 (actual)	FY2020 (actual)	YoY	FY2021 Forecast	FY2022 Plan
Profit indicators	Net business profit before credit costs		289.0	294.7	5.6	280.0	290.0
	Net income attributable to owners of the parent		163.0	142.1	-20.8	155.0	190.0
Profitability indicators	Fee income ratio		54.6%	52.9%	-1.7%	Mid-50% range	Upper 50% range
	OHR		61.1%	60.1%	-1.0%	62.2%	Lower 60% range
Financial indicators	Return on equity*1		6.25%	5.41%	-0.84%	Upper 5% range	Around 7%
	Common equity tier 1 capital ratio*2		9.7%	9.4%	-0.3%	Mid-9% range	Mid-10% range

*1 {Net income attributable to owners of the parent / (FY-start total equity + FY-end total equity) ÷ 2} x 100
*2 Based on finalized Basel III standards

In addition to booking write-downs at the extraordinary profit/loss line and below on mainly software assets in anticipation of the so-called “New Normal,” net income attributable to owners of the parent decreased because we endeavored to improve our hedge position costs by partially

realizing both valuation gains on strategic shareholdings and valuation losses on hedging transactions. That said, we still achieved our initial net income target of ¥140 billion. On the whole, I believe we made steady progress in the first year of the new Medium-Term Management Plan.

Medium-Term Management Plan objectives and financial challenges

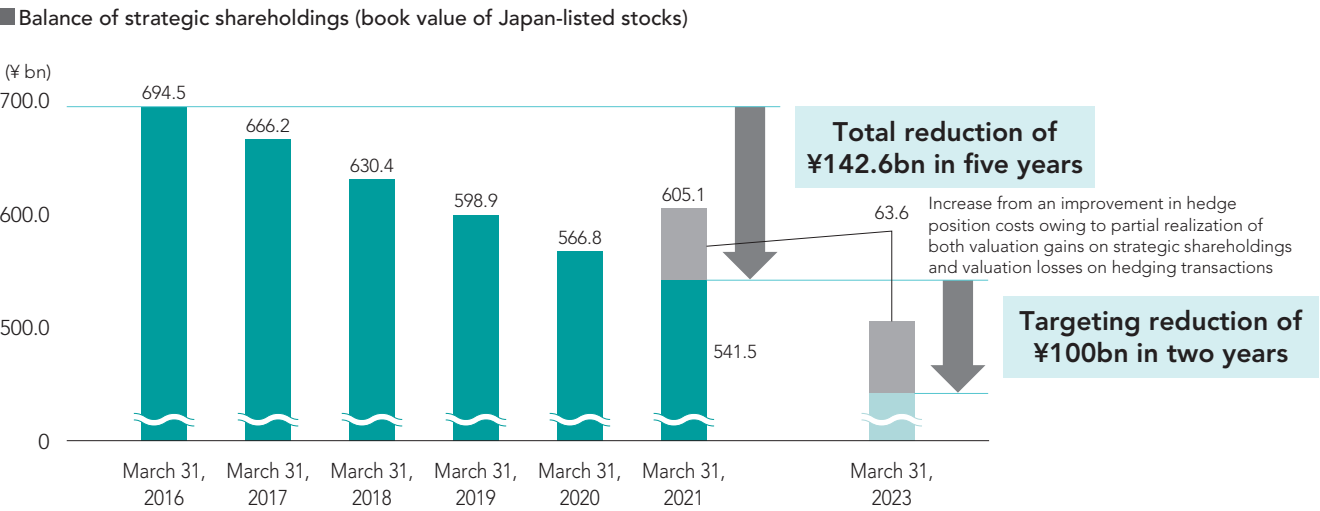
Under the new management structure adopted from April 2021, our policy going forward will be to squarely address social issues and accelerate the promotion of businesses distinctive of a trust banking group. From a financial point of view, we are aiming to accelerate adoption of a capital-light business model and balance financial soundness with return on capital at the highest level possible. In terms of the Group’s financial health, we aim to stably maintain our common equity Tier 1 capital ratio above 10% range based on the finalized Basel III standards slated for implementation in the fiscal year ending March 2023. Estimates as of the end of March 2021 indicate that the ratio is adequate at 9.4%, but we will continue to work to further strengthen our financial footing and control risk assets. At the same time, we will strive to improve return on capital by pursuing qualitative changes. To be more spe-

cific, this approach will hinge on three initiatives: (1) further bolstering our fee businesses; (2) improving the profitability and efficiency of loan/investment businesses; and (3) cost structure reforms. For cost structure reforms, we have hitherto sought to mainly reduce legacy costs, but we will further implement additional measures so that we can respond to new changes in the operating environment, namely, the diversification of working styles and the use of online channels. The capital and resources we raise from the aforementioned initiatives will be used to further promote a strategic resource mix by, for example, strategically investing in growth areas and making upfront investments designed to keep a lid on future overheads. In this way, we will endeavor to strengthen and pursue a business portfolio distinctive of a trust banking group.

Reduction of strategic shareholdings

Since our establishment through a management integration in 2011, the Group has held a considerably large exposure of strategic shares compared to our capital base.

In recognition of this issue, we have continuously worked to reduce our strategic shareholdings with the understanding of our clients. On an acquisition cost basis, we have so far



reduced our holdings by a total of ¥356.7 billion. And from the perspective of limiting the financial impact of fluctuations in market value while holding these shares, as of the end of March 2021 we have hedged price movement risks equivalent to roughly 80% of the market value of our strategic shareholdings. Nevertheless, our strategic shareholdings pose a financial challenge because we still hold quite a sizeable amount compared to our equity capital.

The SuMi TRUST Group has long utilized the functions of trusts to generate social and economic value by proactively helping to solve social issues.

Now, one of the objectives of our new management structure is to establish a virtuous circulation of funds, assets, and capital that delivers benefits to households through the enhancement

of corporate value. Based on this philosophy, we are realigning our investment policy, so that, in principle, we shall not hold strategic shares as a conventional stable shareholder.

In light of the environment that currently envelops corporations, we will look to deepen understanding and accelerate our reduction of strategic shareholdings by engaging in constructive dialogue and providing solutions that cater to the respective circumstances of every client.

More specifically, in the remaining two years of the Medium-Term Management Plan (through FY2022), we aim to nearly double the pace of reductions executed thus far and reduce strategic shareholdings by ¥100 billion on an acquisition cost basis (or around ¥250 billion based on market value).

Capital strategy and shareholder return policy

To achieve sustainable and stable growth, as well as the steady enhancement of shareholder returns, the objective of the Group’s capital strategy is to strike the best balance between capital sufficiency and efficiency with the following three measures: (1) improving return on capital through business strategies; (2) effectively utilizing capital; and (3)

strengthening shareholder returns through dividends.

In aiming to achieve this best balance in FY2022, the final year of the Medium-Term Management Plan, we are targeting a common equity Tier 1 capital ratio (finalized Basel III standards) above 10% range and ROE of around 7%.

As we strive towards meeting these targets, for the first

measure, we will bolster our fee businesses, improve the profitability and efficiency of loan/investment businesses, execute cost structure reforms, and reduce strategic shareholdings, all of which I mentioned earlier.

For the second measure, our policy will be to vigorously execute strategic investments designed to tap external growth opportunities and improve the efficiency of operations in each business.

For the third measure, as a means for returning profit to shareholders in line with earnings growth, we will raise consolidated dividend payout ratio to around 40% in or around FY2022.

We also have a policy of executing share buybacks in a flexible and timely manner from the viewpoint of effective use of our capital.

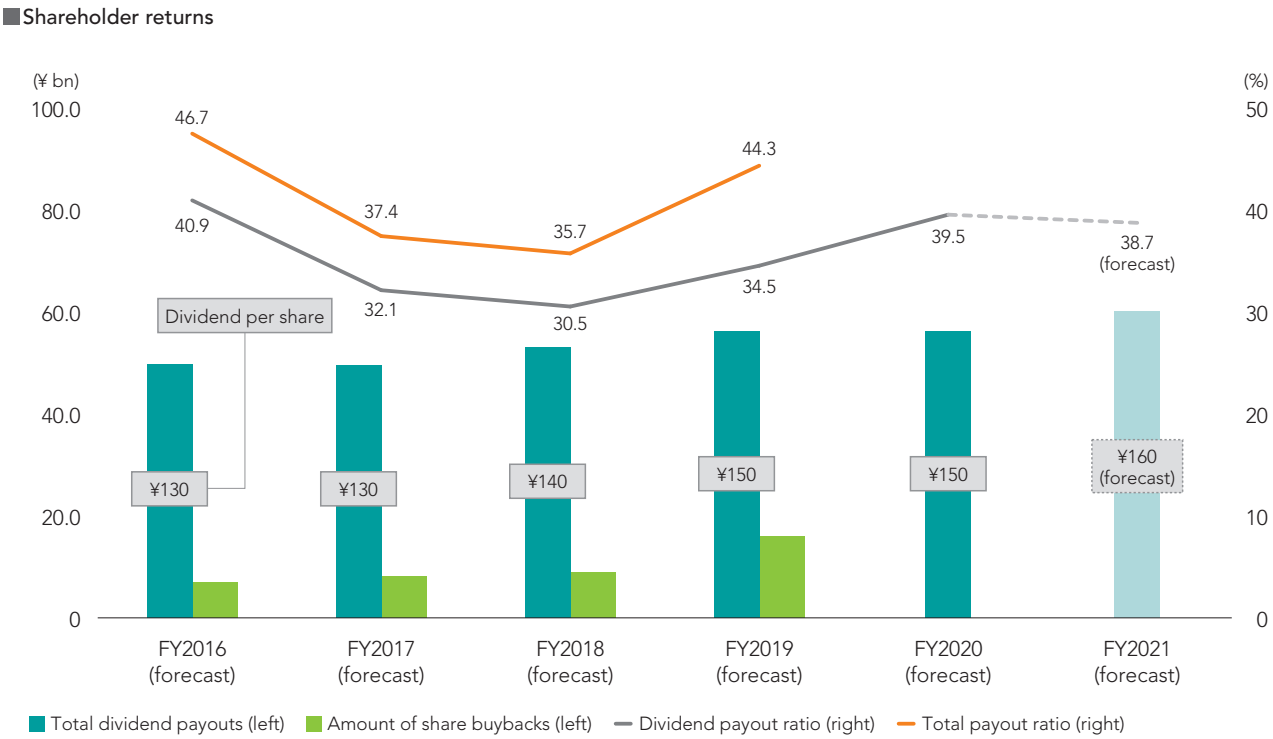
In conclusion

The spread of COVID-19 has brought about a heightened state of uncertainty and accelerated the shift to digital technology, along with other structural changes in society.

The SuMi TRUST Group also swiftly responded to the situation by rapid deployment of online channels and setting up satellite offices for remote work, and we continue to further improve these infrastructure items.

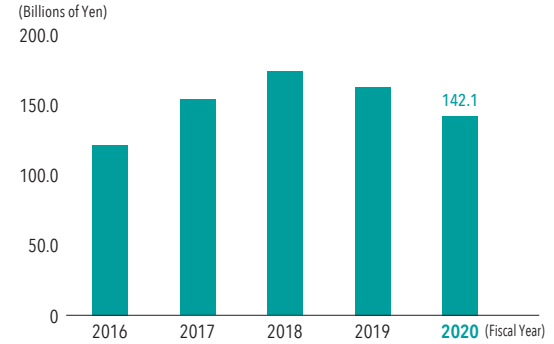
We can expect changes of this kind to occur one after the other in the future. In order to cope with such changes and achieve continuous and stable growth, our ability to take up the challenge of business innovation, and the speed at which we do so, will be called into question more than ever before.

As already mentioned in the top message, the SuMi TRUST Group has hitherto contributed to society by taking stock of the changing times, swiftly responding to social issues, and providing solutions. Going forward, we hope to utilize the various functions and spirit of trusts to make further contributions towards solving new challenges in society and building a virtuous circulation of funds, assets, and capital so that we might continue to grow and develop together with society. I hope to undertake prudent management of the Group’s finances and capital to support the activities that bring these aims to fruition.



Financial Highlights

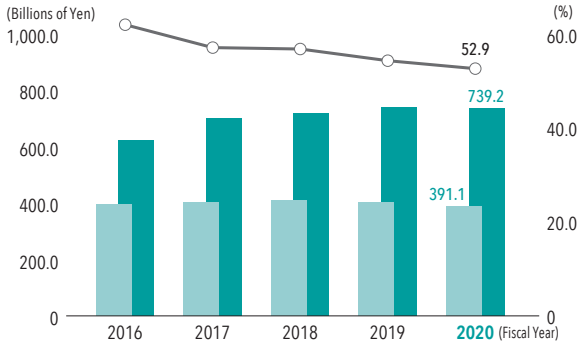
Net Income Attributable to Owners of the Parent*



* Net income attributable to owners of the parent

Despite the impact of lower fee income owing to COVID-19 and the booking of a net loss on mainly stocks, net income attributable to owners of the parent came in higher than target (¥140bn) because credit costs were well controlled.

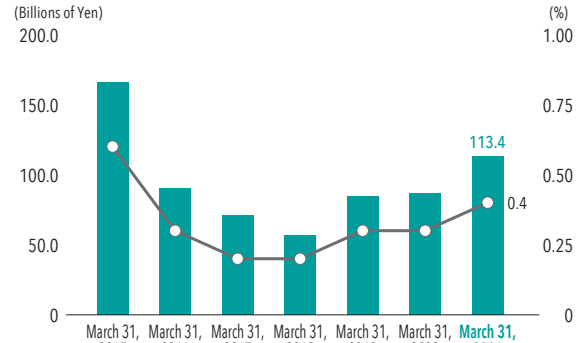
Fee Income Ratio*



Fee income ratio (right)
Net fees and commissions and related profit (left)
Gross business profit (left)
* Net fees and commissions and related profit divided by gross business profit

The fee income ratio dipped but still remains elevated, because even though fee income declined, loan/investment-related income increased, including interest on loans and partnership investment earnings from higher share prices.

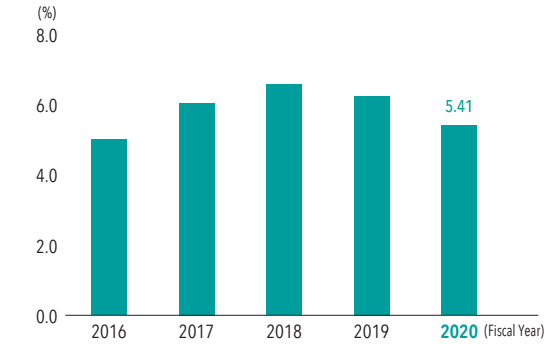
Non-Performing Loan Ratio*



Problem assets based on the Financial Reconstruction Act (left)
NPL ratio (right)
* SuMi TRUST Bank (non-consolidated)

The non-performing loan ratio as of March 31, 2021 was still at a sound level of 0.4% versus total exposure of ¥31 trillion.

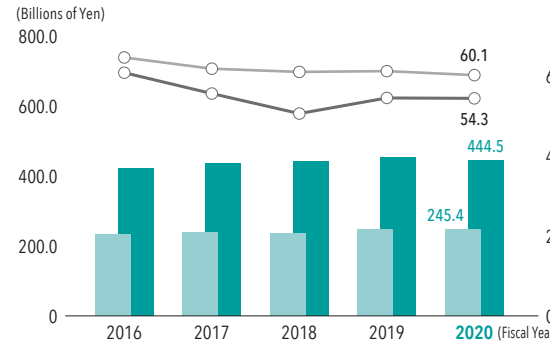
Return on Equity*



*See page 134 for calculation method

The decline in ROE owes to lower net income attributable to owners of the parent.

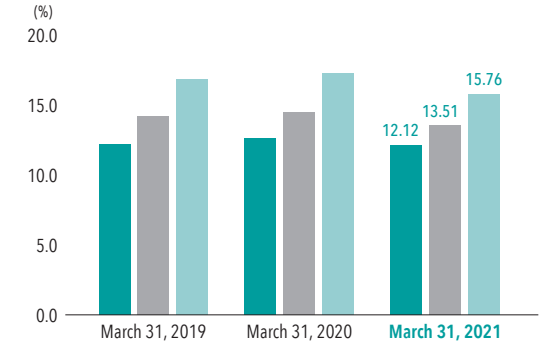
Overhead Ratio*1



Overhead ratio (non-consolidated)*2 (right)
Overhead ratio (right)
General and administrative expenses (non-consolidated)*2 (left)
Substantial general and administrative expenses (left)
*1 General and administrative expenses divided by substantial gross business profit
*2 SuMi TRUST Bank (non-consolidated)

General and administrative expenses decreased and the overhead ratio also declined mainly as a result of more efficient operations and the established online-based sales activities.

Capital Adequacy Ratios

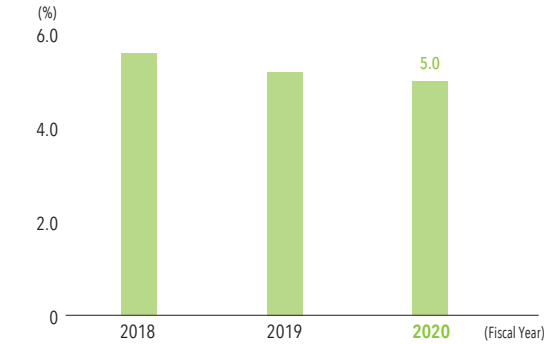


Common equity Tier 1 capital ratio
Tier 1 capital ratio
Total capital ratio

All are sufficiently above capital adequacy requirements of banking regulations.

Non-financial Highlights

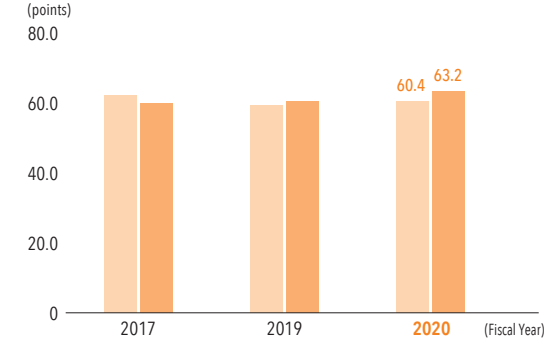
Exposure to carbon-related assets



As of March 31, 2021, the percentage of loans exposed to carbon-related assets was 5.0%, down 0.2 ppt from March 31, 2020.

* Combined total for SuMi TRUST Bank and Sumitomo Mitsui Trust Bank (Thai) Public Company Limited

Employee awareness survey



Vitality level
Satisfaction level
* Not implemented in FY2018 due to content review

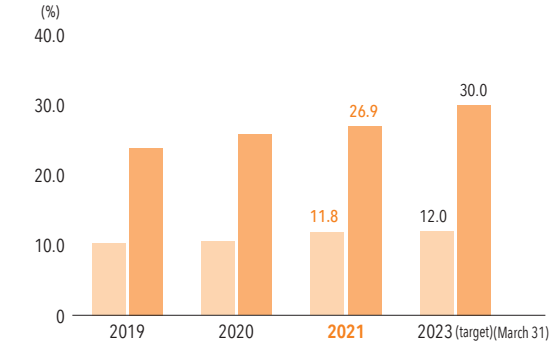
Every year SuMi TRUST Bank conducts an employee awareness survey targeting all employees so that their opinions can be communicated to management. In FY2020, positive scores (60 points) were maintained for both vitality and satisfaction—our standards for measuring employee engagement.
See page 109 for more details.

MSCI rating



We aim to become the No. 1 financial institution for ESG management, as we reflect the perspectives of ESG investors in our management. We are acclaimed for our ESG efforts, such as receiving the top rating of a financial institution in Japan from MSCI, an influential research institution in the field. We have maintained our AA rating since 2016.

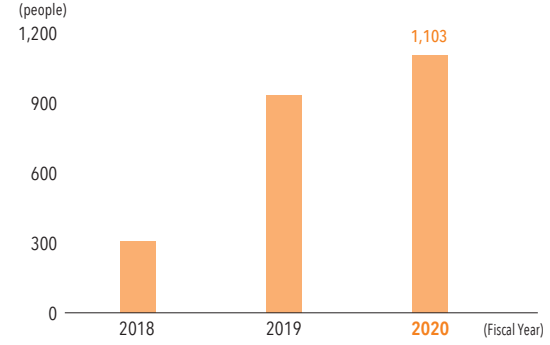
Female employees in management positions



Ratio of women in section manager or higher positions
Ratio of women responsible for management operations

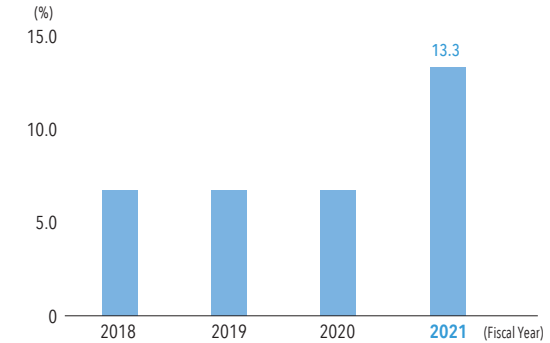
SuMi TRUST Bank achieved its initial target ahead of schedule and formulated a new action plan through to the end of March 2023.
See page 109 for more details.

“Gerontology Concierge” accreditation




With the aim of improving customer service skills and literacy so employees can better respond to clients with dementia, all section manager supervisors at SuMi TRUST Bank branches for retail clients are required to obtain “Gerontology Concierge” accreditation by passing an exam hosted by the Society for Applied Gerontology-Japan.

Ratio of females on the Board of Directors



In determining the composition of the Board, due consideration is given to ensuring diversity and expertise among members. As part of this policy, one additional female director was added to the Board in FY2021, and we will endeavor to maintain diversity going forward.
See page 97 for more details.



Theme 2

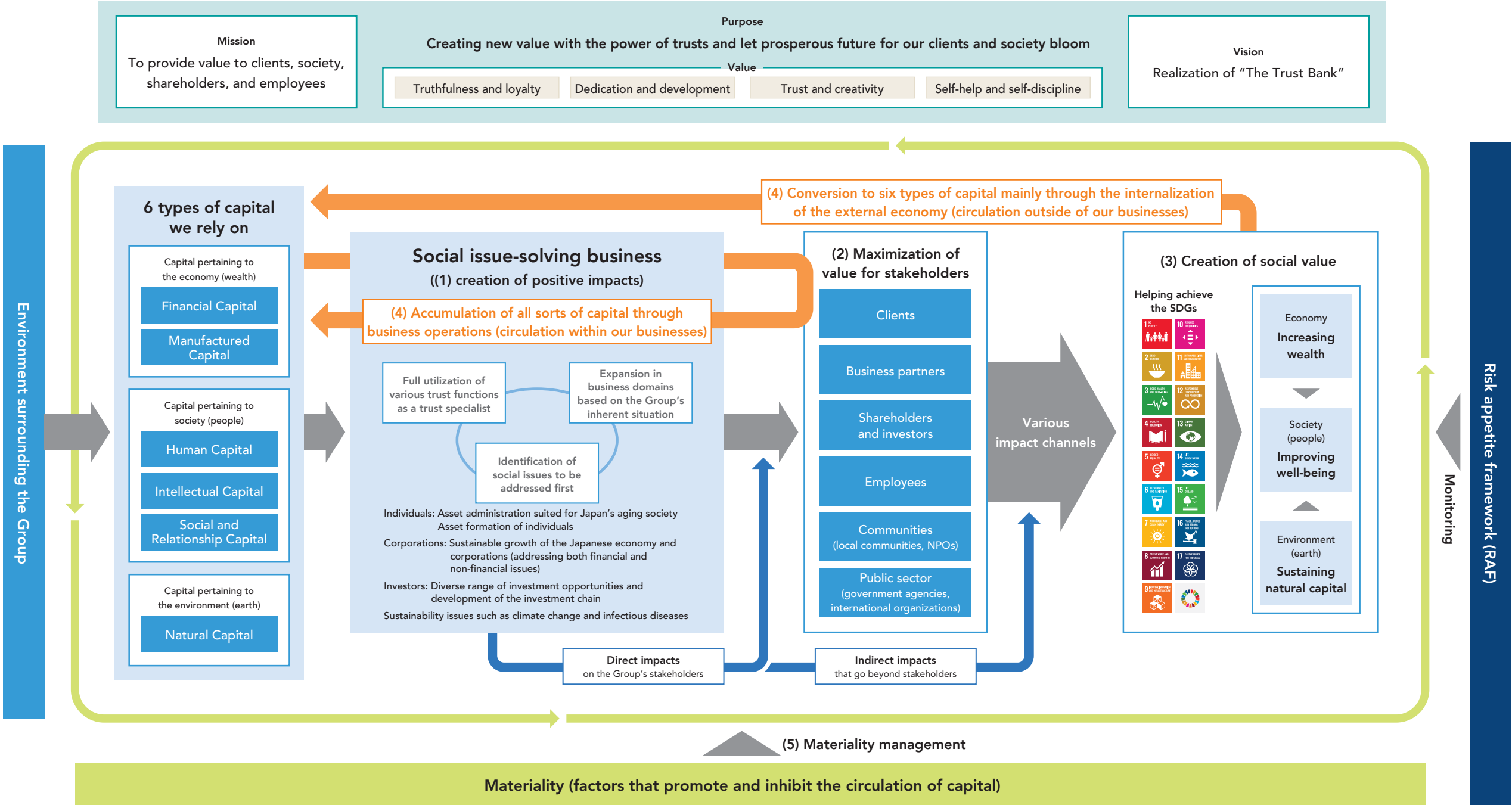
How do we create value?

With a business model comprised of banking, asset management and administration, and real estate services, the SuMi TRUST Group leverages its significant expertise and comprehensive capabilities to provide optimal and total solutions to all clients, whether they be individuals, corporations, or investors. Through our businesses that are geared towards solving social issues, we aim to balance the creation of both social and economic value by sparing no efforts to create positive impacts and limit the negative ones.

Process for the balanced creation of both social value and economic value

To achieve the balanced creation of both social value and economic value, we need to organically combine the process of creating positive impact while maximizing stakeholder value based on our reason for existence ("Purpose") with the process of sustainably strengthening our own financial and non-financial management foundation (six types of capital). Additionally, we must establish a system to appropriately manage these processes at the management level. We call this system the "value creation process."

The SuMi TRUST Group has identified high-priority issues (materiality) that affect our value creation process over the medium-to-long-term, and we have classified them into three categories: (1) impact materiality—issues that are conducive to the generation of social value from social issue-solving business; (2) governance and management foundation materiality—issues that have an impact on the core elements of our value creation; and (3) financial materiality—issues that directly affect our financial performance. We implement materiality management so as to appropriately control the impacts of these issues within the constructs of a risk appetite framework (RAF). See page 43 for more details.

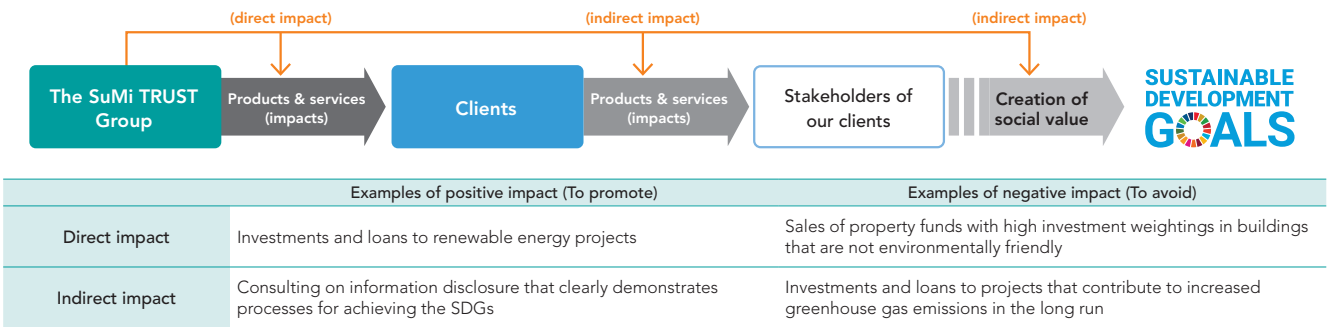


Creation of Impacts

(1) Creation of Positive Impacts

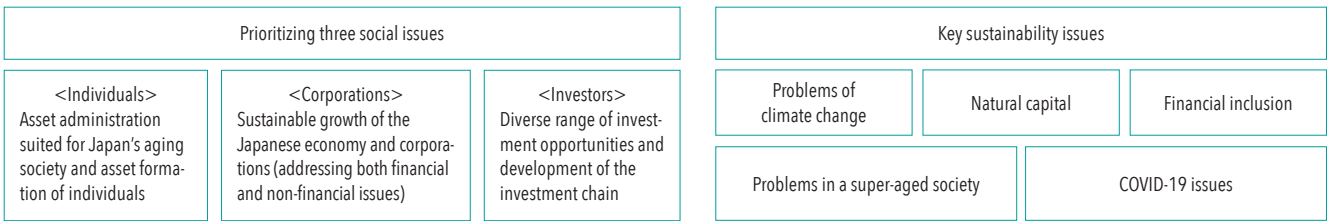
The balanced creation of both social value and economic value has been placed at the very core of our management philosophy in our Medium-Term Management Plan. In some cases, social value is created by our Group’s corporate activities, but in many cases, it is created through the chain of

effects from one stakeholder to the next. Our Group’s social issue-solving business consists of activities that contribute to the realization of SDGs and ultimately create positive impacts and minimize negative impacts on the economy (Prosperity), society (People), and the environment (Planet).



In our Medium-Term Management Plan, we identified three priority issues to be addressed in our social issue-solving business. In addition to issues such as climate change and the super-aged society, which we have traditionally focused on, we also plan to address new sustainability issues such as COVID-19 as a business.

On the other hand, there is a growing concern about previously unanticipated ESG risks, such as COVID-19 and climate change issues. As such, it is important not only to pursue business opportunities, but also to strengthen our resilience to these new risks.



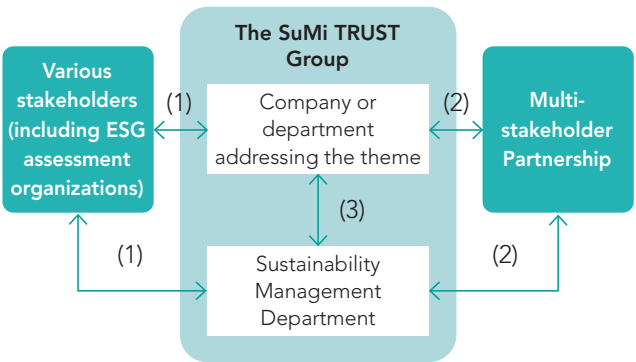
(2) Stakeholders of the Group

The SuMi TRUST Group lists clients, shareholders, employees, and society as stakeholders in its Management Principles (“Mission”), and clients, shareholders, investors, employees, business partners, local communities, NPOs, government authorities, and international institutions as major stakeholders in its basic policy on social responsibility (“Sustainability Policy”), and has declared that it will respect dialogue and play an active role in building a sustainable society. By identifying its stakeholders in this way, the Group is able to clearly understand how the Group relies on and impacts each stakeholder, providing a strategic foundation for the creation of social value.



Three Approaches to Stakeholder Engagement

The Group’s stakeholder engagement is divided into three approaches: (1) direct engagement by relevant affiliates/relevant departments (in the case of SuMi TRUST Bank) according to the theme, (2) direct participation in multi-stakeholder partnerships by relevant affiliates/relevant departments, and (3) internal engagement by the Sustainability Management Department with relevant affiliates/relevant departments based on its own dialogue with stakeholders and information gathered from ESG assessment organizations. These approaches are used to diversify dialogue channels and enhance the quality and quantity of inputs.

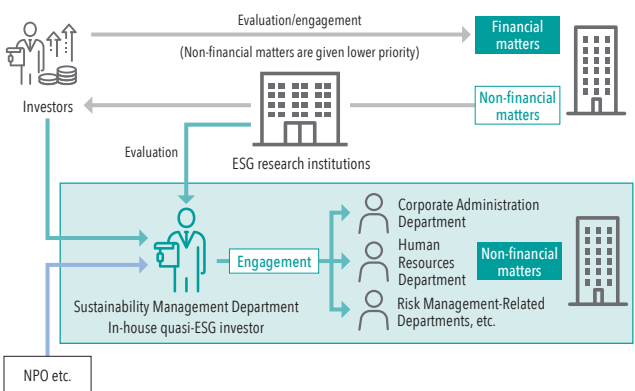


Internal Engagement

Our Sustainability Management Department engages in investor-like dialogue with relevant departments with respect to non-financial materiality items in the finance sector that ESG investors are most interested in and for which the Group’s initiatives may face challenges in order to improve our approaches and enhance information disclosure.

We refer to this initiative as internal engagement, and

Internal Engagement



FY2020 Initiatives

Theme	Departments covered	Engagement points
Corporate governance	Human Resources Department, Corporate Secretariat	Emphasis on current issues pointed out by ESG assessment organizations
Human capital	Human Resources Department	The relationship between human capital and corporate value
Data security	Business Process Planning Department	Emphasis on current disclosure standards pointed out by ESG assessment organizations
Compliance	Compliance Department	Same as above
Risk management	Risk Management Department	Same as above
Climate change	Wholesale Business Planning Department	Current issues surrounding fossil fuels and policies to address them

(3) Positive Impacts Designed to Create Social Value

The Sustainable Development Goals (SDGs) are a collection of 17 goals intended to be achieved by the year 2030. In developing the SDGs, the United Nations identified the most pressing social issues the international community faces in terms of economy, society, and the environment. The creation of social value is one initiative contributing to the achievement of many of the SDGs, whilst setting off a chain reaction of positive impacts among multiple stakeholders.

It also enhances value for the economy (increase in wealth), society (improvement in people’s well-being*), and the environment (sustaining the earth’s natural capital). We think social value generated is the sum total of the increases in these three types of value.

* The World Health Organization (WHO) defines health as a state of complete physical, mental and social well-being.

Circulation of Capital and Materiality Management

(4) Circulation of Capital

The capital needed to execute business operations usually consists of cash, equipment, and other tangible assets that appear on financial statements, as well as intangible assets that do not convert so easily into money, like human resources, know-how, and networks. We must inject both financial and non-financial capital into our businesses and establish a mechanism through which our launching pad for growth is enhanced in a sustained manner by the (1) circulation of capital within our businesses, for example, the generation of profits and development of human resources through business execution, as well as client base expansion, and the (2) circula-

tion of capital outside of our businesses whereby benefits that extend beyond the Group recirculates to the Group in the long term due to the internalization of the external economy. The framework demonstrated by the SuMi TRUST Group to circulate capital through social issue-solving businesses is part of our unique value creation process. It is a platform for incorporating so-called integrated thinking* into corporate management.

* The consideration of management from a medium- to long-term perspective utilizing all financial and non-financial capitals that depend on, and are affected by, the business model of the company

Capital		Three areas of value	The SuMi TRUST Group definitions and metrics (March 31, 2021 or FY2020 results)
Financial	Financial	Economy (wealth)	Capital: 9.4% common equity Tier 1 capital ratio (finalized Basel III standards) Total assets: ¥62trn
	Manufactured		Network: 150 offices in Japan, 10 offices overseas (optimally placed network)* SBI Sumishin Net Bank accounts: 4.51mn IT system expenses: ¥47.2bn*
Non-financial	Human	Society (people)	Consolidated employees: 22,139 Diversity & Inclusion: 11.8% weighting of women in section manager or higher positions* (target of at least 12% by March 31, 2023) Employee satisfaction survey: vitality level of 60.4, satisfaction level of 63.2* Employees with certifications: 7,356 registered real estate transaction agents, 44 fellows of the Institute of Actuaries of Japan, 271 financial consultants*
	Intellectual		Total training hours: 4,690; training costs: ¥342mn* Future creation activities (employee-driven ideas on new businesses): 188 applications from 368 applicants
	Social and relationship		High-quality business platform: assets under management of ¥122trn, assets under custody of ¥239trn (No. 1 for both among domestic financial institutions), total loan balance of ¥30trn (No. 5 among domestic banks), entrusted balance of securitized real estate of ¥20trn (No. 1 among trust banks), 1,648 client companies in stock transfer agency services business and 29.26mn shareholders under administration (No. 1 for both among trust banks) Potential "best partners": 270,000 individual clients and 620 corporate clients* (see page 27) Corporate brand: backed by Mitsui and Sumitomo's combined 400-year history of contributions to society and relationships of trust with clients Sustainability rating: MSCI ESG Rating of AA (No. 1 among domestic banks), FTSE ESG Rating of 3.6 (No. 2)*
	Natural	Environment (earth)	Common social capital is shared by all kinds of people and organizations and forms the basis for the existence of the Group itself and its stakeholders. The definition of natural capital according to the International Integrated Reporting Framework is "air, water, land, minerals and forests, biodiversity, and eco-system health."

* Asterisk denotes SuMi TRUST Bank only (non-consolidated)

To Deepen Integrated Thinking

Since adopting the value creation process of the International Integrated Reporting Council (IIRC) in FY2016, every year we have continued to deepen its content by incorporating our own original elements. In FY2017 and 2018 we introduced the concepts of capital circulation and impact considerations, respectively, to clarify the relationship between materiality and capital.

In FY2019 we clearly stated our reason for existence ("Purpose") and summarized the notion of social value by

Topic		Description
Step1	Definition and assessment of capital	Defining and assessing the capital in businesses that create impacts
Step2	Views on impacts and links to social value Circulation of capital	Visualizing what kind of processes create social value
Step3	Enhancement of materiality management	Managing the framework that encourages the social value creation process

At present, we are working on a way to connect the value creation process with our business portfolio analyses. By factoring non-financial capital perspectives into business portfolio

examining the chain of impacts (impact considerations). Now, with the aim of enhancing materiality management, we are defining capital and visualizing the relationship between impacts created and the generation of social value. And in light of the relationship between business circulation and materiality, we are endeavoring to establish a management methodology that includes the setting of KPIs. Specifically, our approach adheres to the following steps.

analysis, we should be able to realize integrated thinking in the true sense.

(5) Materiality Management

Materiality Identification Process

We consider materiality to be an event that has a significant impact on the process of improving the ability to generate value sustainably through the accumulation of financial and non-financial capital and to be comprised of factors that either inhibit (bad cholesterol) or promote (good cholesterol) the circulation of capital.

The Company identified materiality in FY2015 and conducted a materiality review in FY2019. In the FY2015 identification process, the Executive Committee confirmed 14 items which had been selected from a list of 28 items that were considered highly important to a banking group after interviewing external directors, external experts, and relevant internal

departments about their medium- to long-term impact on the Group's enterprise value and the Group's impact on stakeholders. In FY2019, we placed seven top risks selected as financial risk events that have a significant impact on management alongside the original 14 issues of materiality and sorted out those that overlapped or were very similar. We changed the names of some as required and then added five new ones, including climate change and financial inclusion. That gave us a total of 17 issues, as shown in the table below. All issues were discussed by the Executive Committee, advisory committees, and the management team before being approved by the Board of Directors.

Three Materiality Categories

Discussions about how to approach materiality are gaining momentum worldwide. Considering this trend, in FY2020 we incorporated the unified concept of materiality outlined in some of the leading international standards (GRI, SASB, IIRC, CDP, CDSB) for information disclosure and classified our materiality into three categories. To be more precise, we categorized the SuMi TRUST Group's materiality as either "impact materiality" (the positive or negative impacts our corporate activities have on the economy, society, and the environment), "governance and management foundation

materiality" (the issues that impact the core elements of our value creation), or "financial materiality" (the issues that directly affect financial performance). We have also identified which kind of capital each materiality issue is mostly connected to in terms of the circulation of capital, and in addition to understanding the significance of, and managing, materiality as part of the value creation process, we make use of internal engagement (see page 41) and other methods to ensure we manage materiality appropriately.

Type	Materiality	Risk	Opportunity	Main relevant capital
Impact Materiality	Pursuing sustainability-themed business opportunities		●	Intellectual capital
	Considering impacts on society and the business environment of companies to whom we extend investments and loans	●		Social and Relationship capital
	Financial inclusion		●	Social and Relationship capital
	Population decline and super-aged society issues	●	●	Social and Relationship capital
	Climate change	●	●	Natural capital
	Technological (digital) innovation	●	●	Intellectual capital
Management Foundation Materiality	Corporate governance	●	●	All capital
	Risk management and resilience	●		Financial capital
	Systems maintenance and combatting cyber attacks	●		Manufactured capital
	Bolstering human resources and developing workplace environments	●	●	Human capital
	Protecting personal information and client data	●		Intellectual capital
	Safety of financial instruments	●		Intellectual capital
	Compliance	●		Social and Relationship capital
	Client-orientated approach / fiduciary duty	●	●	Social and Relationship capital
	Stability of financial system	●		Financial capital
	Preserving financial capital	●		Financial capital
Financial Materiality	Acquiring sustained earnings	●		Financial capital

Initiatives for the development and active participation of highly specialized personnel (specialists)



Futoshi Itani

Senior Managing Executive Officer Head of Human Resources, SuMi TRUST Holdings



Aiming to be the No.1 financial group for HR development and HR participation

The SuMi TRUST Group has a broad range of business domains and the specialists who possess extensive knowledge and experience in each business are committed to solving issues for clients and society, whilst creating new value. The development and active participation of human resources is the cornerstone of the Group's value creation and the source of our competitiveness.

Environment awareness

In this age of VUCA* where various types of technology are evolving on a seemingly daily basis and changes are occurring at a dizzying pace, the financial industry as a whole, including the SuMi TRUST Group, will have no option but to instigate major changes of its own.

Ever since our establishment, the SuMi TRUST Group has provided a number of products and services dedicated to solving the issues of clients and society.

Last fiscal year when our new Medium-Term Management Plan was launched, we explicitly defined that the our reason for existence ("Purpose"), of the SuMi TRUST Group is "to create new value with the power of trusts and let prosperous future for our clients and society bloom." Employee diversity, significant expertise, and wealth of experience are indispensable to achieving this "Purpose." With the advent of a so-called "age of 100-year life," it is necessary that each and every employee can continue to work enthusiastically for a longer period of time so that the SuMi TRUST Group can always

create value. With this in mind, we are implementing various initiatives with the primary focus of strengthening human capital so that we can lay claim to being the No.1 financial group for both HR development and HR participation.

Through such initiatives, we seek to bring happiness to our clients and society by enhancing the well-being of all employees and providing added value whilst identifying with the Company's "Purpose." In this way, by aiming to contribute to the well-being of society at large, we can ultimately improve the well-being of the Group's employees (also members of society), which in turn plays a part in the formation of a virtuous circulation that generates value creation.

* Volatility, uncertainty, complexity, and ambiguity

Aiming to be No.1 for HR development

The expertise of every single employee is what underpins the SuMi TRUST Group's "power of trusts." And it is vital that employees not just equip themselves with this exper-

tise, but share it with their fellow colleagues to stimulate one another. We believe the chemical reaction caused by this activity presents opportunities to generate new value. As a forum to facilitate such activities, we have established the SuMiTRUST University within the SuMi TRUST Group so that employees can come together and further their learning in the age of 100-year life. A wide range of learning opportunities are provided mainly through the original curriculum from which employees can freely and at any time learn the special knowledge they would like to acquire and lectures on such subjects as business skills, digital technology, and the liberal arts. More recently, we have focused on providing more content with the use of videos and online conferencing tools so that employees have more opportunities to engage in online learning at any time and from any location. Also, we are organizing seminars for employees with similar interests to discuss topics of research with people they would otherwise not usually meet in the course of their work duties and we are pushing ahead with the building of a social network that allows fellow employees freely exchange information about learning. There is no doubt that the SuMiTRUST University continues to evolve into a learning platform on which employees can meet people and encounter new knowledge. We have already seen some employees take the initiative to set up their own English study group and it is these kinds of activities that we hope to actively support going forward.

In addition to learning opportunities, with the aim of having employees start to shape their own careers while they are still relatively young, SuMi TRUST Bank runs a training and development program for young employees so that new recruits can experience working in multiple businesses within their first five years. This program enables employees to gain a solid understanding of their own strengths and challenges from multiple angles when they are still young and helps them begin their journey as professionals at an early stage. Furthermore, to assist the efforts of our employees to carve out a career on their own accord, since FY2017 we have held in-house business briefings for each of our businesses. These briefings more or less resemble an in-house job fair where employees can hear directly from other employees about the type of work they do, what motivates them, and advice on forging a career. Around 400 mainly younger employees usually attend these briefings. These initiatives lead to more employees actively applying for new positions and challenges under our internal job posting system.

Aiming to be No.1 for HR participation

In addition to being No.1 for human resource development, we are endeavoring, on a daily basis, to strengthen our initiatives with the aim of becoming No.1 for human resource participation so that everyone in our diverse workforce can play an active role.

Key to achieving this goal of becoming No.1 for human resource participation is being able to strike the right balance between expertise and diversity and having the fields in which employees can excel. We have introduced a number of schemes and support services so that all employees, regardless of age, gender, or lifestyle, are offered the opportunity to play various roles at the Group.

For instance, SuMi TRUST Bank provides study assistance to new recruits before they are assigned a position if they wish to acquire a highly specialized qualification, such as pension actuary or real estate appraiser. Also, around 20 new employees every year take up the challenge of taking part in the "work challenge system," which can limit the duties assigned to a new recruit to, for example, the Fiduciary Services Business or Global Markets Business. Furthermore, in an effort to strengthen leadership, for more than 19 years the Bank has continued to run a program to develop next-generation executive candidates in cooperation with Hitotsubashi University Graduate School. Candidates receive instructions on the values, culture, and MBA elements required for management and complete the program by presenting a proposal to senior executives.

For quite some time now, the SuMi TRUST Group has actively promoted the recruitment of mid-career hires in order to realize a better balance of expertise and diversity. Since the management integration in 2012, SuMi TRUST Bank has recruited a total of approximately 600 mid-career hires and as of April 2021 they make up roughly 20% of all career-course employees.

Further, the Group's older employees that possess significant expertise and skills are certified as "Fellows." One of their roles is to pass on their expertise and skills and guide and nurture the next-generation. With the aim of further expanding their opportunities in the age of 100-year life and bringing to bear the specialist knowledge they have accumulated thus far, SuMi TRUST Bank extended the mandatory retirement age to 65 (previously 60) in April 2021. In terms of compensation for employees eligible for the extended retirement age, we incorporated a job concept into our compensation system, which means an employee's role and compensation will differ depending on skills and experience.

Purpose of the Worksites that Supports the “Power of Trusts”

The Group’s reason for existence (“Purpose”), that is “to create new value with the power of trusts and let prosperous future for our clients and society bloom,” is practiced at each workplace.

* Affiliated departments are as of the time of the interviews

Interview | **01 | Toshiharu Ueki**
Fellow Supervisor Financial Consultant,
Nihombashi Business Department, SuMi TRUST Bank



Listen to the voice of our clients

SuMi TRUST Bank has approximately 270 certified financial consultants working actively throughout Japan. Financial consultants stand close beside their individual clients for many years, assuming a role in proposing professional solutions for complex issues related to the investment, management, and succession of assets. As a financial consultant, I provide support to other financial consultants and give lectures at training and seminars while offering advice to clients at branch offices.

Since I also hold a private qualification as an industrial counselor, my style is focused on attentive hearing. Attentive hearing involves listening, not to superficial words, but to the deeper inner voices of clients. Or, in other words, picking up the true needs that lie at their subconscious level. But, unlike counselors, consultants have value only in their ability to offer precise solutions as specialists. We are able to respond to any inquiry by

making use of the broad problem-solving functions of a trust bank and the support from lawyers and tax accountants.

It could be that clients are expecting a sense of security rather than solutions from us. Recently, I received a visit from a couple who attended one of the inheritance-related seminars I gave two years ago. They owned many real estate properties throughout Japan, but the husband was given three months to live and came to me to set up a will trust. After listening to their situation, my advice was they “need not make a testament document.” Their family was amicable, and I determined that our Bank’s inheritance settlement services was sufficient without having to prepare a testament document which would require one to two months. “I promise to take responsibility and execute the inheritance procedures smoothly. Please use the remainder of your valuable time to create memories with your family, not to prepare a testament,” I told them. They looked surprised for a moment, but soon showed an expression of relief. The husband smiled and said, “I want to go to an onsen (hot spring spa) with my family,” which left a strong impression on me. Then, merely two weeks later, the husband died peacefully surrounded by his family. I heard that despite the short time left before his passing, he spent a tranquil, memorable time with his family. Currently, the inheritance procedures for this client is going smoothly. The true expectation of this client was not for us to draft his testament, but to ensure that his beloved family would live happily after his death. I think I was able to offer the right solution to realize his true wishes.

I wish to continue honing my skills to offer solutions that are in line with the intentions of clients and contribute to the happiness of clients as we cry and laugh together.

Thoughts on HR development and participation

The employees of the SuMi TRUST Group are the most important “capital” that we cannot do without if we are to leverage the power of trusts to continuously create new value for our clients and society. And for every individual employee to continue to shine, we believe the development and participation of human resources is crucial. Developing places of learning to increase specialist knowledge centering on the SuMiTRUST University and creating workplace environments in which a diverse workforce can continue to thrive in various places are the very actions that will assist all of our employees lead more fulfilling lives in the era of 100-year life. By extension, we believe this will improve the Group’s capacity to create value and ultimately help solve social issues.



Driving the virtuous circulation process by achieving well-being



Miyo Yajima
Executive Officer,
SuMi TRUST Holdings

In aiming to realize the well-being of the SuMi TRUST Group’s employees, and also to contribute to the well-being of our clients and society, we seek to establish personnel systems and workplace environments that are well-suited to diverse working styles and values. We are also working to raise awareness about the Group’s “Purpose,” improve employee engagement, and encourage diversity and inclusion. The message about “letting prosperous future for our clients and society bloom,” as stated in the Group’s “Purpose,” also conveys the hope that our clients and society will achieve a state of well-being. Achieving it will give birth to a sense of reward, joy, accomplishment, and fulfilment, which will also fuel a state of well-being among the Group’s employees (also members of society). And when our employees feel physically, mentally, and socially healthy and enjoy a sense of well-being, they can provide even higher added value to clients. We will pursue activities that generate this virtuous circulation process.

Interview | **02 | Miwa Karakida**
Sumitomo Mitsui Trust Future Assets Institute, SuMi TRUST Bank



Aiming to enhance financial literacy for the future

When I was first stationed to a branch office as a new hire, I was astonished to find out how many clients did not notice us until they receive their retirement benefits, despite the fact that trust banks have diverse functionalities to build their future living upon. At the same time, I felt the need for people to understand the importance of financial literacy and act accordingly, not after they retire, but while they are still actively working, because in Japan, we have little opportunity in school or at work to learn about finance. And I became even more motivated to contribute to the future of people by promoting such understanding. In an age when it will be normal for peo-

ple to live beyond 100 years old, we must look further ahead when we plan our lives.

That is why, after being assigned to the Life Plan Advisory Business Department, I proposed the launch of the Future Assets Institute where we can offer individual clients information on asset formation from a neutral and objective perspective. The proposal was adopted, so now my job at the Future Assets Institute includes conducting research, writing reports, and holding seminars.

The Future Assets Institute tries to focus on providing out of the ordinary, original information, and conducts a questionnaire survey every year of roughly 10,000 respondents to analyze the latest trends from various aspects. We also utilize our strength as a trust bank in providing solutions for both the asset side and the liability side, and aim to offer unique information on both assets and liabilities.

For example, we release the results on people’s attitudes, actions, and choices they make towards home loans and asset formation, analyzing them from various aspects such as by generation, family structure, and income level.

Such analysis will reflect information that is more realistic and based on more personally identifiable terms, not just some common figures that are mere average of generally known data. Through the dissemination of such information, we wish to provide an opportunity to think more seriously about issues like your future living, balance between household assets and liabilities. I hope that the activities of the Future Assets Institute will be of some help to improve the financial literacy of many people, and contribute to the realization of their prosperous future.

Interview | **03 | Hiroshi Kunimitsu**
Head Office Sales Center, Sumitomo Mitsui Trust Realty

Real estate brokerage that live up to the expectation of our clients

I have been with Sumitomo Mitsui Trust Realty for almost 16 years, engaged in real estate brokerage for individual clients. We receive inquiries on revenue-generating properties for leasing purposes, but most of our clients contact us to sell and purchase their own homes. Clients contact us through various channels, for example, over the internet, or by introduction from past clients or regional banks and brokerage companies.



But the majority of our clients are referred to us by the staff at the counters and financial consultants of SuMi TRUST Bank, so I feel that their trust in our Group and the sense of security are our great strengths.

Particularly, in recent years, due to an aging society, there are many inquiries related to inheritance. When someone close passes away and you are worried about how to handle the various personal assets that you inherit, you can seek the advice of SuMi TRUST Bank for financial assets and Sumitomo Mitsui Trust Realty for real estate assets. In other words, we can offer a one-stop service of professional, comprehensive support within our Group.

Real estate properties to individual clients are just like any other asset in a sense that they must consider their future asset

formation and life plans from various angles before making decisions on how to dispose them. Meanwhile, real estate is a special asset because the price is higher than other assets and individual clients have limited opportunities in life to deal with them. That is why people are much more emotionally attached to and obsessed about real estate compared to other assets. I think that our added value is our ability to offer convincing proposals that are based on our effort to understand such feelings and to give full attention to clients.

Interview | **04 | Saori Tamano**
Real Estate Trust and Advisory Department, SuMi TRUST Bank



Support real estate development projects of clients by leveraging our diverse real estate functions

As a new hire I was stationed to the sales division for individual clients, but I was granted a transfer to the real estate business using the job posting system, which was my first choice because I majored in architecture in university. Currently I am in charge of managing projects to implement real estate development of corporate clients. The Bank implements such projects as effective utilization of decrepit buildings and underutilized real estate and redevelopment of old factory sites on behalf of our clients. We conduct detailed analysis and evaluation of the target property in advance, studying the attributes to identify the most appropriate usage and determining how much revenue could be generated by leasing through marketing research. Our scope of business is to execute the entire project, including such validation as well as providing support

for negotiation and coordination with design firms, general contractors, and administrative bodies and support for cost optimization, soliciting tenants, and providing management and operation support after completion.

While being a bank, the Bank has many employees holding professional qualifications such as first class architects and real estate appraisers, and is equipped with a full line of functionalities necessary to develop real estate properties from development, architectural design, facility management, brokerage, appraisal, and financing. These functions must be integrated in order to provide one-stop support of the entire process over a very long project period of real estate development, from the conceptual phase through completion and operation, and that is the role of the development promotion team that I belong to.

We work to gain a deep understanding on the clients’ real estate holding and operation policies and on the positioning of projects within their business strategies, and aligned with the clients’ intentions, carefully consider the market conditions and applicable legal risks from the perspective of real estate professionals to implement the optimal proposals. Our proposals also emphasize the importance of improving the performance of buildings themselves, including earthquake resistance and environmental performances that are receiving increased attention.

A development project would normally take several years from the conceptual phase through completion and operation. Large-scale development projects involving the surrounding areas could impact the entire city. I hope to continue making proposals and implementing projects that make our clients happy when the buildings are completed, change the flow of people around those buildings, and invigorate the surrounding community.

Initiatives to Enhance and Sophisticate Operational Quality

Last year, it became evident that SuMi TRUST Bank has been handling the operations for the tallying of the voting rights exercise forms for the general meeting of shareholders of client companies in an inappropriate manner for many years. There was also a case of misconduct in which a former employee of SuMi TRUST Bank embezzled client funds. These incidents undermine the expectations and trust of clients and society towards our Group, and we have taken the issues very seriously.

We acknowledge anew that maintaining high operational quality is the source of strength of our trust banking Group and the foundation that earns the trust of our clients and society. We will strive to enhance and sophisticate our operational quality in order to respond to and exceed the expectations of stakeholders.

1 Process of Remedial Actions

(1) Identify structural issues

We identified the structural issues inherent to the Group through interviews with each business and business management department.
(See 2. Structural Issues of the Group for details)

(2) Strengthen organizational functions

We strengthened the functions of the organization, including defining the roles of the organization in the action towards resolving the structural issues identified in (1).
(See 3. Specific Actions for details)

(3) Develop an operational structure to improve operational quality autonomously

We are undertaking step-by-step actions to ensure the effectiveness of organizational functions, embed risk culture in the organization, and develop a robust operational structure that can improve operation quality continuously and autonomously.
(Initiatives for FY2021 and beyond)

2 Structural Issues of the Group

Supervision across the Group

To date, the Group has had control functions within the Holdings company to supervise the Group companies. However, in light of the incidents that occurred last year, we acknowledged the need to improve our management and planning functions that can drive the strategies of other Group companies and optimize the allocation of resources in a manner that suits the operational features that are unique to a trust bank group.

Risk management system that suits the trust business

Trust business requires significant expertise. Therefore, the Group acknowledge the need to strengthen the Three Lines of Defense*, in which each business that is well-versed in its operation will serve as the first line of defense (hereinafter, "First Line") to first undertake autonomous PDCA as the main

actor to identify, evaluate, and control risks; then, the risk management departments as the second line of defense ("Second Line") will plan the necessary framework for such PDCA and oversee the Group to manage the risks; and lastly, the Internal Audit Department, or the third line of defense ("Third Line") will provide comprehensive assurance over the entire framework from an objective standpoint.

* See page 117 for details.

Sophistication of operational processes

Enhancing and sophisticating operational quality should not be temporary initiatives—continuous efforts are crucial. We acknowledge the need to develop a function to monitor the status of the processes as well as the associated risks and resources on an ongoing basis and to oversee them in their entirety.

3 Specific Actions

In view of the Group's structural issues, we will aim to build a framework that can enhance and sophisticate autonomous and continuous operational processes.

(1) Restructure the risk management structure

1) Strengthening of supervisory functions over Group companies

In an aim to drive the strategies of other Group companies and optimize the allocation of resources, we established an Affiliates Management Department to consolidate and strengthen the supervisory functions over Group companies within the Corporate Planning Department including the Asset Management Business Planning Department.

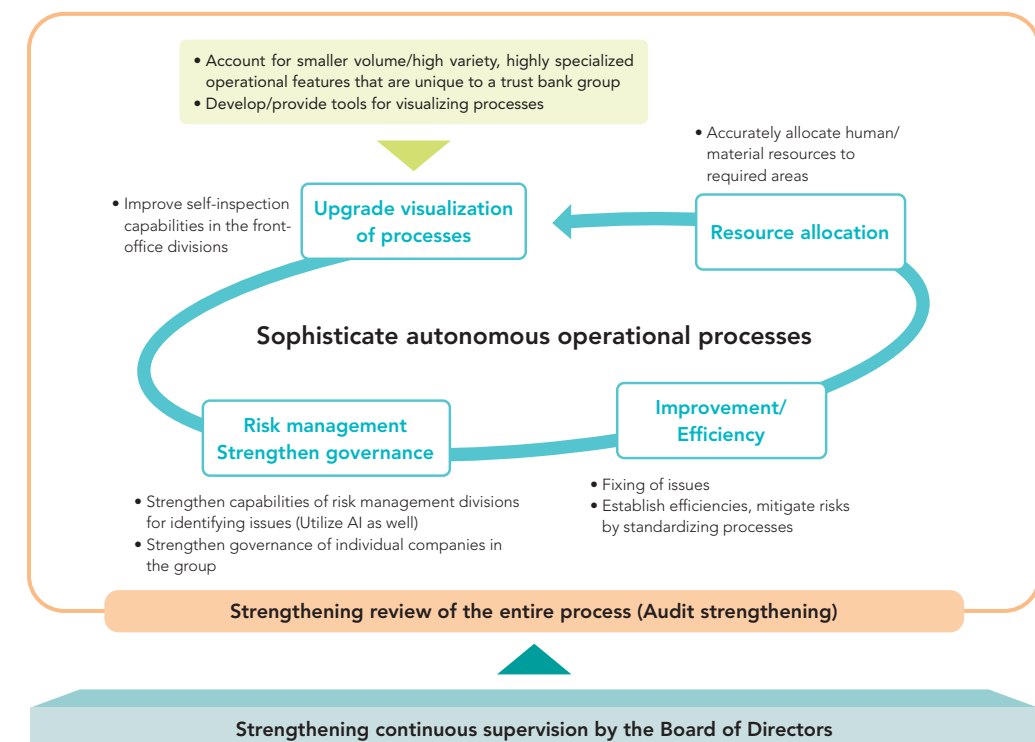
2) Strengthening of supervisory functions over the operational processes

We added the functions to manage operational quality and operational risks within the Business Process Management

Department of SuMi TRUST Bank. In addition, we clarified that the Business Process Management Department of Sumitomo Mitsui Trust Holding is responsible for management and supervision of all the operation quality and quality verification functions across the entire Group, working to evaluate and sophisticate each business process based on a unified standard.

(2) Enhance visualization of the processes

In order to make the Three Lines of Defense model work effectively, we must better visualize the processes and continually monitor and optimize the value chain of the entire Group. With better visualization of the processes, we can redevelop from scratch any process that were to date considered routine and eliminate potential risks at the First Line.



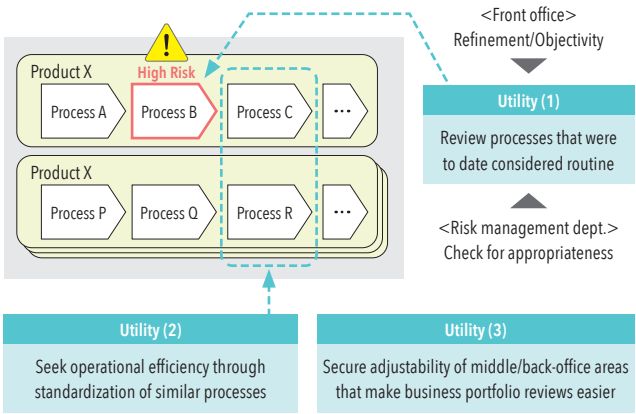
By conducting objective reviews of the visualized processes, the Second Line can strengthen its capability to detect problems within the process, and the Third Line can improve the effectiveness of the audits. By clearly defining the roles of the First, Second, and Third Lines of Defense as such and establishing common ground for risk awareness, we can promote mutual understanding, which will lead to preventing the occurrence of potential risks and fostering risk culture.

The visualization of processes can also help us identify

similar operations that were handled by different departments within the Group. We will seek to increase efficiency and reduce costs by standardizing the similar operations that are identified. In addition, obtaining and managing quantitative information on resources that are necessary to execute the operational processes will facilitate business portfolio reviews and enable us to enact faster and more flexible decision-making that meets the needs of clients and society.

(3) Strengthening supervision by the Board of Directors

The Board of Directors receives regular reports on the status of these initiatives from the Internal Audit Department and Audit Committee, exercises supervision on an ongoing basis, and provides appropriate advice and recommendations depending on the status of the initiatives. In particular, we will focus our supervision on the following points to further strengthen the internal controls over the entire Group: (1) status of initiatives to enhance/sophisticate operational quality; (2) status of instilling sound corporate culture; (3) status of the effects of internal control functions based on communication and containment of information; and (4) status of the effects of the Board of Directors' check and balance function over management.



Report on the Inappropriate Tallying of Voting Rights Exercise Forms by the Group

Recognition of Inappropriate Handling in Certain Parts of the Operation for the Tallying of Voting Rights Exercise Forms

Sumitomo Mitsui Trust Bank announced in September 2020 that there has been some inappropriate handling in the operations for the tallying of voting rights exercise forms ("Voting Rights Exercise Forms") for the general meetings of shareholders (hereinafter, "Tallying Operations"), entrusted by our client companies (hereinafter, "Entrusting Companies") to the Bank and its consolidated subsidiaries, Tokyo Securities Transfer Agent, and Japan Securities Agents.

The Group entrusts its Tallying Operations to Japan Stockholders Data Service Company (hereinafter, "JaSt"). JaSt has been coordinating with the post office in order to secure time to conduct the tallying of large volumes of Voting Rights Exercise Forms during the busy months of March, May, and June each year, when there is a concentration of AGMs. JaSt has been receiving and tallying the posted Voting Rights Exercise Forms on the day prior to the delivery date on which the prescribed postal office tasks relating to said items were to

be completed. The post office had been issuing a Certificate of Delivery that bore the date on which the Voting Rights Exercise Forms should have been delivered to JaSt. As a result, the Voting Rights Exercise Forms were deemed to have been received on the date on the Certificate of Delivery, and JaSt had been conducting the Tallying Operations based on the date on the Certificate of Delivery (the series of processing described above is referred to as "forward processing").

Forward processing had been a long-standing practice, but in response to a request for investigation on the Tallying Operations from one of the Entrusting Companies, in September 2020 we set up a Stock Transfer Agency Services & Process Verification PT (hereinafter, "the PT") as a cross-sectoral organization between the Company and SuMi TRUST Bank including outside legal counsel to conduct a review. As a result, we came to recognize that certain parts of the Tallying Operations were handled inappropriately.

The PT was initially led by the officer in charge of the Compliance Department, and then by the President of SuMi TRUST Bank as the PT Manager from October 2020. In order to ensure a high level of independence, neutrality, and transparency, the PT consisted mainly of outside counsel and employees of various risk management departments who are responsible for monitoring and supervising the stock transfer agency services business from an independent standpoint. Based on the results of internal investigation conducted by the PT, SuMi TRUST Bank undertook cause analysis of the incident, formulated measures to prevent recurrence including the implementation of a new tallying system, and on December 17, 2020, announced the measures together with a statement on the clarification of responsibility of the incident.

We acknowledge that the major causes of the incident included the following:

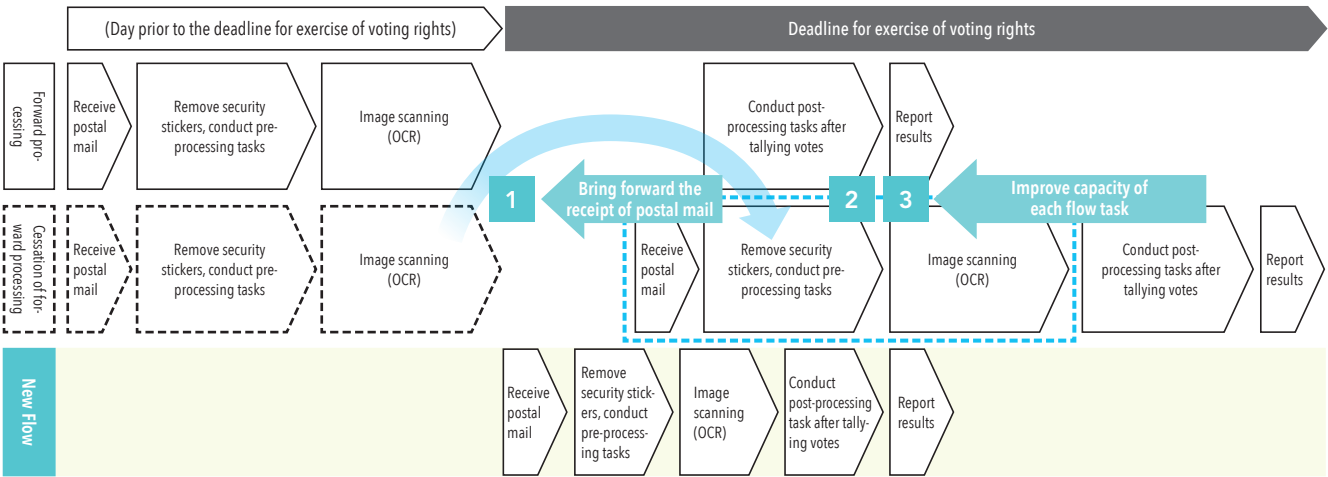
- (1) Insufficient verification upon implementation of forward processing
- (2) Framework for legal compliance
- (3) Entrenched posting of staff

Implementation of a New Tallying Flow and Improvement of Capacity for Tallying Tasks

We ceased forward processing immediately after the discovery of the incident in September 2020. We changed the method of receiving Voting Rights Exercise Forms after confirming, through a review by outside legal counsel, the appropriate and legality of a new tallying method. Instead of receiving the Voting Rights Exercise Forms by delivery from the post office, we have established a post office box where we collect the Voting Rights Exercise Forms. The new method has been implemented for the Tallying Operations for AGMs of Entrusted Companies convened in March 2021, the first busy month since the occurrence of the incident. In addition, we have increased staffing and system devices, and improved capacity for tallying tasks by improving system functionalities

so that we can complete the Tallying Operations based on the actual dates the Voting Rights Exercise Forms are received from the post office even during the busy months. Currently, the Tallying Operation is being conducted in a strict and smooth manner under the newly implemented tallying method.

Revisions to the Tallying Operation Flow	
1	Bring forward the receipt of postal mail (by use of a post office box at the Shin-Tokyo Post Office)
2	Increase equipment and improve system functionalities
3	Increase staffing for Tallying Operations



Measures to Prevent Recurrence in Response to the Incident

Giving due consideration to the lessons learned and cause analysis of the incident, the Group will endeavor to prevent recurrence through the following initiatives.

Framework for legal compliance, etc.	• Further strengthen the involvement of the Legal and Compliance divisions in reviewing the legality of rules regarding operations entrusted to Group companies and external business operators
Outsourcing management	• Conduct detailed management of the status of business operations of companies that are entrusted with important operation depending on the degree of legal and other risks involved in the entrusted operations and the degree of impact on stakeholders
Internal audit structure	• Place greater emphasis on the effectiveness of our legal compliance system and enhance the effectiveness of audits, including audits of Group companies
Fiduciary duties	• Expand and strengthen the education and guidance for employees, including Group company employees, in order to foster thorough awareness of the fiduciary duties to clients, shareholders of clients, and other stakeholders in the value chain of the services that we provide

In addition to the above, the Group will implement the following initiatives for the stock transfer agency services business to prevent recurrence.

Strengthen our organizational structure and management system	• Strengthen the compliance/risk management functions and secure the independence of the organization • Improve the monitoring function, including legal compliance, overseeing the Group companies
Develop human resources and increase awareness of compliance	• Strengthen in-house training • Identify job site issues from bottom up • Rotate human resources in a planned manner to avoid entrenched posting and to develop talents

Efforts to Promote the Electronic Exercise of Voting Rights

Part of the background to the incident was the fact that a large number of voting rights are exercised in writing in the busy months when the dates of AGMs are concentrated, which results in a massive expansion of the Tallying Operations during these periods. In an aim to achieve a more accurate and speedy operations for the tallying of exercised voting rights and to promote a highly convenient electronic voting scheme for shareholders of Entrusting Companies, our Group will undertake initiatives for the promotion of electronic voting from two directions: expanding the user base of Entrusting Companies that employ electronic voting; and encouraging the use of electronic voting among individual shareholders who account for the majority of voting rights exercised.

Initiatives toward expanding the user base of Entrusting Companies that employ electronic voting

- After March 2021, we promoted the use of electronic voting by reducing the costs of adopting electronic voting incurred by Entrusting Companies. As a result, 919 client companies entrusting services to SuMi TRUST Bank have employed electronic voting (an increase of 281 companies from the previous fiscal year; 66.3% adoption rate) as of June 2021.
- Through the expansion of user base of companies employing electronic voting, 94.1% of the shareholders of companies that convened their AGMs in June 2021 were offered the option to vote electronically.

Promoting the use of electronic voting by individual shareholders which accounts for the majority of voting rights exercised

- We launched a present campaign*1 to raise recognition and promote the use of voting by smartphone (hereinafter, “Smart Exercise”) which offers a highly convenient voting method using QR codes. As a result, 435 Entrusting Companies that held their AGMs in May–June 2021 participated in the campaign.
- Of the Entrusting Companies that participated in the present campaign*2, the percentage of voting rights exercised on or before the date of the AGMs increased significantly to 44.4% (up 8.4% year on year).
- Of the total voting rights exercised, the percentage of Smart Exercise votes came to 52.5%, indicating the effects of our promotion of electronic voting.

1	Promotion of exercising voting electronically (exercise of voting rights using PCs and smartphones)
2	Initiatives towards expanding the use of electronic voting platforms
3	Measures to support virtual shareholder meetings and digitalization of AGMs

In addition, we are also undertaking initiatives to promote the highly convenient electronic voting among institutional investors. To encourage the use of electronic voting platforms*3 to be used by institutional investors to exercise their voting rights, we are actively encouraging issuing companies to participate. Furthermore, we have held discussions between relevant parties and made some progress in simplifying/eliminating the process of obtaining individual consent of each asset owner, which is a requirement in using the platforms through an asset administration bank.

The Group recognizes anew its responsibility as a trust bank group to serve as the backbone of corporate governance and to meet social expectations for steady and robust execution of operations, and we will endeavor to contribute to the sound development of capital markets.

*1 A campaign in which shareholders who used Smart Exercise to exercise their voting rights and responded to a questionnaire after using Smart Exercise were offered a chance to win QUO prepaid card

*2 Counts for 153 companies that concluded their AGMs between May 1 and June 23, 2021

*3 A service offered by ICJ, Inc.

External Director Interview



The Audit Committee utilizes the Group’s internal control system to conduct audits in an organized and efficient manner. We interviewed Mr. Shinichi Saito, External Director and Chairperson of the Audit Committee, about the Audit Committee’s response to the misconducts that occurred in the Group last year, including the issue of improper tallying operations of voting rights exercise forms, as well as the Committee’s approach to governance.

Q How do you view the issue that came to light in the past year with regard to inappropriate handling of the SuMi TRUST Group’s tallying of voting rights exercise forms?

A This case is directly related to a fundamental issue of governance, which is the exercise of voting rights by shareholders. It is also a serious incident that could undermine the expectations and trust of all stakeholders in the Group. As the Group, we recognize that we need to do everything in our power to live up to the confidence placed in us by clients and society.

Q How did the Audit Committee handle the situation?

A As soon as the incident came to light, we received reports from the business execution department, and in our role as the Audit Committee, we verified the ability of the business execution department to ascertain the facts. Specifically, we verified whether the independence, neutrality, and expertise of fact-finding arrangements were sufficient. Thereafter, the full-time Audit Committee members received successive reports on the status of the investigations from the execution department, which were then verified by the Audit Committee. In conducting audits, we emphasize independence, neutrality, and transparency. We investigated and confirmed what happened from the perspectives of appropriate fact-finding, clarification of the root causes, effective measures to prevent recurrence, allocation of sufficient management resources, and making sure the information disclosure was appropriate in terms of timing and content.

Q What do you see as the underlying cause that led to this incident?

A I believe the reason why the inappropriate processing had

continued over such a long period of time was the deterioration of our awareness of the importance of the work entrusted to us and its inherent risks. As a result of this weakening, the daily business processes became less visible. We also recognize that there was insufficient control over the quality of the work.

In addition, once potential risks that have been inherent for a long time become apparent, an appropriate initial response is critical. To achieve this, it is important to have a risk culture and a risk management system in which risk information is promptly and accurately shared with relevant departments and management. Going forward, I hope that instilling our “Purpose” throughout the Group will foster this kind of corporate culture and risk culture and strengthen our operational quality systems.

Q Given what happened, what are your thoughts on the effectiveness of auditing?

A Since the transition to an Audit Committee, we have expressed many audit opinions and audit findings regarding the governance and internal control of the Group as a whole. Looking to the future, we recognize the need to improve the effectiveness of auditing and contribute to the improvement of the supervisory function of the Board of Directors.

Specifically, we will further enhance organizational auditing by strengthening collaboration with Group-wide audit units and corporate management departments such as the Internal Audit Department. At the same time, our policy is to ensure the effectiveness of audits by continuously following up to make sure our audit findings are understood and acted on through dialogue with management and business execution departments, and by sharing these findings with the Board of Directors as appropriate.

Q What are your expectations for the Group in the future?

A The Group offers highly specialized financial products and services to a diverse range of clients.

I believe that the acceleration of ESG and SDGs represents an excellent growth opportunity for the Group to leverage its unique business characteristics. In order to achieve sustainable growth, it is important that both growth investment (“offense”) and internal control system (“defense”) work properly. Risk awareness and rapid sharing of risk information are key for systems and rules to function well. Indeed, I have high hopes that instilling our “Purpose” will be an important corporate culture reform in terms of both “offense” and “defense.”

In addition, President Takakura is leading the effort to drastically improve and upgrade the quality of our operations to meet the expectations of our clients.

As members of the Audit Committee, which is an institution of the Board of Directors, we want to actively express our opinions on management issues and contribute to their achievement.



Kazuya Oyama
President
Sumitomo Mitsui Trust Bank,
Limited

Creating a virtuous circulation from our “Purpose” as the point of origin

People wish to believe in the future and entrust things of value to their destiny. The purpose of trusts, and our Company, is to turn that aspiration into reality.

Trusts have a wide variety of functions, but I would like to highlight their “time conversion” function. By this I mean the ability to take our clients’ desires and aspirations for the future and realize them. In this sense, trust has the ability to open the gate for the future.

Today, the global COVID-19 pandemic is highlighting the challenges and contradictions in society and accelerating the changes of our era. In addition, the movement in response to the risk of global climate change has become a major trend that has the potential to fundamentally alter our current social infrastructure and industrial establishment.

In this era of unpredictability, we need to deliver appropriate solutions that open a path to the future for our clients, we need to present a new value paradigm. Creating new value requires innovation. Innovation can be accomplished by developing novel technologies, creating something out of the void, but also by combining disparate things that already exist.

Our strength has traditionally been our ability to integrate a wide variety of businesses. Going forward, we will continue to develop new businesses by assembling a diverse workforce with expertise, creativity, and comprehensive capabilities, and by demonstrating teamwork, with the common understanding of the Group’s “Purpose,” which shall not waver through the changing times.

Today, the current tide of the times is clearly in our favor.

Looking back, since our founding, we have always evolved to fulfill the demands of the era. We have boldly ventured into new businesses while contributing to the development of our country by solving social issues and creating new value based on the relationship of trust with our clients.

Times of uncertainty and unpredictability are precisely when we should reiterate our principles and functions of a trust bank and justly address financial and social issues facing our country. Through this process, ten years into the future, we would become the company of choice leading the virtuous circulations of funds in society. This is the evolution of “The Trust Bank” that I envision.

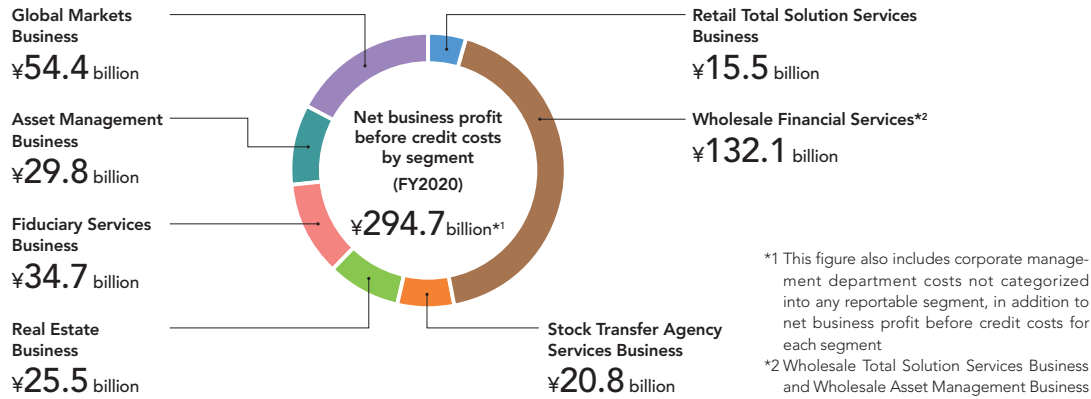
In the process of this evolution, we will combine our capabilities across more businesses than ever before to create and nurture new value and meet the needs of our clients and society. By doing so, we will create a virtuous circulation that will allow us to flourish as our clients’ most trusted “Best Partner,” thereby letting prosperous future for our clients, society, and ourselves bloom.

July 2021

President
Sumitomo Mitsui Trust Bank, Limited

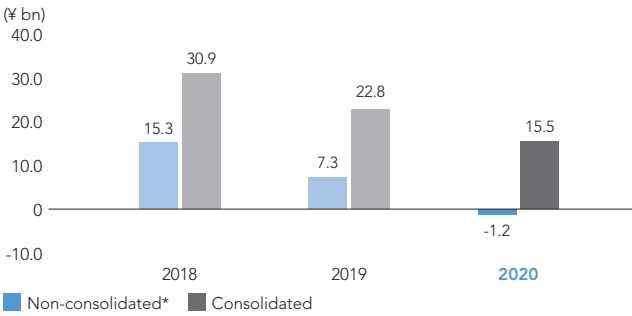
A handwritten signature in black ink, reading "K. Oyama".





■ Net business profit before credit costs

Retail Total Solution Services Business

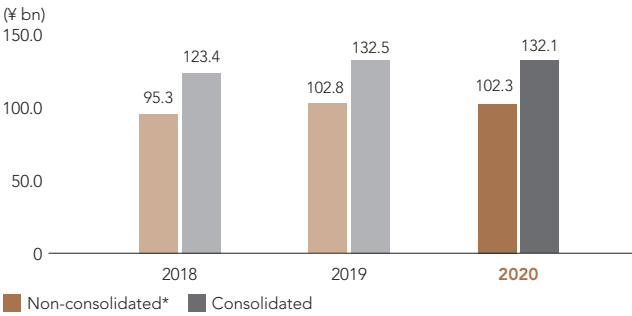


Net business profit before credit costs decreased ¥8.5 billion year on year to a loss of ¥1.2 billion on a non-consolidated basis and decreased ¥7.3 billion to ¥15.5 billion on a consolidated basis. This was due to a steady performance of mortgage loan-related revenue but a decrease in both investment trust and insurance sales fees and administration fees in investment management consulting services.

Major subsidiaries and affiliated companies

- SuMi TRUST Bank
- Sumitomo Mitsui Trust Club
- Sumitomo Mitsui Trust Wealth Partners
- Sumitomo Mitsui Trust Life Partners
- SBI Sumishin Net Bank

Wholesale Total Solution Services Business

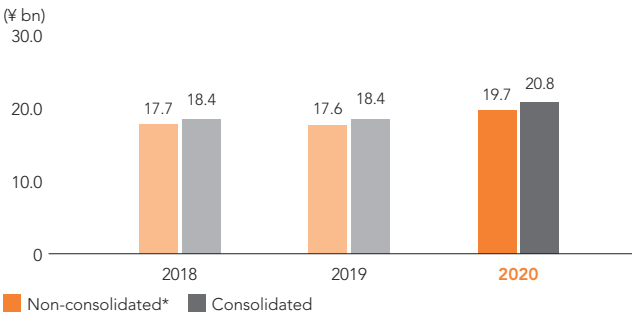


Net business profit before credit costs roughly remained flat year on year at ¥102.3 billion on a non-consolidated basis and ¥132.1 billion on a consolidated basis. This was due to a decrease in client related revenue such as derivatives and structured deposits, which offset an increase in revenue backed by commitment lines and syndicated loans for COVID-19-related fund needs.

Major subsidiaries and affiliated companies

- SuMi TRUST Bank
- Sumitomo Mitsui Trust Loan & Finance
- Sumitomo Mitsui Trust Bank (Thai)
- Zijin Trust
- Sumitomo Mitsui Trust Panasonic Finance

Stock Transfer Agency Services Business

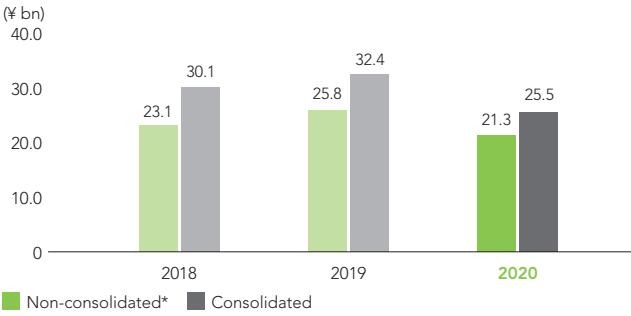


Net business profit before credit costs increased ¥2.0 billion year on year to ¥19.7 billion on a non-consolidated basis and increased ¥2.3 billion to ¥20.8 billion on a consolidated basis. This was owing to an increase in fees sensitive to market conditions such as stock transfer business advisory fees backed by an increasing number of shareholders, and to a steady revenue from various consulting services.

Major subsidiaries and affiliated companies

- SuMi TRUST Bank
- Tokyo Securities Transfer Agent
- Japan Securities Agents
- Sumitomo Mitsui Trust TA Solution
- Japan Stockholders Data Service Company

Real Estate Business

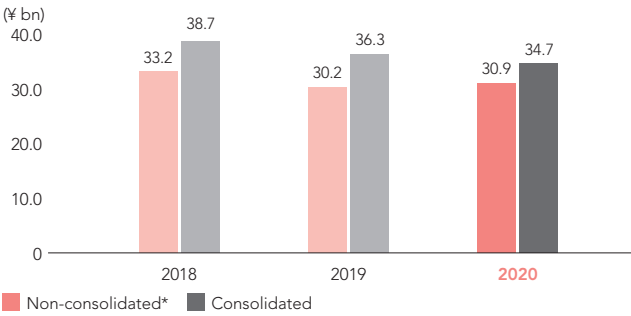


In the second half, brokerage transactions for corporate clients capturing corporations' needs to realize unrealized value of real estate for financial closing and also real estate brokerage services to individual clients remained robust. On the other hand, owing to a significant impact of the decreased earnings in the first half caused by constraints on sales activities, net business profit before credit costs decreased ¥4.4 billion year on year to ¥21.3 billion on a non-consolidated basis and decreased ¥6.8 billion to ¥25.5 billion on a consolidated basis.

Major subsidiaries and affiliated companies

- SuMi TRUST Bank
- Sumitomo Mitsui Trust Realty
- Sumitomo Mitsui Trust Research Institute

Fiduciary Services Business

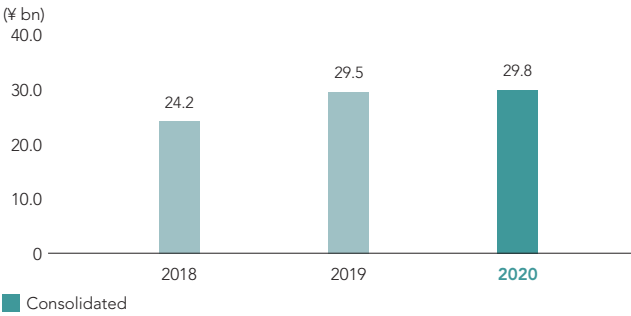


Market value remained robust throughout the year, with both assets under management and assets under custody remaining stable. On the other hand, investment profit of surplus funds of Sumitomo Mitsui Trust Bank (U.S.A.) decreased owing to lower U.S. interest rates. As a result, net business profit before credit costs increased ¥0.6 billion year on year to ¥30.9 billion on a non-consolidated basis and decreased ¥1.6 billion to ¥34.7 billion on a consolidated basis.

Major subsidiaries and affiliated companies

- SuMi TRUST Bank
- Custody Bank of Japan
- Sumitomo Mitsui Trust Bank (U.S.A.)
- Sumitomo Mitsui Trust (Ireland)
- Japan Pension Operation Service

Asset Management Business

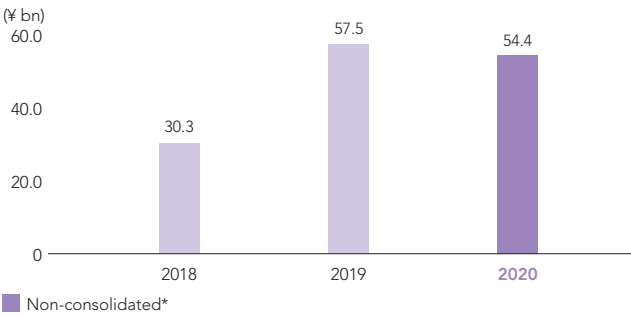


Net business profit before credit costs increased ¥0.2 billion year on year to ¥29.8 billion owing to an increase in assets under management of core asset management subsidiaries, Sumitomo Mitsui Trust Asset Management and Nikko Asset Management, following the recovery of market value and cash inflows.

Major subsidiaries and affiliated companies

- Sumitomo Mitsui Trust Asset Management
- Nikko Asset Management
- Sky Ocean Asset Management
- JP Asset Management

Global Markets Business



Net business profit before credit costs decreased ¥3.1 billion year on year to ¥54.4 billion due to a decrease in client service-related revenue following declining client flows, which offset a steady performance of investment business backed by flexible position management.

Major subsidiaries and affiliated companies

- SuMi TRUST Bank

*SuMi TRUST Bank

Initiatives for Individual Clients



Sincerely addressing the life of clients, we will provide security and peace of mind through proper and sophisticated solutions catering to their life plans that exceeds client expectations. Moreover, we aim to become the “Best Partner” in an age of 100-year life by contributing to solving clients’ issues such as asset management and formation, asset administration, and asset succession in line with an increase in longevity.

Social issues to actively address

■ Asset administration suited for Japan’s super-aging society and asset formation of individuals

Supporting the asset formation generation for the working generation, particularly people still in the wealth accumulation stage of life

There is a growing need of managing and building assets through self-help efforts towards a peaceful old age. To provide consulting services and propositions catering to the needs of each and every client in consideration of their diversified work styles and lifestyles, we will spearhead the industry to establish and provide online consultation and paperwork that are easy to use for the working generation. Furthermore, by fostering long-term relationship with more clients, we aim to grow in tandem with clients through expanding assets under management.

Providing asset administration and succession support that help find solutions to issues like dementia

As we approach an era in which more people will live to be 100 years old, there is growing interest among our clients about leading long and fulfilling lives. At the same time, worries and concerns about the administration and succession of assets during old age are emerging as social issues. Our Group makes efforts to solve each client’s issues, making the most of the significant expertise and various products and services of a trust bank group. We strive to understand clients’ intentions and support their secure and peaceful lives through asset administration for future concerns about dementia and health conditions and smooth asset succession to the next generation.

Business environment awareness

Environment awareness and issues

- The spread of COVID-19 pandemic, prolonged negative interest rates, lower fees on financial instruments
- Reform of operational processes and branches to address medium- to long-term population decline and digitalization

Opportunities and strengths

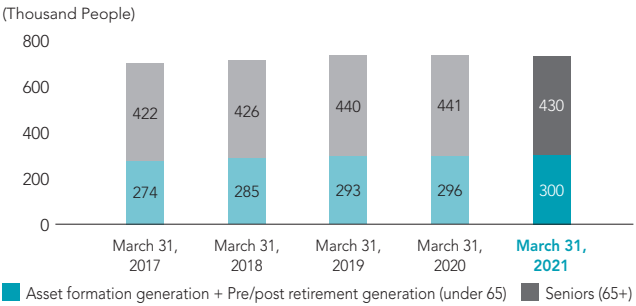
- Strategic deployment centering on client-oriented total consulting
- Broad client base, from people in the asset formation generation to seniors
- Heightened need for asset formation and property management in Japan’s super-aging society and the Group’s diverse lineup of products and services

Key measures 1

Initiatives in consulting services by generation

While enriching fine-tuned products and services to the asset formation generation, pre/post retirement generation, and seniors, we will strive to enhance our consulting skills and accumulate our know-how, thereby honing our life-plan and financial-planning consultation services considering life events by each generation. In addition, while extending the scope holidays and after-hours openings and also online consultation services to enhance the convenience for clients, we aim to expand consulting opportunities through a touchpoint with wide variety of clients.

Clients that hold a managed financial product



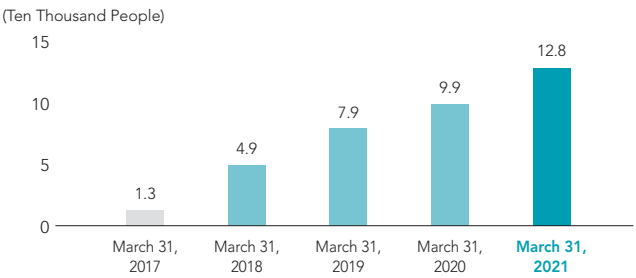
* Clients of SuMi TRUST Bank that hold a managed financial product
* Managed financial products: investment trust, discretionary investment management product, life insurance, foreign currency deposits

Key measures 2

Initiatives related to asset formation of the working generation

As we approach an era in which more people will live to be 100 years old, there is a growing concern about the funds necessary after retirement and also a growing interest in financial planning. What is more, we see increasing needs for asset management and formation through self-help efforts. We will help clients design life plans through appropriate consulting while making efforts to enrich product lineups of installment investment and level premium insurance, which allow for small initial capital outlay as an installment-type product. We also strive to establish a user-friendly environment for clients of the working generation, such as holding online seminars and providing consultation opportunities.

Clients that hold an installment investment product



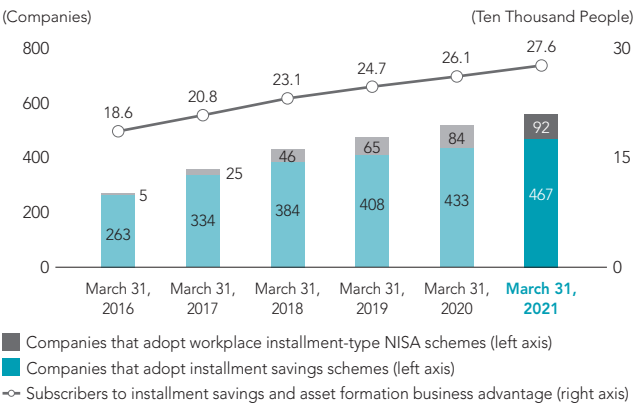
* Clients of SuMi TRUST Bank that have an installment investment contract (automatic purchase plan of an investment trust)

Key measures 3

Life plan support program for work place

We have made efforts to provide asset formation products tailored for HR system of each individual company to our business partners and their employees for many years. While interest in prolonged second life and asset formation is growing in this age of 100-year life, we not only deliver useful information through fruitful online seminars, but also provide life plan consulting services, which take advantage of our strength as a trust bank group, to the employees of our business partners considering the retirement benefits and corporate pension plans of each company.

Companies and subscribers to installment savings and other products

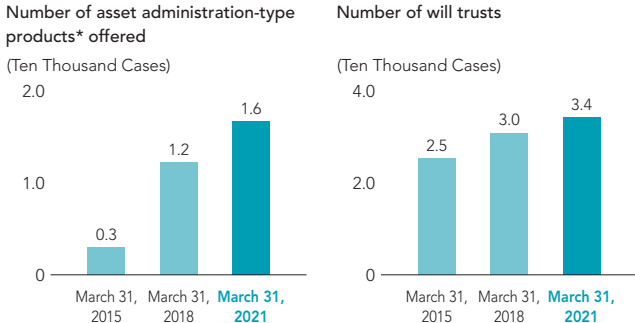


■ Companies that adopt workplace installment-type NISA schemes (left axis)
■ Companies that adopt installment savings schemes (left axis)
↔ Subscribers to installment savings and asset formation business advantage (right axis)

Key
measures
4

Initiatives in seniors' needs for asset administration and succession

As an aging society is advancing, we provide consulting services catering to every client to address future concerns about dementia and their health as well as various issues arising in inheritance and succession to the next generation. In an age of 100-year life, we will bolster and enrich our products and services, including "100-Year Life Solution Trust (100-Year Passport)" that unites the functions of "saving," "spending," "handing over" funds, so that the clients in their senior years can utilize our financial and property administration services securely and peacefully.



* Guardianship System Support Trust, Anshin Support Trust, 100-Year Life Solution Trust, and others

Initiatives in social issue-solving businesses

With the arrival of an age of 100-year life, Japan has seen the most significant increase in longevity in the world. Therefore, Japan is not only forced to review its social systems supporting the lives of its people, such as pensions and social security, but also needs to address and prepare in advance, to tackle various issues so that individuals can spend a secure and fruitful life after their retirement. Our Group utilizes the functions of trust services to provide high added-value solutions to issues surrounding individuals in Japan's super-aging society, thereby contributing to safeguarding personal assets, securing sound living arrangements, and offering a peace of mind to the persons concerned and their family members in preparation for a deterioration in discretion caused by dementia and other mental disorders.

In 2019, SuMi TRUST Bank established the 100-Year Life Solution Department to provide proper solutions for various issues that could arise to individual clients in an age of 100-year life. To offer peace of mind, security, and joy, the 100-Year Life Solution Department bolsters and accelerates its initiatives to develop products and provide solutions utilizing its many years of accumulated know-how.

Impacts on SDGs



Key
measures
5

Initiatives to promote high-net-worth client businesses

UBS Group—which offers the world's leading asset management and securities services—and SuMi TRUST Bank—which offers a wide variety of products and services such as inheritance, asset succession, and real estate services—provide one-stop total wealth management services by our dedicated staff with significant expertise through combination of strength and brand value of both groups. Especially in our asset management solution, we will fulfill clients' expectations by offering unique propositions taking advantage of UBS Group's global strength.*

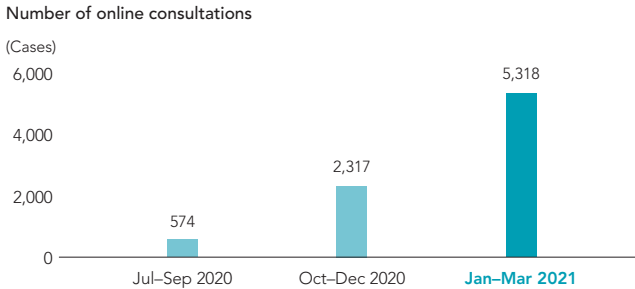
* After the summer of 2021, the Wealth Management Business of UBS Securities Japan Co., Ltd. is planned to be split to establish a new securities company, in which SuMi TRUST Holdings will acquire a 49% stake.



Key
measures
6

Channel reform

There is a growing consultation need using web conference tools following the penetration of digitalization and also changing behavior patterns due to the spread of COVID-19. Accordingly, in the first half of FY2021, we established an online consulting plaza aiming to provide high-quality consulting services equivalent to the ones at branches, in the online environment, removing time, location, and personnel constraints. As for branches, by introduction of online consultation services infrastructure, we will bolster them as the place for face-to-face consultation through introduction of next generation branches and function-oriented consultation branches.



* Number of online consultations offered in SuMi TRUST Bank (including the cases where family members also attended the meeting online)

Development of products and services

While new behavior patterns are required due to the spread of COVID-19, people are showing mounting interest in corporate initiatives to consider the environment and society. Accordingly, SuMi TRUST Bank supports the initiatives in environmental and social issues from the aspect of finance.

Initiative example: Green Deposit

Green Deposit is a foreign currency time deposit which proceeds are used solely to fund projects that will contribute to improvement of environmental issues, such as renewable energy, including solar power and wind power generation, as well as environmentally friendly property. We consider it part of our social responsibilities as a financial institution to connect individual clients—who are highly interested in environmentally- and socially-friendly corporate initiatives—and domestic/overseas companies and investors engaged in environmental, social, and governance (ESG) investing, and will contribute to achieving a sustainable society through these initiatives.



In an age of 100-year life, we create social value through providing peace of mind and joy to clients. At the same time, we will proactively engage in developing financial products and services based on the Creating Shared Value (CSV) concept that creates its economic value.

Initiative example: Housing Will

We have launched a "housing will" service to safekeep clients' will regarding their residential property as a contingency for the worst case during the repayment period of mortgage loans. Thus, we provide peace of mind to clients with this first service in Japan, which allows for easy preparation of a will to prevent their precious family members from taking pains in the procedures of dividing the estate. (We safekeep a will free of charge.)



Promoting financial inclusion

To broaden access to finance for everyone, the Group has engaged in various initiatives leveraging its diverse functions and network as a trust bank. The initiatives include products and services related to inheritance and gift, asset administration, and housing, and also joint research and dissemination of information towards the achievement of “productive aging,” where elderly people continue to participate in society proactively.

In particular, while a community-based comprehensive care system has become more important, financial institutions that engage in asset administration of elderly clients are also expected to play a significant role. Accordingly, our nationwide branches are proactively involved in building regional comprehensive care systems through collaboration with community-based comprehensive support centers and participation in case study groups hosted by health professionals. (For details, see page 89.)

Research and delivery of life plans

We are committed to develop and update related knowledge to create a new social model for an age of 100-year life.

Initiative example:

Trust Future Assets Institute

In a society where living for 100 years is taken for granted, life options and possibilities are boundless. Sumitomo Mitsui Trust Future Assets Institute surveys, researches and publishes on ways to accumulate and utilize assets for everyone to live peacefully and cheerfully in the future.

Initiative example:

Housing options—Towards “Aging in Place”—

With a focus on housing, which plays a key role for elderly people to maintain quality of life and peaceful lives, we have utilized various Group functions to greatly enrich the content of the digest report for seniors “Consideration of Senior-Generation Housing.” (For details, see page 91.)



Sharing and empathy with clients

We are expanding the ways to share information with clients and obtain their empathy effectively. More specifically, we hold online seminars on end-of-life procedures and inheritance measures, or deliver video contents that help clients understand the agenda of an age of 100-year life regardless of time or place.

Initiative example: Reality of an age of 100-year life

Influencers with different lifestyles and ages talk about their issues in honesty.



Initiatives for Corporate Clients



While the business environment surrounding companies has been drastically changing and become complicated, corporate clients are faced with issues that cannot be solved by products and services offered separately. Therefore, we aim to become the “Best Partner” financial institution for clients by further bolstering our versatility and expertise as a trust bank group.

Social issues to actively address

Sustainable growth of Japan’s economy and corporations (both financial and non-financial issues to be considered)

Support corporate clients’ initiatives to strengthen governance and engage in sustainability while meeting various financial needs

The business environment surrounding companies has been rapidly changing and growing more complicated by the day, including innovative IT technologies, industrial materials, the advent of industrial technologies, and global changes in politics and economy.

The SuMi TRUST Group has provided various highly-specialized functions expected of a trust bank to corporate clients, such as loans, real estate brokerage, and stock transfer agency services, and has also helped to solve both visible and intangible issues, thereby leading to the enhancement of corporate value and solving of social issues.

Moreover, we have made efforts to achieve optimal asset management mainly for financial corporation and non-profit organization clients, leveraging our diverse and accumulated know-how in asset management and administration ranging from securities, real estate, and private equity to other projects.

While net-zero carbon emissions and climate change measures have been accelerating as a solid trend, we have focused on ESG themes—one of the top priority issues for every client—since its early stage. In the sustainable finance field, we lead the positive impact finance solutions to support fund flows to the areas required in society. This finance solution is to commit to achieving the set goals by comprehensively analyzing and evaluating the impacts of corporate activities on the economy, society, and the environment. We also offer other distinctive services such as governance-related consulting in the stock transfer agency services field and CASBEE certification* in the real estate field.

Moving forward, we will further bolster the solutions that utilize non-financial information such as ESG/SDGs, and thus contribute to expanding clients’ businesses and solving social issues.

* For details, see page 69.

Business environment awareness

Environmental awareness and issues

- Heightened uncertainty due to pandemic and other factors
- Further expansion of net-zero carbon emissions and climate change measures
- Financial business model transformation driven by digitalization

Opportunities and strengths

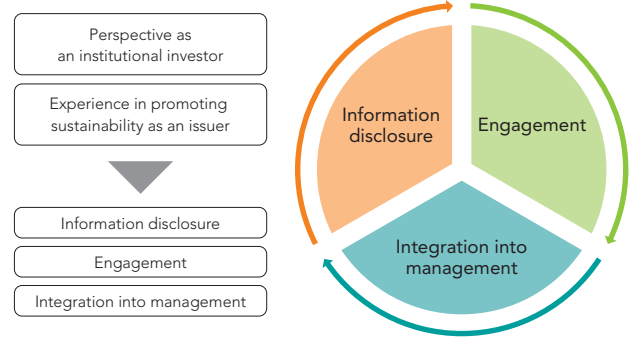
- Specialists that allow for providing high value-added services to clients
- To offer diverse and highly-specialized comprehensive solutions through obtaining and analyzing non-financial information

Key measures 1

Stepping up ESG-oriented total solutions

Taking advantage of touchpoints with diverse stakeholders through our banking operations and trust services in addition to a wide variety of product lineups, our Group connects clients with stakeholders and offers total solutions that lead to the enhancement of corporate value. As clients are especially interested in ESG themes, we will fulfill clients' needs through the newly established ESG Strategy and Solution Department.

We will contribute to the development of the whole society through solving ESG and other issues.

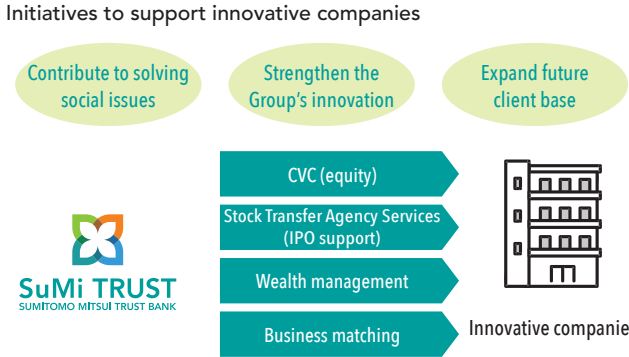


Key measures 2

Promoting transactions with innovative companies

As part of initiatives to bolster our support to startup firms (innovative companies) that create new industries or value, SuMi TRUST Bank established a dedicated unit (Innovative Corporate Promotion Department) in April 2020, and launched the CVC* fund "SuMi TRUST Innovation Fund" in September 2020. By achieving a virtuous circulation from supporting businesses through equity investment to reinvesting the return, we will contribute to solving social issues, leading to the expansion of the future client base and the strengthening of the Group's innovation.

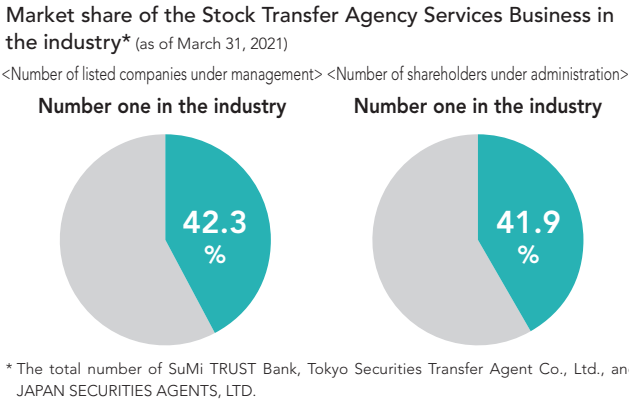
* Corporate Venture Capital



Key measures 3

Initiatives to help clients strengthen their governance

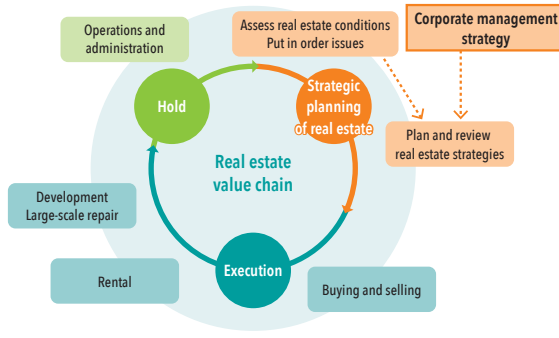
We seamlessly support shareholder-related practices mainly for general meetings of shareholders and also support the IR/SR, governance, and executive compensation areas, utilizing the precious data, information, and case studies gained from our client base, which is number one in the industry in terms of both the number of listed companies under management and the number of shareholders under administration. We will support clients' growth as their "Best Partner" by continuously providing secure and robust social infrastructure functions, strengthening our solutions related to governance and offering sophisticated dialogue with investors.



Key measures 4

Enhancement of real estate value for clients

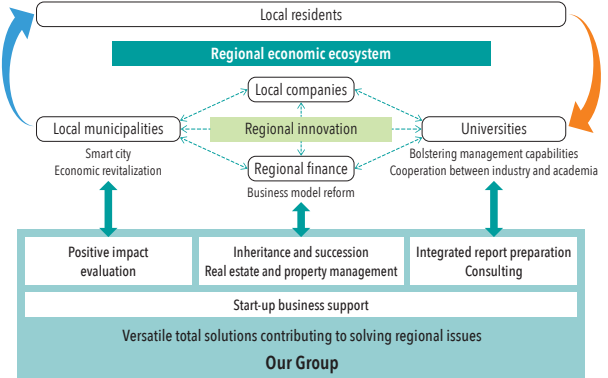
We contribute to enhancing corporate and asset value of corporate clients and solving managerial issues by providing versatile functions to each requirement of real estate value chains ranging from strategy planning, acquisition, administration and operations, to divestment and portfolio rebalancing related to real estate. By providing these functions, we aim to become the "Real Estate Best Partner" that clients trust and seek advice from the very beginning.



Key measures 5

Contribution to regional economic ecosystem

While changes to social structures progress, such as an aging society and population decline, innovation-driven and resident-oriented regional economic ecosystems that utilize regional characteristics are becoming increasingly important. Through platform offering-type businesses entailing various expertise such as inheritance and succession, real estate, and asset management, our Group contributes to the local communities by networking local municipalities, universities, and local companies, centered on the regional financial institutions that carry the burden for the local economy.



Key measures 6

Global Market Business that supports smooth circulations

We satisfy clients' needs by providing the total solutions expected of our Global Markets Business embedded with the DNA as a trust bank: "to overlay our issues with the issues of the client and work to solve them together." Leveraging our many years of techniques and investment know-how in having managed market risks entailed in the balance sheet of SuMi TRUST Bank, we bolster our market-based total solutions for clients through structuring of products and services.



Initiatives in social issue-solving businesses

Total solutions towards solving ESG/SDGs challenges

Our Group has stated “sustainable growth of Japan’s economy and corporations (both financial and non-financial issues to be addressed)” as the social issues that the Wholesale Total Solution Services Business should address in the Medium-Term Management Plan. In addition, an increasing number of companies are strengthening their ESG/SDG measures as growth strategies in the post-COVID-19 world, including climate change-related measures towards the achievement of carbon-free societies. Our Group also supports the enhancement of clients’ corporate value leveraging our sustainability-related know-how and networks accumulated through the engagement with stakeholders.

Impacts on SDGs



Positive impact finance (PIF)

The conditions of offering PIF are as follows: comprehensively analyze and assess the impacts of corporate activities on the economy, society, and the environment (positive and negative impacts); set goals to alleviate negative impacts and expand positive impacts; and commit to realizing these goals. As recognition of this product concept, SuMi TRUST Bank was awarded the LCA Japan Forum Chairman’s Award at the 17th LCA Japan Forum in February 2021, following a Gold Award in Loan at the 1st “ESG Finance Awards Japan” in February 2020. Starting from the first in March 2019, we have won 17 awards as of March 31, 2021.

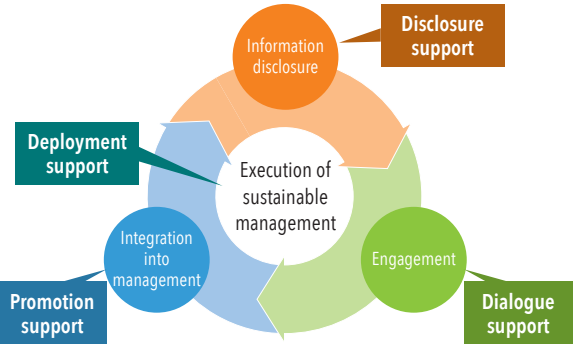


Renewable energy finance projects

In addition to promoting the deployment of large-scale projects such as wind and solar power generations through project finances, SuMi TRUST Bank originates and manages renewable energy funds that invest money solely on renewable energy-type large-scale power generation businesses. Particularly in Japan, the deployment and expansion of offshore wind power generation is gaining attention. More specifically, biddings for offshore power generation in the open seas have started, in addition to the current biddings for solar and onshore wind power generation, towards the achievement of a carbon-neutral society in 2050. In total, the electricity generation capacity of projects in which SuMi TRUST Bank has been involved amounts to 15,549 MW, generating 41,390 GWh annually. Accordingly, its annual impact of reducing CO₂ is 17.79 million tons of CO₂. The total electricity generation capacity to which our Company contributes per ratio is 2,981 MW, generating 6,105 GWh annually. Its annual impact of reducing CO₂ is 2.74 million tons of CO₂.

Consulting that supports sustainability management

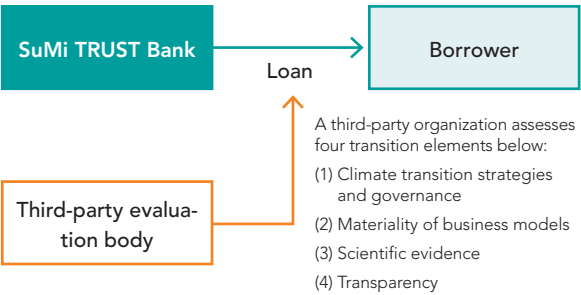
Combining the perspective as an institutional investor that has engaged in asset management business for many years and the sustainability perspective and experience as an issuer, SuMi TRUST Bank contributes to achieving a sustainable society by comprehensively supporting the critical elements of “integration into management,” “information disclosure,” and “engagement” for promoting sustainable management.



Transition finance (transition loan)

Transition loans are offered to support CO₂ reduction efforts in line with long-term corporate strategies to effectively address climate change-related risks towards a transition to a low-carbon society. In February 2021, SuMi TRUST Bank entered into the first transition loan agreement in Japan. The fund is used to acquire next-generation environment-type LNG fuel vessels for transporting automobiles.

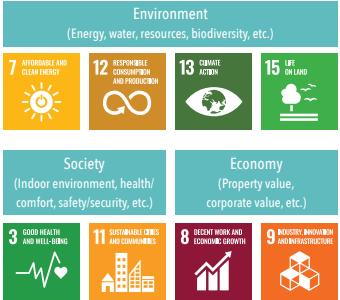
Financial schemes



Environmentally friendly property initiatives

The amount of CO₂ emitted from the construction and management of buildings is said to account for approximately 40% of all CO₂ emissions in Japan, including indirect emissions. In addition, given that humans spend a lot of time indoors, indoor environments naturally affect the health and productivity of occupants. As real estate has a significant impact on the environment, society, and the economy, integrated initiatives for achieving the SDGs are considered to be highly beneficial in improving the sustainability of these three aspects. Therefore, the Group aims to further promote energy-efficient and resource-efficient cities and buildings, as well as the wide adoption of environmentally friendly properties that contribute to improving production efficiency. In particular, as the number one company regarding the entrusted balance of securitized real estate in the industry, we will continue to advance initiatives that contribute to enhancing property value mainly through high levels of environmental performance, which boosts revenue and reduces risks.

Links between environmentally friendly property and the SDGs



CASBEE certification support consulting

Under the guidance of the Ministry of Land, Infrastructure, Transport and Tourism, CASBEE (Comprehensive Assessment System for Built Environment Efficiency) was developed as a method to evaluate and rank the environmental performance of buildings. SuMi TRUST Bank played a leading role in the development of CASBEE for Real Estate and related economic impact surveys. We also have focused on developing Japan’s environmentally friendly property market based on CASBEE, including expansion of certification support consulting (see our lineups below).



Construction and operation-phase support for environmental considerations

SuMi TRUST Bank commercialized Japan’s first land trust product in the 1980s and is involved in developing and operating many building and condominium projects. Our construction consulting services leverage this extensive experience. In this construction consulting service, we offer advice on factoring in environmental considerations in line with client requests, such as installing energy-saving systems in buildings, taking into account landscapes and ecosystems, extending building lifespans, and adopting recycling systems.

* For more information, refer to our 2020/2021 ESG Report—Environmentally Friendly Property.
Hiroshima Orizuru Tower (Hiroshima Prefecture)

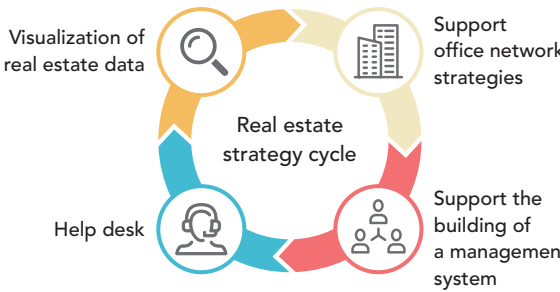


Initiatives in real estate governance

Facility management

Facility management refers to management activities in which companies, organizations, and others comprehensively plan, manage, and utilize facilities and their environment for organizational activities. The facility management operations of SuMi TRUST Bank not only controls real estate-related costs and streamlines operations, but also proposes proper solutions including the review of back-office operations (e.g., general affairs, administration of property) from the perspectives of total optimization, thereby supporting clients’ initiatives to strengthen real estate-related governance.

Facility management services menu



Initiatives for Investor Clients

While asset management business is expected to expand in the long term, there is intensifying competition and higher uncertainty driven by tightening regulations. As a result, new products and services are required to match the new era such as the revision of the pension system in line with an extension of the retirement age. In our business to investor clients, we will offer group-wide solutions with significant expertise and know-how in each area, including asset administration, pension consulting with systems and management integration.

Social issues to actively address

Diverse asset management opportunities, development of investment chains

Strengthening investment products by leveraging our Group's characteristics in addition to traditional assets

In a series of investment chains where investee companies' growth and increasing invested assets deliver returns to investors and thus lead to the growth of the society as a whole, our Group utilizes our multiple distinctive asset management companies to proactively play a role, thereby contributing to creating a virtuous circulation.

Our Group's asset management companies offer full lines of asset management services to various clients in Japan and overseas. With a focus on private assets such as unlisted shares (private equity) and tangible assets (e.g., aircraft, real estate), SuMi TRUST Bank contributes to achieving clients' optimal asset management through providing a complete package, from propositions to product development and follow-up services.

Providing efficient and high value-added services in various investment processes

We provide client-oriented and high value-added services to institutional investor clients as a group based on fiduciary spirit. Leveraging expertise and know-how unique to asset management companies, we help clients concentrate on streamlining operations and concentrate in competitive fields through providing securities administration operations backed by outsourcing of back- and middle-office operations.

Catering to expanding alternative products other than traditional assets, we combine our expertise and know-how accumulated in securities administration with the administration businesses for real estate, monetary claims, and other assets, thereby promoting sophisticated asset administration services.

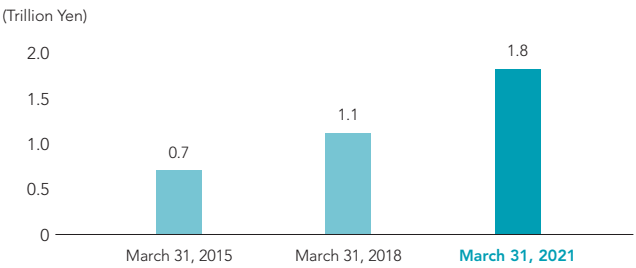
Key measures 1

Offering long-term seller products that serve as the core of asset formation

Sumitomo Mitsui Trust Asset Management has one of the largest assets under management in Asia. We aim to further expand in the growth area of the domestic retail market in addition to bolstering our accumulated presence among domestic institutional investors.

While offering optimal asset management solutions to clients, the company expands product lineups in the defined contribution pension plan market leveraging our robust client base and also bolster its support system. We will contribute to solving social issues mainly through ESG engagement with investee companies.

DC investment trusts

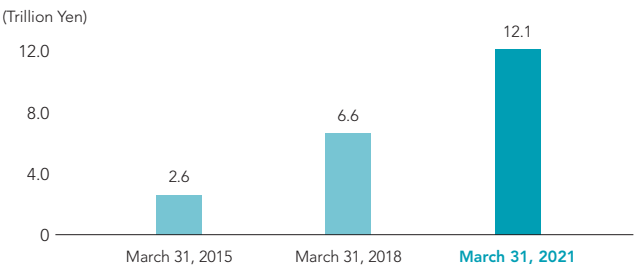


Key measures 2

Providing innovative cutting-edge products

Nikko Asset Management (Nikko AM) will continue to draw on its strengths to provide innovative products and services to its clients. Those strengths include a network of offices (including JVs) spanning 11 countries, unique product development capabilities that take active advantage of this global network, and distributor support services. We shall also bolster overseas distribution capabilities and expand investment areas including illiquid assets to achieve a sustainable growth. Moreover, Nikko AM will lead the ETF business with one of the largest volumes in Japan by promoting global ETF businesses mainly in the Asian markets.

Balance of domestic ETFs

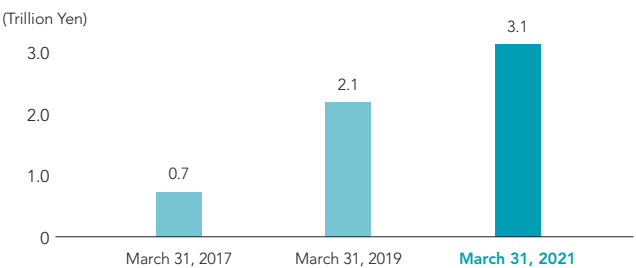


Key measures 3

Providing investment opportunities for diverse private assets

As low interest rates remain firmly in the world, investors have been showing higher interest in private assets that target unlisted stocks and tangible assets such as real estate and renewable energy power generation projects. Leveraging our consulting capabilities as a trust bank, affluent insights in investments and loans, and product development capabilities that utilize trust functions, we will provide investment opportunities for diverse private assets through expansion of product lineups and providing information and other investment support.

Asset under management of private assets



Business environment awareness

Environment awareness and issues

- Expanding global asset management markets
- Downward pressure on fees due to increasing passive management, intensifying competitions, and stricter regulations
- Expanding investment needs on private assets

Opportunities and strengths

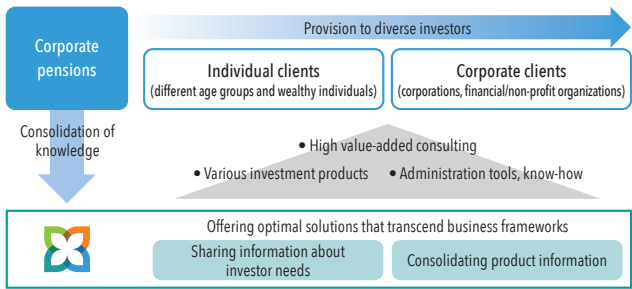
- The largest balance of assets under management in Asia
- Diverse sales channels in the domestic investment trust market
- Complete package of services in every area of investment chains

Key measures
4

Combination and expansion of investment management know-how as an institutional investor

By combining asset management know-how of our Group to meet clients' various needs, we promote the sophistication of each consulting service and the strengthen our offering of high-quality products within and outside our Group. Towards the achievement of a sustainable society, we also create economic value and social value through expanding ESG-related investment products and visualization of social returns.

Solution products

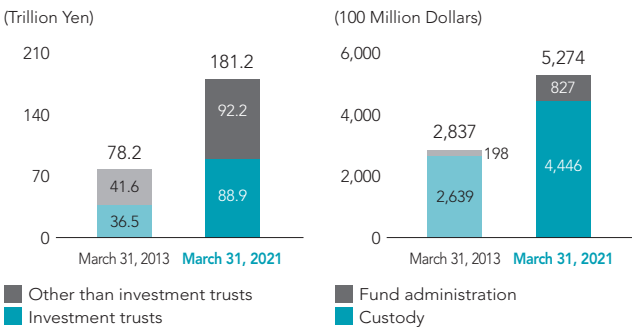


Key measures
5

Asset administration operations that underpin investment chains

We promote the group-wide sophistication of our services both in Japan and overseas to meet various needs of asset management companies and investors. We combine our expertise and know-how accumulated in securities administration with the administration business on real estate, monetary claims, and other assets, thereby pursuing higher quality of asset administration services and enhancement of added value.

Assets under custody of the Group

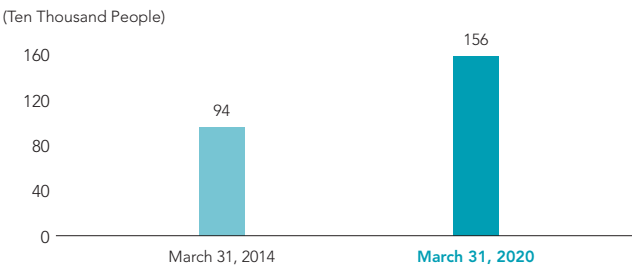


Key measures
6

Supporting clients' well-being

We proactively support the enhancement of clients' well-being through provision of corporate pension plans and the whole welfare services to clients' employees, who are essential to realize a sustainable improvement of corporate value. While interest in human capital management is increasing against the backdrop of a global trend of SDGs and ESG, an extension of the retirement age, and the revision to CGC, we provide life plan management services unique to our Group by supporting one-stop asset formation activities for employees of corporate clients, in addition to offering system consulting on defined benefit pensions (DB) and DC in which we administer the number one client base in the industry.

DC plan members

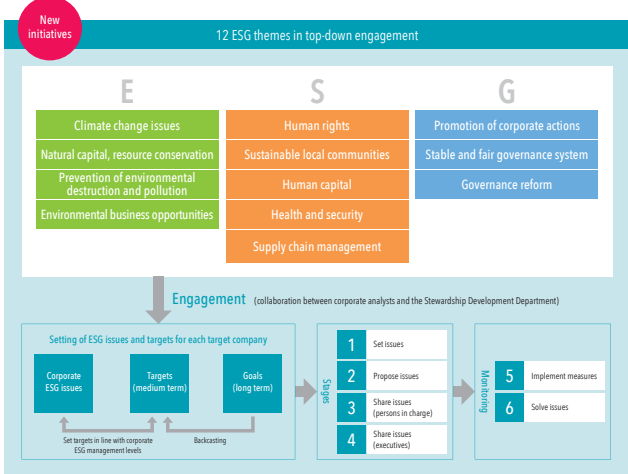


Initiatives in social issue-solving businesses

We will make efforts to solve social issues and enhance corporate value through engagement activities with various investee companies in Japan and overseas.

Top-down engagement activities of Sumitomo Mitsui Trust Asset Management

In September 2019, Sumitomo Mitsui Trust Asset Management established ESG investment policy and specified ESG materiality. The company set 12 ESG themes based on this policy, and has been promoting sophisticated top-down engagement activities.



* For more information, refer to our STEWARDSHIP REPORT 2020/2021. https://www.sumitru-trust-am.com/file/02/ss_report.pdf

ESG investment approach of Nikko Asset Management

As an asset management company, Nikko Asset Management stipulates the Fiduciary and ESG Principles as its most essential guidelines. To make its group-wide commitment clear, Nikko AM set out a Code of Conduct for Fiduciary and ESG principles and established its ESG Global Steering Committee in 2016.

The ESG Global Steering Committee oversees the fulfillment of ESG commitments and is chaired by the Global Head of Investment, who is also a member of the Global Executive Committee (GEC). The ESG Global Steering Committee is mandated by the GEC and reports to the Board of Directors at least once every quarter.

The ESG Global Steering Committee comprises of leaders from Nikko AM's investment teams worldwide, who are in charge of ESG implementation in their individual investment processes. The steering committee is responsible for evaluating the effectiveness of this implementation and improving our approach to ESG. It also drives the implementation of the six principles of the United Nations-supported Principles for Responsible Investment (PRI).

At its Japan operations, both governance systems of the stewardship and exercising voting rights complement ESG frameworks. These consist of the Stewardship and Proxy Voting Committee (Voting Committee) and the Stewardship and Voting Rights Policy Oversight Committee (Oversight Committee). The Voting Committee is responsible for creating the guidance necessary for implementing stewardship activities, including formulating its stewardship policy, as well as amendments to the proxy voting instruction guidelines.

* For more information, refer to our Sustainability Report 2020. <https://en.nikkoam.com/files/pdf/esg/sustainability2020-en.pdf>



Sumitomo Mitsui Trust Asset Management



Yoshio Hishida
Representative Director
and President
Sumitomo Mitsui Trust Asset
Management Co., Ltd.

Sumitomo Mitsui Trust Asset Management (SMTAM) has its origins in the management of pension funds, which are the foundation supporting its clients' livelihoods. Since the early 1960s, SMTAM has refined its investment techniques in a wide range of asset classes, including both Japan-listed and overseas equities and bonds, and has provided numerous products to clients in Japan and overseas.

Its role in the capital markets is to contribute to the healthy growth of the economy as a whole, as part of an investment chain that promotes the sustainable growth of investee companies and delivers the fruits of that growth to investors. As an asset management company, SMTAM plays an active role in creating value for investee companies through constructive dialogue in order to enhance the investment chain and achieve growth together.

As a concrete initiative, SMTAM has organized key sustainability issues into 12 "ESG materialities" intended to help achieve the 17 SDGs (Sustainable Development Goals). In the active management of stocks and bonds, SMTAM evaluates investment target companies from the perspective of ESG materiality and performs "ESG integration" to incorporate that into

investment decisions. In addition, it works to solve ESG challenges from a global perspective through constructive dialogue with investee companies and collaboration in various areas with international ESG advocacy organizations. SMTAM delivers the results of these efforts to its clients through a diverse lineup that includes index-type products, ESG-aware products (which use non-financial information as an important basis for investment decisions), ESG-focused products, and impact investment products. SMTAM is also working daily to develop new investment methods and improve the quality of its investment products, with a focus on data science initiatives that use technologies such as machine learning and rely on alternative data different from traditional financial information.

As a member of a trust banking group, SMTAM will continue to provide solutions from a long-term perspective in order to open up future possibilities and foster a truly prosperous society. At the same time, as an independent asset management company that is indispensable to its clients, SMTAM will do its utmost to increase the value of the assets entrusted to the company over the medium to long-term.

Nikko Asset Management



Junichi Sayato
Chairman, President & CEO
Nikko Asset Management
Co., Ltd.

Nikko Asset Management Co., Ltd. (Nikko AM) is a global asset management company headquartered in Japan, with operations in 11 countries and regions around the world and a global management and sales structure. In addition to its investment management capabilities, Nikko AM provides innovative products and services by leveraging the strengths such as unique product development and sales support capabilities, which consistently receive high marks from our marketing agents.

Nikko AM strives to fulfill its fiduciary responsibility with the primary mission of contributing to the asset formation of clients. Guided by the belief that reflecting ESG (environmental, social, and governance) in investment practices enhances the long-term value of investee companies and contributes to sustainable economic growth, Nikko AM is committed to the appropriate integration of ESG into all investment decision-making processes and to constructive engagement with companies.

In addition to creating innovative and unique investment solutions, Nikko AM is focused on providing clients with reliable investment results. In the midst of a drastic change in the social and economic environment,

including the COVID-19 pandemic, several funds of Nikko AM have been receiving positive feedback from clients. These include a group of funds focused on solid long-term growth themes such as robotics, FinTech, and genomics that we developed in succession in recent years; various balanced funds that have achieved reliable investment results even in the turbulent market associated with the COVID-19 pandemic; and in-house investment funds which have a long-standing track record of solid performance. Going forward, Nikko AM will continue to strive to provide products that capture major structural changes in society and products that contribute to the asset formation of clients over the long-term.

Furthermore, in its ETF business, which is one of the largest in Japan, Nikko AM is working to enhance the operations globally, focusing on product development in Asian markets such as Singapore and Hong Kong and expanding the investor base beyond Japan.

Nikko AM will continue to fulfill its fiduciary responsibility as an asset management company and do its utmost to contribute to the long-term asset formation of clients and the development of society.

Response to the Spread of COVID-19 Pandemic

Our Group has focused on supporting various stakeholders as measures to respond to the COVID-19 pandemic linger for an extended period of time. In order to continuously provide services as a trust bank group under such unprecedented conditions, we will continue to accommodate measures against the COVID-19 pandemic based on three basic stances: to ensure business continuity as a key piece of social infrastructure, to ensure the health and safety of employees and their families, and to prevent the spread of infection in society (including activities to create a society that is less prone to the spread of infections).

We will continue to maintain businesses in a stable manner as a financial institution responsible for social infrastructure by giving the highest priority to the safety, security and health of our clients and employees.



Response policy (1): To ensure business continuity as a key piece of social infrastructure (responses to clients)

Considering the safety of our clients, each of the Group's sales branches is taking steps to prevent the spread of infection by holding online seminars and erecting transparent acrylic boards to minimize transmission from respiratory droplets.

We also strive to enhance convenience for our clients by processing various procedures and consultations with websites and online tools or by telephone, and developing new products that respond to COVID-19.

Banking business

- Establish procedures for accepting deposits and investment trusts using the Internet, procedures for address change by postal mail, etc.
- Encourage clients to make appointments before visiting a branch and open business on holidays in order to avoid the Three Cs (crowded places, closed spaces and close-contact settings) for visitors
- Flexibly respond to consultations on personal and corporate loans
- Establish a consultation counter for interest-free and unsecured loans
- Expand coverage contents of "housing loans with special clauses of guarantees against the eight major diseases," and newly introduce loan repayment guarantee coverage during unemployment period

Trust-related business

(Pension) Continue clerical, administrative, and reporting duties for reliable pension and lump-sum benefits
(Stock transfer agency services) Support for preparation and operation of General Meeting of Shareholders
(Asset management) Continue operations to prevent the suspension of capital market flow
(Asset administration) Continue settlement of securities and funds to ensure smooth capital market operation
(Real estate) Continue accounting, settlement, and reporting operations at real estate securitization trusts and J-REITs

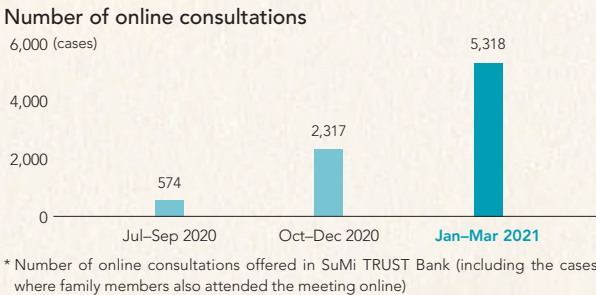
Enhancement of client support through online face-to-face channels

- Opening of next generation branches
In November 2020, SuMi TRUST Bank opened its first next generation branch in the Chukyo area that offers online consultations to enhance the convenience for clients living in a world with COVID-19.



Even clients who have difficulty visiting a branch can receive consultation services from home with an advisor who provides face-to-face conversation by showing brochures on the screen. Our online consultation services have become easier and safer than before because of the enhanced convenience of online procedures. Moreover, consultation can be accessed from multiple locations simultaneously, which allows families living in different places to join the same consulting session.

- Online consulting on personal business
The number of services offered has increased because of growing familiarity.
- Opening of Online Consultation Plaza
The Online Consultation Plaza was newly opened in the first half of FY2021. Going forward, we will appoint experts, such as financial consultants and real estate representatives, to meet a wide range of needs.

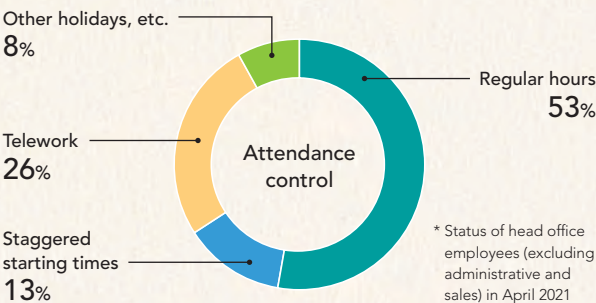


Response policy (2): To ensure the health and safety of employees and their families

Each Group company is making efforts to avoid the Three Cs at workplaces, and promote diverse workstyles for employees.

SuMi TRUST Bank has strived to take various preventive measures such as the addition of partitions in office spaces, distribution of masks and portable disinfectant sprays to all employees. It also distributes homecare kits (daily necessities such as food, daily supplies, etc.) to COVID-19 patients and their close contacts in case of emergency. We have also established a total of 30 satellite offices (as of June 2021) by utilizing branch offices in the Tokyo metro-

politan area, Chukyo area and Kansai area, that allow employees to temporarily work at a branch close to their home. We also distributed devices for teleworking to establish a system allowing head office employees, etc. to work from home. In addition, Sumitomo Mitsui Trust Asset Management and Sumitomo Mitsui Trust Research Institute are making group-wide efforts to promote teleworking through various initiatives such as distributing devices for teleworking to all employees.



Distribution of satellite offices

Tokyo metropolitan area	17 locations
Chukyo area	5 locations
Kansai area	8 locations
Total	30 locations

Response policy (3): To prevent the spread of infection in society (including activities to create a society that is less prone to the spread of infections)

Our Group cooperates with a workplace vaccination campaign in response to the government's policy of initiating the COVID-19 vaccination at workplaces. We aim to contribute to reducing the burden of local communities and accelerating vaccinations by encouraging workplace vaccination.

SuMi TRUST Bank also conducted the following activities with the understanding and cooperation of clients and society:

- Donated ¥100 million to the Japanese Red Cross Society to assist their efforts in treating COVID-19 patients and to support their activities for preventing the spread of the virus. Thereafter, we received the "Japanese Red Cross Society Golden Order of Merit Medal," which is awarded to companies that made a large donation to the said Society.
- Donated 100,000 medical masks to several medical institutions
- In order to support 14 universities/research institutes engaged in the development of vaccines and therapeutics for infectious diseases, the Group has opened an account to accept donations from individual clients and other parties. The Group has also donated ¥10 million to each university. (A total of ¥260 million was donated. This account ended on August 31, 2020.)
- We have launched the "Medical Support Donation Trust" to assist universities that conduct medical research. Furthermore, in addition to the previous testamentary gifts/donations, we have released the "Testamentary Donation Trust" (also known as "Donation to the Future") to respond to the request of those who simply wish to donate a portion of their assets in case of passing, taking into account the needs of diversifying donation methods.
- Through the Stay-Home Campaign of "JPY Saving Account with Preferential Interest Rate" by Direct Internet Banking, ¥25 per deposit was collected to make donations to organizations engaged in the development and research of vaccines and therapeutics to fight the COVID-19 pandemic (this campaign ended on August 31, 2020.)

Employee
Interview

Purpose of the Worksites that Supports the “Power of Trusts”

Interview | 05 | Juichiro Fujisawa

Wholesale Asset Management Business Planning Department,
SuMi TRUST Bank

We aspire to be a partner capable
of resolving social issues through
asset management business

My responsibility includes planning of products, planning of marketing, and promoting sales of private investment trusts, mostly for financial institutions and corporate clients. Today, with the continued difficulty in finding appropriate investment opportunities, the Bank has been providing various proposals to our clients, including globalizing the investment regions, utilizing derivatives, and expanding product selections such as private assets. SuMi TRUST Bank offers a variety of products utilizing the Group’s asset managers as well as outside asset management companies.

The strength of our Group is that we can offer professional solutions from the entire Group as a one-stop service to meet the wide-ranging needs related to the diverse assets of our clients. In providing products, we have a policy to conduct extensive discussions on the issues and needs of clients and create



investment strategies in consultation with clients. In particular, the Group is a leader in investments prioritizing in ESG and SDGs, and hopes to continue promoting initiatives towards resolving social issues through asset management.

I think that supporting financial institutions and corporations that sustain the economy by leveraging the Group’s unique strengths is an initiative toward realizing a “blooming future of our clients and society,” which is stated in the Group’s Purpose. That is why I do not want to be selling products to clients; rather, I want to stand close beside them and become a long-term partner to work together to materialize products that can provide solutions to their challenges.

Create the future through funds

I am in charge of developing thematic funds and other investment trust products for Japanese individual investors and financial institutions at Nikko Asset Management Americas Inc. Some people say that themed investment trusts are a transient fad, but when developing the products, we do not embrace a market-in approach, but rather try to focus on a product-out strategy and design products that we truly want to create. Specifically, we ask ourselves: Is the theme worth investing on a long-term basis? Does it represent a huge growth opportunity over the next 10-20 years or perhaps even longer? Does it accurately anticipate the profound social and structural

Interview | 06 | Tadashi Chiba

Nikko Asset Management Americas Inc.
Product Development Department



changes? We ask ourselves these questions, value these perspectives, and incorporate them in the product composition. To do so, it is crucial that we conduct bottom-up research, including contacting and talking to specialists in person, or actually using innovative services as a user. The precious money

of our clients will be invested in the target companies that constitute the funds we design, enabling those companies to grow and enrich society, where values are created and eventually returned to clients. I hope to continue developing products that can create such dynamic flow of funds.

Interview | 07 | Jiang Hong Chen

Pension Investment Department, SuMi TRUST Bank



Promote the dissemination of invest-
ments that can contribute to the
realization of a sustainable society

I returned to work after taking maternity and childcare leaves. Now I am with the Pension Investment Department where I am in charge of planning products for the pension fund as well as planning and operating asset management seminars. Trusts are originally built on the premise of social contribution, so the Bank has been covering topics on ESG in seminars from a relatively early period. In a recent seminar, we discussed the topic of impact investing, where assets are allocated to companies that bring about positive environmental impact while pursuing economic return at the same time. We had more reactions from clients than we envisioned, and I think that there will be major changes to the flow of funds with ESG/impact as the third pillar of asset management in addition to the two pillars, risk and return. I hope to continue offering sound support to this tide, not only from the standpoint of managing pension funds for post-retirement, but also to contribute to achieving a sustainable society.

Interview | 08 | Kyoko Hara

Stewardship Development Department,
Sumitomo Mitsui Trust Asset Management



Enhance enterprise value through
diversity

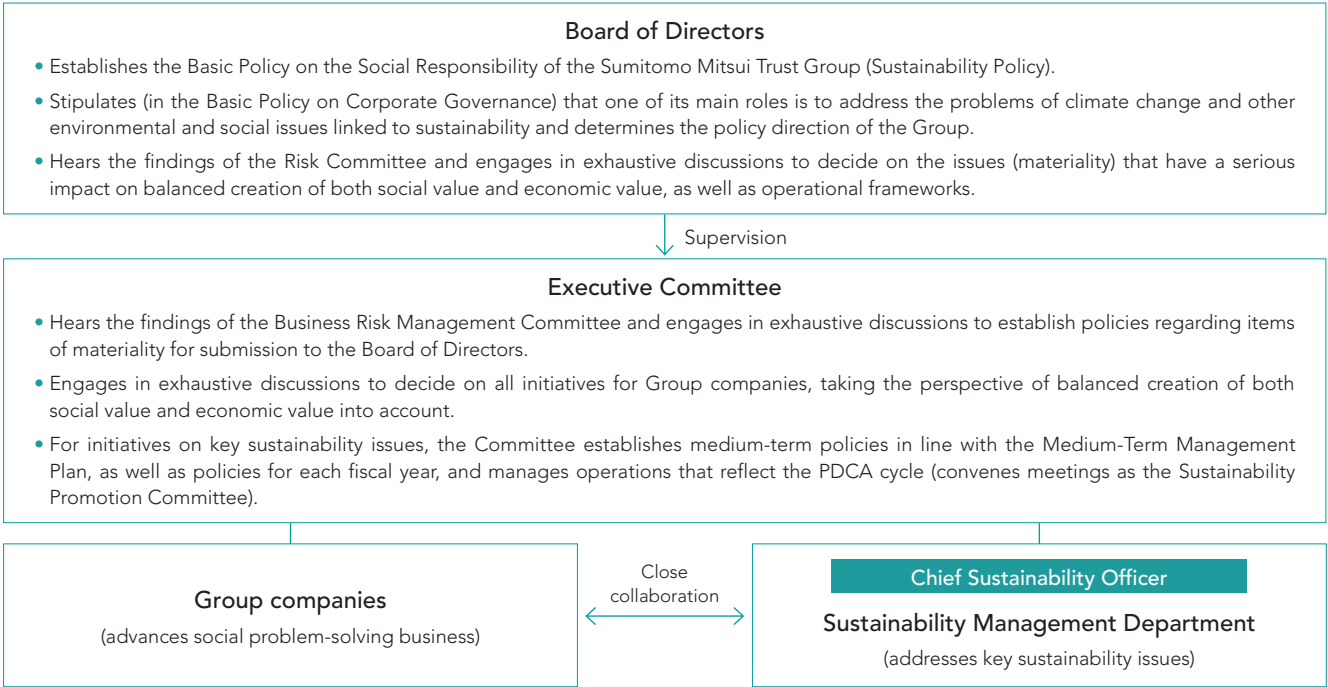
I joined Sumitomo Mitsui Trust Asset Management as mid-career hire, and now engaged in stewardship activities building upon my 20 years of experience in dealing with companies as asset management analyst. Since I was an analyst, I noticed that diversity-oriented companies that make use of diverse human resources and adopt various ideas have the energy to create innovation.

Our Company places emphasis on dialogue with companies and works earnestly regarding the exercise of voting rights and ESG analysis. While dealing with climate change and other environmental issues in the area of ESG, we also focus on diversity issues and participated in the launch of 30% Club Japan, an investors’ group aiming to increase the proportion of women in executive positions in TOPIX100 companies to 30% or more by 2030. Currently, I am working to increase such diversity-minded companies through dialogue. That, I think, will lead to a dynamic and sophisticated society, where diversity is taken for granted.

Initiatives on Key Sustainability Issues

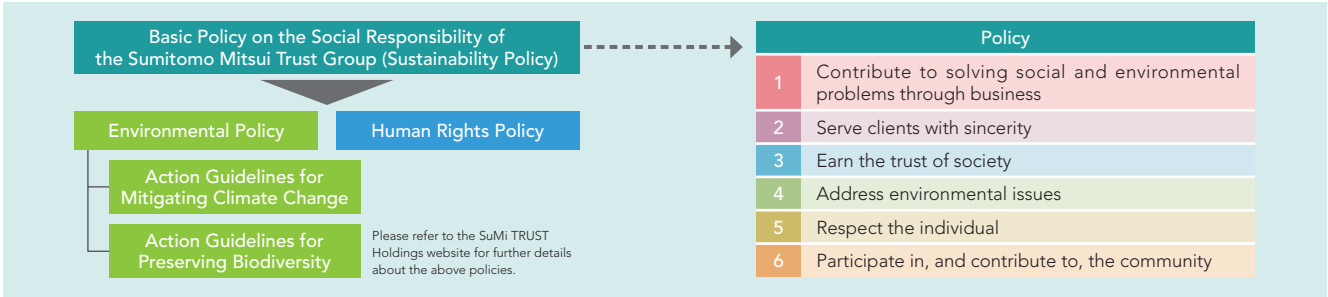
Sustainability Promotion System

In our Medium-Term Management Plan, we have incorporated a basic strategy for generating positive impacts geared towards solving social issues and have placed sustainability at the core of the Group’s management. Each SuMi TRUST Bank business and its affiliated companies will independently select the social issues that must be addressed first, and we will strengthen efforts on these issues as our core business. Meanwhile, for climate change and other key sustainability issues in Japan and overseas, our Sustainability Promotion Committee functions as a command center for the entire Group and formulates strategies to swiftly implement initiatives whilst collaborating with international organizations.



SuMi TRUST Holdings has a system under which the Sustainability Promotion Committee (secretariat: Sustainability Management Department), which is the forum for sustainability discussions on the executive side, is convened as part of the Executive Committee and supervised by the Board of Directors.

Policies related to sustainability



Sustainability Promotion Committee

The Sustainability Promotion Committee is tasked with the following roles. Starting in FY2021, in order to integrate sustainability themes into our management plan, we have increased the frequency of meetings of the Sustainability Promotion Committee, and we are also using meetings of business executives and similar forums to advance social issue-solving business. The aim of these efforts is to achieve our goal of “balanced creation of both social value and economic value.”

Management	<ul style="list-style-type: none">Promoting materiality managementDevising and promoting plans for sustainability work (manages the progress of social problem-solving businesses at Group companies)Tackling climate change issuesConducting strategic information disclosure by issuing ESG Reports and other publicationsEarning the trust of investors and other stakeholders and working to improve their assessment of the Group
Business development	<ul style="list-style-type: none">Developing innovative financial products and services that help solve key sustainability issuesStrategically providing value to the community through “With You” activities*
Employee education	<ul style="list-style-type: none">Ensure employees understand strategies by distributing the Group’s employee integrated report to all directors, officers, and employeesFacilitate the swift acquisition of practical knowledge by promoting in-house activities, such as participation in the challenge of helping achieve the SDGs, the SDG declarations formulated by each branch, and the “With You” activities*
Dialogue	<ul style="list-style-type: none">Encouraging dialogue with, and ascertaining the needs of, various stakeholders, including shareholders, investors, NPOs and NGOs in Japan and overseas, international organizations, government agencies, and universitiesUtilizing internal engagement to absorb the needs of stakeholders into the Group and improve initiatives

* This is the name for the community-based sustainability activities developed by the branch offices of SuMi TRUST Bank in order to forge strong relationships of trust with local communities.

Enhanced Information Disclosure



Since 2017, the Group has published an integrated report with investors as the primary readers, as well as a sustainability report that provides comprehensive information disclosure to investors and non-investor stakeholders seeking more detailed ESG information. The FY2020 Sustainability Report was prepared based on the Common Metrics presented in the white paper “Measuring Stakeholder Capitalism - Toward Common Metrics and Consistent Reporting of Sustainable Value Creation,” which was compiled by the four major global accounting firms based on recommendations from the World Economic Forum’s International Business Council. We also publish booklets with featured themes, such as the TCFD

Report, a revision of our existing climate change report, the Natural Capital Report, which focuses on biodiversity, and the Environmentally Friendly Property Report. Our Digest Report for Seniors, which addresses the issue of a super-aging society, has been well received for its easy-to-understand information on dementia and housing for the elderly.

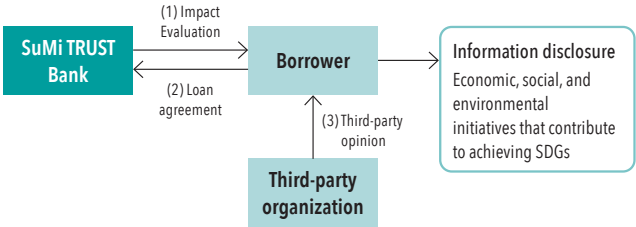
Group companies also publish a wide range of ESG-related reports, including stewardship reports from Sumitomo Mitsui Trust Asset Management and sustainability reports from Nikko Asset Management. For more information, please visit: <https://www.smoth.jp/english/sustainability/report>

Solving Social Issues through Business

In its Medium-Term Management Plan, the Group has identified “sustainable growth of Japan’s economy and corporations” as a social issue to be addressed by businesses that serve corporate clients. Recently we observe an increasing number of companies strengthening their response to ESG/SDGs as a growth strategy. We intend to harness the sustainability know-how and networks honed thus far to support our clients in their efforts.

Positive Impact Finance

In March 2019, SuMi TRUST Bank developed the world’s first Positive Impact Finance (PIF with unspecified use of funds) solution, which adapts the Principles for Positive Impact Finance of the United Nations Environment Programme Finance Initiative (UNEP FI) for lending to operating companies. PIF is a product that comprehensively analyzes and evaluates the impact of a company’s supply chain on the environment, society, and the economy, sets specific KPIs for increasing positive impact and mitigating negative impact, and asks clients to commit to these KPIs, which are then incorporated into the loan agreement. Then, through subsequent monitoring and disclosure of results, we encourage our clients to contribute to achieving SDGs and support their efforts to improve competitiveness (including their businesses, products, and services) from a global perspective.



Awarded the 17th LCA Japan Forum Chairman’s Award

SuMi TRUST Bank’s PIF received the “LCA Japan Forum Chairman’s Award” at the 17th LCA Japan Forum Awards held by the LCA Japan Forum. The purpose of the LCA Japan Forum Awards is to widely disseminate and establish the LCA methodology, pursue technological innovation through improved environmental efficiency, and contribute to the development of Japanese industry. This is the first time that a financial institution has received this award, which is now in its 17th year. When analyzing the impact of products and services, LCA analyzes the impact across the entire life cycle, from raw material extraction to processing, manufacturing, distribution, use, and disposal. In awarding the “LCA Japan Forum Chairman’s Award” to Sumi TRUST Bank’s PIF, the LCA Japan Forum was recognizing our use of impact evaluations in loan decision-making utilizing LCA’s life cycle-based approach and methodology as a meaningful contribution to the financial industry.

Results of PIF Initiatives

After signing the world’s first loan agreement for PIF (unspecified use of funds) with Fuji Oil Group in March 2019, SuMi TRUST Bank has moved forward and successfully concluded 17 agreements as of the end of March 2021. As for the monitoring status of the positive impact expansion/negative impact reduction KPI targets set with our clients, we have opened a dedicated disclosure page on SuMi TRUST Bank website.

For more information, please visit: <https://www.smtb.jp/business/pif/index.html>

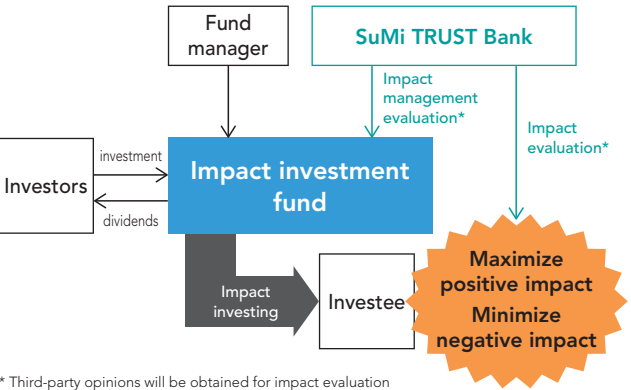
Expanding our Impact Evaluations

Building on the track record established in PIF, SuMi TRUST Bank has initiated support for impact evaluations of impact investment funds. Impact investing is an investment approach that aims to balance social and economic value by adding a third axis, “social value (impact),” to the two traditional axes of investment decision-making, “risk” and “return,” in order to understand the impact of the investee on the environment, society, and the economy.

SuMi TRUST Bank has decided to support impact evaluations of the respective impact investment funds formed by Anchor Ship Partners Co., Ltd. (“ASP”) and Real Tech Holdings Co., Ltd. (“Real Tech”).

ASP will make investments in ships, one of the 14 areas of the Japanese government’s Green Growth Strategy, based on the global trend toward decarbonization. We will measure the impact of ASP’s investments on the economy, society, and the environment and take appropriate management actions.

Example of an impact investment fund scheme



By implementing impact evaluation and monitoring, SuMi TRUST Bank will support the fund’s efforts to decarbonize the shipping industry. Meanwhile, Real Tech is investing in and nurturing startups with state-of-the-art science and technology and R&D-based technologies (“Deep Tech”) to solve the problems of the planet and humanity. SuMi TRUST Bank has entered into an advisory agreement with RealTech on impact evaluation, marking the first time a Japanese Deep Tech start-up investment fund has decided to adopt impact evaluation. SuMi TRUST Bank will work together with the fund to monitor its impact and aim for its practical implementation appropriate for the Deep Tech field.

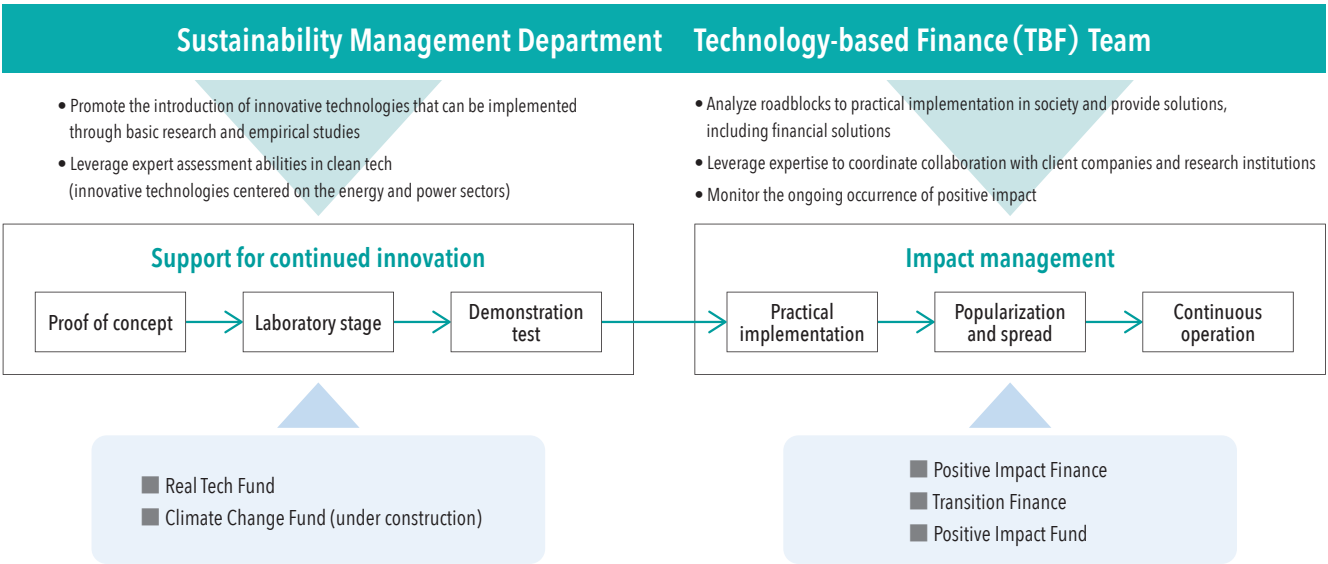
Technology-based Finance (TBF)

Countries around the world have made decarbonization declarations, and Japan has also declared its intention to become carbon neutral by 2050. In order to achieve carbon neutrality, it is essential to not only fully mobilize conventional technologies but also introduce innovative technologies and combine them in various ways.

Furthermore, an enormous investment will be needed to achieve carbon neutrality. As a result, expectations for financial institutions are extremely high, which is the backdrop in the expansion of the ESG market. On the other hand, financial institutions have become more knowledgeable about technology than before, and play a role in accelerating the flow of technology-based finance by proactively identifying risks and opportunities. We therefore decided that we needed to form an in-house organization with scientific expertise that could take charge of active initiatives in the area of technology-based finance, with the idea that such an organization could

help us to understand the latest technologies, deepen our dialogue with clients, and actively contribute to carbon neutrality through financing using the Bank’s trust function.

SuMi TRUST Bank has therefore established a Technology-based Finance (TBF) team within the Sustainability Management Department with the aim of supporting, from a financial perspective, the research and development of advanced technologies to solve environmental and social issues such as decarbonization and resource recycling, as well as the practical implementation of these technologies in society. Assembling a team of researchers and experts with doctoral degrees in science and engineering will enable us to exchange informed opinions with the R&D and technology development departments of companies and universities. Building a recycling society, a decarbonized society, and a society in harmony with nature first and foremost requires expertise in the energy and chemical fields, so we recruited a team of engineers with patents in hydrogen, storage batteries, and organic and inorganic chemistry. Together with other members of the Sustainability Management Department and its network, we have created a strong group of engineers capable of covering 14 areas of the Japanese government’s Green Growth Strategy. TBF is a new challenge for us and for the financial community, but we believe that by applying existing technologies, developing new technologies, and combining them, we can build a social system to solve environmental and social problems. Our goal is to advance the practical implementation of these solutions in society by making full use of our various networks and coordinating with policy makers, investors, and other financial institutions.



For more information on our initiatives to comply with TCFD (Task Force on Climate-related Financial Disclosures) recommendations, please see our 2020/2021 TCFD Report.
URL: <https://www.smth.jp/english/-/media/th/english/sustainability/report/2020/TCFD-E-all.pdf>



Addressing Climate Change Issues

As the problem of climate change becomes more serious, the global movement toward carbon neutrality in 2050 is accelerating. SuMi TRUST Holdings recognizes that climate change is the biggest factor affecting financial markets in terms of risks and opportunities and is accordingly stepping up its initiatives based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Since our endorsement of the TCFD recommendations in August 2018, our banking and asset management divisions have documented their respective initiatives in the form of TCFD reports.

■ Main initiatives in FY2020

Meeting body	Description	
Board of Directors	Reports on the progress of the TCFD Project Team and hears the opinions of directors, including external directors	Supervision
Risk Committee	Reports on the progress of the TCFD Project Team and hears the opinions of Risk Committee members, including external advisors	(Advisory body to the Board of Directors)
Executive Committee	Reports on the progress of the TCFD Project Team in addressing TCFD matters and reports on the contents to be disclosed in the TCFD report	Execution
Business Risk Management Committee	Reports on the progress of the TCFD Project Team and the contents to be disclosed in the TCFD report, and hears the opinions of the Business Risk Management Committee members	(Advisory body to the Board of Directors)
Steering committee for TCFD Project Team	Committee meetings for discussing TCFD matters are held regularly and attended by the officers responsible for corporate planning, financial planning, risk management, and asset management business planning Decides on approaches and information disclosure policies, and reports on the results of transition risk and physical risk scenario analyses, among other matters	Execution

(2) Strategy

In the area of climate change, financial institutions are responsible not only for direct impacts arising from their own business activities but also for indirect repercussions arising from investee and borrower companies and projects, and the responsibility for the latter are more significant.

For example, medium- to long-term climate change could potentially have a negative impact on the Group’s earnings and financial situation owing to greater risk of physical damage to, for example, the natural environment, social infrastructure, and client assets (physical risks), as well as the risk of a rapid transition to a low-carbon society owing mainly to policy changes, changes in social norms, financial market preferences regarding climate change, and technological innovation (transition risks). More specifically, there is the (physical) risk of natural disasters impairing the credit standing of obligors and the value of their pledged assets, thereby negatively impacting the Group’s credit portfolio, and the (transition) risk of securities issued by companies that emit large amounts of CO₂ and loans extended to such companies dragging down the value of assets held by the Group due to a rapid transition to a low-carbon society.

(1) Governance

Numerous climate change measures are intricately linked to the promotion of sustainability and risk management practices, which is why we have adopted a structure under which the Risk Committee performs monitoring and the Board of Directors exercises supervision after executive deliberations are made at the Business Risk Management Committee and Executive Committee in accordance with how these measures are promoted or managed. We are also continuing the activities of the TCFD Project Team, which was launched in October 2019 to strengthen risk management and information disclosure related to climate change.

Meanwhile, an important element for financial institutions in their corporate growth strategies is factoring in the transition to a net-zero emission society into their business models.

Climate Change Scenario Analysis

The percentage of loans exposed to carbon-related assets*, an indicator of credit exposure to carbon-related assets in the Group’s business portfolio, is 5.0% (as of March 31, 2021, down 0.2 points from March 31, 2020). Despite an increase in the overall loan balance, the decrease in exposure to carbon-related assets owed to an increase in project finance for renewable energy projects, which are subtracted from total exposure to carbon-related assets.

* Loans to the “energy” and “utilities” sectors (based on the Global Industry Classification Standard, excluding water utilities and independent renewable energy power producers) are defined as “exposure to carbon-related assets” in the TCFD recommendations. Calculation range based on the combined total for SuMi TRUST Bank and Sumitomo Mitsui Trust Bank (Thai).

We summarized the transition risks, physical risks, and business opportunities in the sectors belonging to the four non-financial groups in the TCFD recommendations most likely to be potentially impacted by climate change and a transition to

a low-carbon economy (see figure below).

■ Heat Map

Sector	Transition risk	Physical risk	Opportunity	Exposure
Petroleum, gas, and coal	High	Medium	Medium	Medium
Electric power	High	Medium	Medium	High
Marine transportation	Medium	Medium	Medium	High
Railway transportation	Low	Low	Low	Medium
Automotive and parts	Medium	Medium	Medium	Medium
Property management and development*	Low	High	Medium	High
Chemicals	Medium	Medium	Medium	Medium
Paper and forest products	Medium	High	Medium	Low
Personal mortgage loans	Low	High	Medium	High

* Personal mortgage loans not included

Taking the results of the qualitative assessment and SuMi TRUST Bank’s exposure into account, we conducted a transition risk scenario analysis for the electric utilities sector and a physical risk scenario analysis for individual residential mortgages in FY2019. In FY2020, we conducted a transition risk scenario analysis for the shipping sector. Going forward, we will seek more effective ways to implement measures such as reducing GHG (greenhouse gas) emissions in our loan portfolio and introducing stress tests, while also gathering information on global trends in those areas.

• Scenario Analysis of the Shipping Sector

SuMi TRUST Bank is a global player that has provided ship financing consistently for over 50 years. We took on the challenge of transition risk scenario analysis because the shipping sector is a very important industry for us. For example, we were the first financial institution from an Asian country to sign the Poseidon Principles.

In our analysis, which was based on the individual ocean shipping sector scenarios in the Fourth IMO (International Maritime Organization) GHG Study and the future forecast scenario for shipping capacity by Clarksons Research (a UK-based shipping sector research company), we attempted to examine the possibility of changes in the credit risk of companies which receive ship financing and its impact on our ship financing portfolio. However, we concluded that more time is needed to organize the results of the analysis based on multiple economic scenarios and energy demand projections and to incorporate the concept of a carbon tax. As members of each department gathered for repeated discussions on these matters, their awareness of the risks of climate change deepened, which we see as a beneficial side effect of the analysis project. Going forward, we plan to utilize the results of our analysis when engaging in dialogue with business partners, based on the assumption that such engagement will help us obtain information for predictive modeling and scenario development, which is useful data when analyzing credit risk.

• Climate-Related Portfolio Analysis by Group Asset Managers

Sumitomo Mitsui Trust Asset Management (“SMTAM”) assesses climate change risks in its portfolio for each asset class. It uses two assessment methods: (1) a fixed point analysis based on information disclosure and performance of the companies comprising the portfolio; and (2) a transition path analysis based on future climate change scenarios. The fixed point analysis attempts to understand the status of greenhouse gas emissions at a certain point in time based on the information disclosed by investee companies. The transition path analysis assesses how climate change risks in the portfolio will change under future climate change scenarios We publish summaries of the analysis results for domestic and foreign stocks managed by SMTAM. For more information, refer to the SMTAM Stewardship Report 2020/2021 pages 39-44.

https://www.sumitrust-am.com/file/02/ss_report.pdf

Nikko Asset Management has introduced a portfolio carbon analysis tool developed by a third party to evaluate companies using indicators such as carbon dioxide emissions per unit of output, carbon risk management, and exposure to stranded assets. In addition, Nikko Asset Management is constantly considering the introduction of scenario analysis tools that will add value to its analysis, both at the individual company level and at the portfolio level. The field is developing rapidly, with tools to address a variety of climate risks, including transition risks and physical risks. Scenario analysis tools offered by various service providers were discussed at the ESG Global Steering Committee meeting. Nikko Asset Management is continuing to examine the applicability of existing and new climate scenario analysis tools to the management of portfolios with different characteristics. For details, refer to the Nikko Asset Management TCFD Report.

https://en.nikkoam.com/files/pdf/esg/tcfd_eng.pdf

Using the results from these portfolio analyses as a guide, we actively engage with our investee companies to encourage them to reduce greenhouse gas emissions, promote the use of renewable energy and energy conservation, work toward the realization of a decarbonized society through the development of alternatives to fossil fuel-derived products, and enhance their information disclosure on climate change issues.

(3) Risk Management

We identify climate change to be a priority issue that has implications for both the Group’s corporate value and the building of a sustainable society. It is therefore a key point of focus for our risk management Within the framework of Group-wide risk management resolved by the Board of Directors, every quarter we exhaustively bring to light risks and identify and evaluate those considered to be significant. From among the significant risks identified, the officer in charge of risk selects the top risks and emerging risks and monitors and manages them within our existing risk appetite framework (RAF) by submitting a risk management status report to the Board of Directors on a quarterly basis.

At the end of March 2020, we added “climate change-related risk” to our list of emerging risks because it poses a considerable risk over the medium to long-term, and we began monitoring “exposure to carbon-related assets” as a reference indicator in our RAF. We are currently preparing for the assessment and utilization of climate change risks with the goal of implementation in the second half of FY2021. As for future directions, we plan to proceed with review and discussions with relevant departments, including the TCFD Project Team, on how to revise our rules and regulations to incorporate frameworks and practical operations that comport with the risk governance framework delineated in European Central Bank guidelines.

Climate Change Risk Management for Loans

The Group has also established its “Environmental Policy” to reduce the environmental burden arising from its business activities. Furthermore, it has established the “Action Guidelines for Mitigating Climate Change” and the “Action Guidelines for Preserving Biodiversity” to promote initiatives to address these two globally important environmental issues, and has been making efforts to engage in dialogue and cooperation with various stakeholders.

In FY2020, we revised our policy on environmental and social considerations in loans and clarified our stance that “we will not, in principle, engage in new projects for the construction of coal-fired power plants.” We will continue to conduct regular reviews, revising policies and enhancing operations as necessary.

Moreover, SuMi TRUST Bank has forged internal operating rules that stipulate procedures for evaluating environmental and social impacts based on the Equator Principles framework, and implements evaluations of environmental and social impacts relating to individual projects. Similarly, as a signatory to the Poseidon Principles, we contribute to addressing climate change risks in the shipping industry by disclosing the level of climate change alignment in our ship financing portfolio (see page 87 for details).

Climate Change Risk Management for Portfolio Investments

Each of the Group’s asset management companies has its own ESG engagement policy (see page 88 for details) and actively engages with its investee companies. We also participate in international initiatives such as “Climate Action 100+” (CA100+), a program of collaborative engagement with companies believed to have major impacts on global warming. SMTAM has been a steering committee member of the

CA100+ on behalf of Asia since April 2020, as well as the lead manager for nine companies in the region to interact directly with. In addition to CA100+, both of the Group’s asset management companies participate in numerous global initiatives and enact stewardship activities through engagement and the exercise of voting rights, thereby encouraging investee companies to disclose climate change information and urging them to take concrete steps towards addressing climate change issues in order to improve their own sustainability and the sustainability of the market as a whole.

(4) Metrics and Goals

SuMi TRUST Bank has set a new long-term target for sustainable finance in the banking sector (loans to corporate clients): ¥5.0 trillion in cumulative loans over the 10-year period from FY2021 through 2030, including ¥3.0 trillion in environment-related fields.

The Bank will aim to solve climate change and other environmental and social issues and help realize a sustainable society together with clients by actively supplying funds to environmental and social fields.

Long-Term Target for Sustainable Finance
Cumulative Balance of Loans Executed
in FY2021 -2030: ¥5.0 Trillion
(Incl. ¥3.0 Trillion in Environmental Fields)

Examples of sustainable finance

- Positive impact finance
- Renewable energy finance
- Financing for green buildings

We also intend to focus on transition finance to support the shift towards a carbon-free society.

As for our medium- and long-term targets, not only will SuMi TRUST Bank aim to achieve the global common goal of zero emissions by FY2050, but we have also set our sights on a 50% reduction in emissions by the milestone year of FY2030 (compared to FY2019). In setting this goal, we reference the Science Based Targets initiative—the global standard of reduction targets for working towards the goal of the Paris Agreement—which calls for companies to reduce their emissions by at least 4.2% per year in order to limit global warming to 1.5°C.

Targeting 50% reduction in CO2 emissions at SuMi TRUST Bank by FY2030 and zero emissions by FY2050

Policies for Specific Sectors

(1) Prohibited Transactions

- Transactions that are considered immoral
- Transactions that involve anti-social forces
- Transactions where the use of funds is speculative
- Transactions that involve cluster munitions manufacturers as well as credit transactions with companies that have material involvement in the manufacturing process through lending and other activities with cluster munitions manufacturers.

(2) Transactions Warranting Special Attention

- Coal-fired power generation
SuMi TRUST Bank, in principle, will not engage in new projects for the construction of coal-fired power plants.
- Weapons manufacturing
SuMi TRUST Bank will avoid lending and other activities where funds will be used for manufacturing weapons of mass destruction such as nuclear weapons, chemical weapons, biological weapons, or for manufacturing inhumane weapons such as antipersonnel landmines.
- Forestry
The rapidly developing global deforestation is creating various problems such as reduction in biodiversity, decline in the stability of ecosystems, lower watershed protection, lower fixation of carbon dioxide and other items. SuMi TRUST Bank engages with timber manufacturers and manufacturers using timbers as raw materials only after careful consideration such as checking their international forest certification status*1 as well as fully taking whether or not there are existing problems with original inhabitants and

local communities into consideration.

*1 FMC (Forest Management Certification) issued by FSC (the Forest Stewardship Council) for forestry management and forestry business operations; CoC (Chain of Custody Certification) for processing and distribution management of certified forest products, and others.

- Palm oil
Palm oil is derived from “oil palms” grown on plantations. While palm oil demand is rapidly growing owing to its convenience and rising preference for wholesome foods, environmentally destructive plantation developments are the main causes for the devastation of tropical rainforests and the decline in biodiversity. SuMi TRUST Bank engages with producers of palm oil and manufacturers using palm oil as a raw material only after careful consideration such as checking their international/local sustainable palm oil certification status*2 as well as fully taking whether or not there are existing problems with original inhabitants and local communities into consideration.

*2 RSPO (Roundtable on Sustainable Palm Oil) and others that aim to observe NDPE (No-deforestation, No-peat and No-exploitation) and the preservation of HCS (High Carbon Stock) forests

(3) Review of Sector Policies

SuMi TRUST Bank regularly reviews the suitability of established sector policies and the status of how transactions are being addressed at Sustainability Promotion Committee in our Executive Committee, etc., to reconsider the policies as well as make improvements to our operations as necessary.

* See page 46 in our 2020/2021 Sustainability Report for more information.

Initiatives based on the Equator Principles

SuMi TRUST Bank is a signatory to the Equator Principles, global guidelines that call on private financial institutions to fully consider the impacts on the natural environment and local communities when extending project finance and other loans to entities undertaking projects. When making the decision to extend loans, SuMi TRUST Bank conducts a comprehensive risk assessment involving a review of the environmental and social impacts based on the project’s environmental and social risks, project location, and type of business.



* See pages 47-48 in our 2020/2021 Sustainability Report for more information.

Signatory to the Poseidon Principles

SuMi TRUST Bank became the first financial institution in Asia to sign on to the Poseidon Principles, an initiative launched by financial institutions to address climate change risks in the marine transportation industry. A signatory to the Principles will, on an annual basis, measure the carbon intensity and assess climate alignment—carbon intensity relative to established decarbonization pathways—of its shipping portfolio using the methodology established by the Principles. SuMi TRUST Bank will also publish the overall climate alignment of its shipping portfolio starting from FY2021.



* See page 49 in our 2020/2021 Sustainability Report for more information.

Initiatives at Sumitomo Mitsui Trust Asset Management

Approach to ESG

ESG issues reside in non-financial domains and do not manifest themselves in financial reporting, but they can have a considerable impact on corporate value over time. Based on this thinking, SMTAM considers the actions taken to address such issues to be integral to stewardship activities, alongside engagement and the exercise of voting rights. Through these activities, SMTAM aims to maximize returns for its clients and contribute to the achievement of the SDGs by actively fulfilling its role as an asset manager in the investment chain.

ESG Guidelines

As a signatory asset manager to the PRI and with a core focus on the United Nations Global Compact and the values expressed in the SDGs, SMTAM engages with investee companies to help solve their ESG issues and contribute to medium- to long-term corporate value, all the while engaging in ESG-oriented investment activity. SMTAM has established 12 items of materiality in an effort to organize the categories used when evaluating an investee company. Moreover, for self-managed active products and fixed income passive products, as well as separately established passive products, SMTAM's policy is to cease purchase

of new or additional securities issued by any company involved in the manufacture of the following inhumane weapons, and depending on the results of engagement, will divest its current holdings of such securities.
Inhumane weapons: Cluster munitions, anti-personnel landmines, biological weapons, and chemical weapons

ESG Engagement Policy

SMTAM sees engagement as an opportunity to seek best practices from companies and communicates its own views so as to contribute to the enhancement of corporate value over the medium to long-term by solving the ESG issues of investee companies. In addition to top-down activities based on our 12 established materialities, including climate change and encouraging governance reform, SMTAM also conducts bottom-up activities linked to the corporate strategies of individual companies.
In addition to its own engagement activities, SMTAM also conducts activities through collaborative engagements by participating in global initiatives that aim to address numerous agenda items, such as greenhouse gas emissions, palm oil, forest conservation, access to medical care, and diversity (appointment of women to management positions).

Initiatives at Nikko Asset Management

Approach to ESG

As an asset management company, Nikko AM's mission is to always act in the best interests of its clients. For that reason, it places utmost importance on fiduciary and ESG principles in its corporate philosophy and corporate activities. Guided by the belief that reflecting ESG in investment practices enhances the long-term value of corporations and contributes to sustainable economic growth, Nikko AM strives to incorporate ESG principles into numerous investment decision-making processes so that it can fulfill its fiduciary duties.

ESG Guidelines

- Principle 1: Nikko Asset Management (Nikko AM) incorporates ESG issues in investment analysis and decision-making.
- Principle 2: Nikko AM is an active owner and incorporates ESG issues into its ownership policies and practices.
- Principle 3: Nikko AM seeks appropriate disclosure on ESG issues by the entities in which it invests.
- Principle 4: Nikko AM promotes the acceptance and implementation of the Principles for Responsible Investment within the investment industry.
- Principle 5: Nikko AM collaborates to enhance effectiveness in implementing the Principles for Responsible Investment.

Principle 6: Nikko AM reports its activities and progress towards implementing the Principles for Responsible Investment.

ESG Engagement Policy

Engagement activities at Nikko AM involve the exchange of opinions in line with an investee company's growth phase from a long-term perspective with regard to not only earnings and financial strategies, but also the management policies, business strategies, shareholder return policies, and ESG issues mentioned in non-financial information already disclosed. Nikko AM engages with a broad range of parties, from the management teams of investee companies, through to their finance departments, business planning departments, and even officers in charge of business operations. Particularly with regard to companies that are reluctant to disclose information, Nikko AM endeavors to reinforce the benefits of engagement by proposing meetings with management.
Nikko AM seeks to realize closer engagements with investee companies with the goal of sharing accurate information about their situation and supporting the creation of medium- to long-term corporate value.

Financial inclusion

- Initiatives related to financial inclusion were previously implemented at various Group companies. From November 2019, however, the Sustainability Management Department 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 through expansion of online transactions
 - 2. Providing charitable trust schemes to facilitate social contributions
 - 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 modification of repayment terms on loan transactions (initiatives for financial facilitation)

Improving accessibility mainly through expansion of online transactions

Expanding online transaction platforms in order to improve accessibility to financing is one way to address financial inclusion, and SuMi TRUST Bank is endeavoring to enhance the convenience of client transactions online (internet banking) and over the phone (telephone banking). Starting last year, we opened a next generation branch that allows online consultation. The service enables clients who are unable to visit the branch to consult online from their homes, while reviewing the brochure and seeing the staff onscreen, facilitating comfortable and safe consultation.

Using charitable trusts to provide finance schemes

SuMi TRUST Bank utilizes charitable trusts to provide finance 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. In April of this year, we also launched a medical support donation trust to support universities that conduct medical research.

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 (GPF^{*}) 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 defined and announced concrete initiatives to address each of the eight items.

^{*} The GPF^{*} 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.
^{*} See pages 142-148 in our 2020/2021 Sustainability Report for more information about financial inclusion.

Establishment of a research unit on financial inclusion at the Chuo University Research and Development Initiative

Name	The Research Unit for Blueprinting the Best Utilization Scheme of “TRUSTS” in the Super-Aged Society
Research period	April 1, 2021 - March 31, 2026

On April 1, 2021, SuMi TRUST Bank signed an agreement with the Chuo University Research and Development Initiative to establish a research unit entitled “The Research Unit for Blueprinting the Best Utilization Scheme of “TRUSTS” in the Super-Aged Society.”
The Group has defined its reason for existence (“Purpose”) as “To create new value with the power of trusts and let prosperous future for our clients and society bloom.” In this spirit, we established this research unit to

help realize a prosperous aging society in which all Japanese senior citizens can feel at ease and lead a happy life based on their own free will. The goal is to research new applications of the trust system, such as new trust products and services, in order to achieve financial inclusion, and to feed-back the research results to society. Through these efforts, SuMi TRUST Bank will continue to make efforts to contribute to society with solutions that actively utilize the trust system.



^{*} For more information, please refer to the press release dated April 22, 2021, published at <https://www.smtb.jp/corporate/release/>, titled “Establishment of research unit on Grand Design for the Utilization of Trusts in an Aging Society at Chuo University Research and Development Initiative” (in Japanese).

Delivering Value to Communities

Delivering value to communities is a means for the SuMi TRUST Group to have a positive impact on stakeholders in a more direct manner. Some initiatives are Group-wide, while others are being implemented independently by Group companies, like the “With You” activities.

We will look to ascertain the social value that these activities generate so that we might implement more beneficial initiatives in the future.

* See pages 149-178 in our 2020/2021 Sustainability Report for more information.

UWC ISAK
Supporting a school that unearths and nurtures “changemakers” from disadvantaged backgrounds



2019 summer school

Initiative	Value generated (particular SDGs emphasized)	KPI
Every year since 2013, the Group has paid for the travel expenses and tuition fees of one scholarship student attending the summer school program of United World College ISAK Japan (Lin Kobayashi, School Founder and Chair of the Board), a school that incorporates the idea of nurturing “changemakers” into its educational philosophy. As of 2020, UWC ISAK Japan has accepted seven participants into the summer school program, most of them being scholarship students from Shanti Bhavan, a school for lower-caste children in India. The summer school was suspended in 2020 due to the COVID-19 pandemic, but plans to resume in 2021.	<ul style="list-style-type: none">• Unearth talented students from disadvantaged backgrounds so they might become “changemakers” and help change the world• Have graduates now active in society address poverty issues in the regions they hail from	<div><div>1 NO POVERTY</div><div>4 QUALITY EDUCATION</div></div> <p>The career of students after graduating (where possible, trace the career paths of scholarship students that received assistance)</p>

Supporting national trusts
Supporting national trust activities mainly to protect local ecosystems

Initiative	Value generated (particular SDGs emphasized)	KPI
Since 2005 the Group has teamed up with the Association of National Trusts in Japan and the Ecosystem Conservation Society-Japan (which has a close relationship with the former) to engage in various activities. For example, setting up a donation program to help purchase trust land, hosting panel exhibitions at our branches, cooperating on a joint display at the EcoPro exhibition, and holding online workshops as awareness-raising activities for employees. More recently, most of our activities have focused on supporting regional revitalization.	<ul style="list-style-type: none">• Supporting the preservation of Japan’s unique environment and ecosystems through land conservation• Supporting regional revitalization initiatives by harnessing the environment as a local resource	<div><div>11 SUSTAINABLE CITIES AND COMMUNITIES</div><div>15 LIFE ON LAND</div></div> <ul style="list-style-type: none">• Number of ongoing support programs• Area of trust land purchased through donation programs• Number of natural capital posters produced and number of lobby displays in branch offices• Number of in-house awareness-raising workshops held and number of participants

Promoting the spread and awareness of “natural capital”

In December 2020, the Group published a sustainability report on the theme “Natural Capital” to disclose information regarding its natural capital initiatives. At our branch offices too, we are actively pursuing a number of initiatives to deepen knowledge about natural capital and disseminate information to all local stakeholders, including clients in the Retail Total Solution Services Business. About 450 employees participated in an online in-house workshop held in June 2021. The workshop was led by staff members of the Association of National Trusts in Japan and our employees, and covered such topics as the concept of natural capital, the principles behind the Group’s initiatives, concrete examples of initiatives, and what we can do as a trust bank. In addition, original posters created based on this report were displayed at our branch offices across Japan to promote the Group’s initiatives to clients visiting the branches.



Lobby display



From the workshop materials



Please also see our sustainability report on the theme “Natural Capital.”
URL: <https://www.smth.jp/english/-/media/th/english/sustainability/report/2020/NC-E-all.pdf>

ESD project

Innovative SDG-focused education program that sparks awareness of sustainability in the next-generation

Initiative	Value generated (particular SDGs emphasized)	KPI
The Group collaborates with sustainability and communication company TREE (Masahiro Mizuno, Representative Director) to run a progressive ESD (education for sustainable development) project at mainly schools throughout Japan with the use of visual aids and ICT. Since 2012, 13 sessions of the program have been held at a pace of two per year. In recent years in particular, collaboration with local boards of education across Japan has focused on the education of teachers. Starting in FY2020, we have taken up the challenge of online classes and other cutting-edge initiatives.	<ul style="list-style-type: none">• Archive of class “making-of” videos• Using themes to create awareness of local SDG issues• Development of innovative ESD methods using mainly ICT	<div><div>4 QUALITY EDUCATION</div></div> <p>Accumulation of social value generated by each program (recorded video supplied to schools, new method trials, etc.)</p>

Promoting ESD projects online

Since 2012, SuMi TRUST Bank has been working with TREE Co., Ltd., which operates the SDGs educational media site SDGs TV, on an ESD (Education for Sustainable Development) project for children, who will lead the next generation. In March 2021, our 16th ESD Project provided a special interactive class for third-year students of Ryukoku Junior High School in Saga to learn in depth about the targets of the SDGs they are interested in and care about. This provided students with the opportunity to speak directly with specialists who are active in their respective fields, with the aim of becoming “specialists who can think for themselves.”

Due to the COVID-19 pandemic, the event and its planning were carried out completely remotely, from the preliminary preparations to the class itself. The project was the first online dialogue we have produced to connect students in the classroom with instructors in various locations across Japan. The students engaged in a lively question-and-answer session and exchange of opinions with the experts on the social issues of “hunger,” “malaria,” “pollution,” and “gender equality,” which they had spent a long time studying. After the event, the students shared their impressions with comments such as “I saw how the 17 goals of the SDGs are intricately intertwined and connected to each other,” and “There are so many initiatives, from technical ones to actions you can take today, but I want to start with what’s around me.”

Dialogue themes of the four groups
(SDGs goals and targets)

- Group 1 Goal 2 Target 2-1
End hunger and ensure access to sufficient food
- Group 2 Goal 3 Target 3-3
Eradicate epidemics and combat infectious diseases
- Group 3 Goal 3 Target 3-9
Substantially reduce the number of deaths and illnesses from water and soil pollution
- Group 4 Goal 5 Target 5-c
Promote gender equality



Online teacher-student dialogue

Disseminating high-quality information to seniors

The Group publishes two digest reports for seniors (on housing and dementia) for clients in the Retail Total Solution Services Business. The updated edition of our digest report for seniors, “Considering Senior-Generation Housing—V3.0,” published in April 2021, is a booklet that helps our clients of the senior generation choose the best housing option for themselves. It has been revised to incorporate the latest research findings of the experts we have assembled at the Trust Future Forum.

The report introduces a variety of ideas, information, and case studies for achieving “Aging in Place.” Aging in Place refers to the ability of the elderly to continue living while maintaining and improving their quality of life (QOL) regardless of age and physical or mental weakness issues. Aging in Place can be achieved in different ways; for example, by remodeling the current home and continuing to live there, or relocating to a more comfortable home or a home for the elderly.

In order to help clients achieve their Aging in Place goals, each branch office offers a variety of services to support the housing needs of senior citizens, including home renovation loans to finance accessibility renovations and other needs, reverse mortgages to finance retirement using the home as collateral, and advice on housing and taxes. We also proactively disseminate the information in the report to clients who visit our branches through lobby displays and original posters.

Please also see our digest reports for seniors “Considering Senior-Generation Housing—V3.0” and “Considering the Problems of Dementia—V2.0.”



Original poster



Considering Senior-Generation Housing—V3.0
<https://www.smth.jp/csr/report/2020/all5.pdf>



Considering the Problems of Dementia—V2.0
<https://www.smth.jp/csr/report/2019/all5.pdf>

Multi-stakeholder Partnerships

Goal 17 of the SDGs is about advancing different types of partnerships for the purpose of achieving the goals. In recognizing that finance plays a key role in the formation of a sustainable society, the Group collaborates with various stakeholders, including other financial institutions, places much emphasis on actions that attempt to solve challenging issues, and actively participates in initiatives in Japan and overseas.



Major initiatives SuMi Trust Holdings is a signatory to or participates in



UNEP FI (United Nations Environment Programme Finance Initiative)



United Nations Global Compact (UN Global Compact)



Principles for Responsible Banking (PRB)



Principles for Responsible Investment (PRI)



Principles for Financial Action for the 21st Century



Leadership Declaration under Business and Biodiversity Initiative “Biodiversity in Good Company”



TCFD (Task Force on Climate-related Financial Disclosures)



CDP



Natural Capital Finance Alliance (formerly: the Natural Capital Declaration)

Major initiatives SuMi TRUST Bank is a signatory to or participates in



The Equator Principles



The Poseidon Principles



COLTEM



Well-being Initiative

Major initiatives Sumitomo Mitsui Trust Asset Management and Nikko Asset Management are signatories to or participate in (excluding the initiatives SuMi Trust Holdings is a signatory to)



International Corporate Governance Network



Climate Action 100+



AIGCC



Thirty Percent Coalition member
30% Club UK / 30% Club Japan Investor Group member



Access to Medicine



Ceres



FAIRR



Investor Agenda

* See pages 23-25 in our 2020/2021 Sustainability Report for more information.

Multi-stakeholder Partnerships



Principles for Responsible Banking (PRB)

In September 2019, the Group became an inaugural signatory to the Principles for Responsible Banking, through which the banking industry collaborates globally to promote sustainability. The Principles for Responsible Banking commit signatories to align their business strategies and practices with the Sustainable Development Goals (SDGs) and the Paris Agreement goals. By focusing on the areas in which our core business could assert great impact, setting goals for specific initiatives, and taking action, we hope to make significant contributions towards achieving the targets of the SDGs on both a global and local level.

To commemorate the first anniversary of the establishment of the Principles for Responsible Banking, UNEP FI, the secretariat of the Principles for Responsible Banking, has released 10 videos of interviews on specific initiatives by the signatories, including commentary from SuMi TRUST Bank on the significance of the PRB from the perspective of the banking business. Having signed on to the PRB, we are obligated to disclose information about our initiatives every year. Our first such disclosure appeared in the Sustainability Report 2020/2021.



Principles for Responsible Investment (PRI)

The PRI, which were formulated by the United Nations Global Compact and the United Nations Environment Programme Finance Initiative (UNEP FI) as a joint secretariat, were signed by Sumitomo Mtsui Trust Asset Management (SMTAM, then known as Sumitomo Trust & Banking) in May 2006, and by Nikko Asset Management in October 2007. The Principles call on institutional investors such as pension funds and asset managers to consider ESG (Environmental, Social, Governance) when making investment decisions. In 2019, SuMi TRUST Bank also re-signed, which means three Group companies are now signatories: SuMi TRUST Bank, SMTAM, and Nikko AM. In addition, SMTAM is participating in the Water Risk Working Group, and both SMTAM and Nikko AM are participating in the Palm Oil Working Group and other groups to practice engagement with relevant companies.



Climate Action 100+

CA100+ brings together more than 500 investment institutions from around the world to collaborative with more than 160 of the world's largest greenhouse gas emitters.

SMTAM has been a steering committee member of the CA100+ on behalf of Asia since April 2020, as well as the lead manager for nine companies in the region to interact directly with.

CA100+ operates based on regional partnerships. Management control, such as the development of engagement policies for each region, government-level engagement plans, and information dissemination, is carried out mainly by the steering committee, consisting of 10 companies representing each region of the world (as of the end of June 2021). As a member of this group, SMTAM is honored to represent the Asian region in the world's largest collaborative engagement, but also feels a sense of great responsibility to push the world and Asia towards climate action.



Business and Biodiversity Initiative and TNFD

SuMi TRUST Holdings signed a leadership declaration under the Business and Biodiversity Initiative “Biodiversity in Good Company” at the ninth meeting of the Conference of the Parties (COP9) to the Convention on Biological Diversity held in May 2008 in Germany. As a founding member of the initiative, which is led by the German government, we have been an early advocate of the importance of biodiversity in the economy. Especially recently, the importance of nature is becoming more recognized by the financial sector. When the Action Guidelines for the Conservation of Biodiversity were formulated in 2011, SuMi TRUST Holdings was one of the first financial institutions in Japan to incorporate biodiversity into its business activities. Since then, we have continued to work tirelessly to develop products and services that help conserve biodiversity and business activities that are linked to the Sustainable Development Goals (SDGs).

In addition, SMTAM has joined the working group of the TNFD (Taskforce on Nature-related Financial Disclosure), which was launched in June 2021, and has started contributing to the joint effort to organize COP15, which will be held this year.

Theme 3

How do we support value creation?

To meet the expectations of diverse stakeholders and to ensure that our own value creation process is a sustainable and stable one, the SuMi TRUST Group maintains a high level of corporate governance in line with its business model. This also involves the management of appropriate risk controls and the strengthening of compliance practices so that we might enjoy the unwavering trust of society. We nurture human resources that help enhance our corporate value, adopt a client-oriented approach to business, and focus on sound communication with shareholders and investors alike.



三井住友信託銀行
SUMITOMO MITSUI TRUST BANK



三井住友信託銀行



As a trust bank group, the SuMi TRUST Group is taking steps to strengthen its corporate governance system in line with its business model. As a “company with Three Committees,” in addition to the requirement under the Companies Act for the establishment of statutory committees, we also have a Risk Committee and Conflicts of Interest Committee in place, both of which function as advisory bodies to the Board of Directors. We also strive to further enhance management transparency by appointing an external director as chairman of the Board of Directors.

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 enter-

prise value of the SuMi TRUST Group. In addition, the Board of Directors sets out and discloses the SuMi TRUST Group’s Reason for Existence (“Purpose”), 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	
<ul style="list-style-type: none">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 effective 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 articulate its Disclosure Policy, and endeavor to appropriately disclose corporate	<p>information, including non-financial information, and ensure the transparency of its corporate management.</p> <ul style="list-style-type: none">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. Our Views on Corporate Governance

SuMi TRUST Holdings is a financial holding company with many subsidiaries under its Group umbrella, including SuMi TRUST Bank, Sumitomo Mitsui Trust Asset Management, and Nikko Asset Management. Guided by our fiduciary spirit, we aim to leverage our significant expertise and creativity to combine our banking, asset management and asset administration,

and real estate businesses to deliver total solutions to our clients as their “Best Partner.” In order to fulfill our principles and live up to the expectations of our stakeholders, we shall strive to ensure the soundness and reliability of the Group’s business model, as well as management transparency, and continually strive to enhance the 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 officers and other officers. 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 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

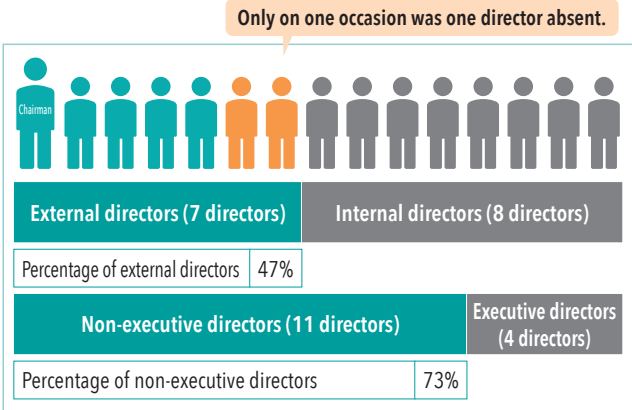
The Board of Directors at SuMi TRUST Holdings has appointed sufficient number of directors considered necessary and appropriate for the Board to demonstrate an effective supervisory function as required of a financial holding company tasked with the management of the Group. In determining the number of directors, due consideration is also given to ensuring diversity and expertise among 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.

Furthermore, in deciding the candidates for directors, SuMi TRUST Holdings looks for individuals who are able to formulate strategies that demonstrate the Group’s strengths and who are able to participate in discussions about management administra-

tion, while striving to ensure a balance and diversity of knowledge, experience and capabilities that is appropriate to properly oversee our wide range of business areas as a trust bank group.

■ Composition of the Board of Directors



- All seven external directors have been registered as independent officers with the relevant securities exchange.
- Breakdown of 15 directors: 13 men, 2 women
- 18 Board of Directors meetings were convened during the period July 1, 2020 through June 30, 2021.

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

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.

External Directors’ Meeting

To further improve the effectiveness of corporate governance, external directors’ meetings, which are attended exclusively by external directors, are held regularly.

These meetings, at which external directors engage in active and unrestrained discussions and share information and awareness from independent and objective positions, help foster a relationship of trust among the external directors and strengthen the supervisory function of the Board of Directors.

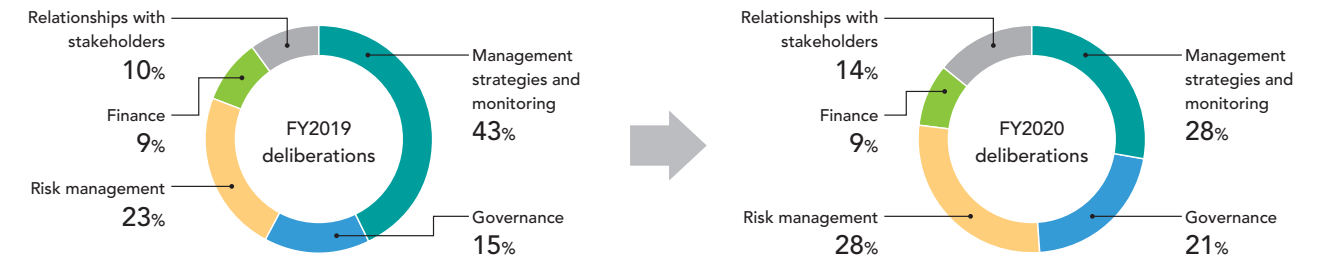
At the external directors’ meetings held in FY2020, taking the results of the Evaluation of the Board of Directors and other factors into account, the external directors discussed, among other matters, operational improvements and topics for future discussion at the Board of Directors meeting, and then offered recommendations to the executive.

4. Deliberations by the Board of Directors

The Board of Directors is subject to rigorous management based on its annual schedule, which is formulated as part of the PDCA cycle for the Evaluation of the Board of Directors conducted every year, and deliberations are conducted in response to changes in the environment inside and outside the company.

FY2020 marked the transition from the formulation phase of the Medium-Term Management Plan to the phase of monitoring its progress, and as a result the relative amount of deliberation time spent on “Management strategies and monitoring”

decreased compared to FY2019. On the other hand, the relative amount of deliberation time spent on “Governance” and “Risk management” increased in FY2020 after the occurrence of serious incidents, which stimulated deeper deliberations on topics such as improving our business operational quality (which is the source of the SuMi Trust Group’s strengths), the new policy on strategic shareholdings, and the policy on dialogue with corporate clients. The point of these deliberations was to strengthen the relationship of trust with clients and society.



■ Topics deliberated on by the Board of Directors in FY2020

Subject	Topics
Management strategies and monitoring	<ul style="list-style-type: none">Monitoring progress of Medium-Term Management PlanTopics relevant to development of annual management plan (coping with the new normal, the Group's vision under the new management, etc.)
Governance	<ul style="list-style-type: none">Selection of President based on succession planEnhancement of compensation system for directors and executive officers
Risk management	<ul style="list-style-type: none">Improvement and upgrading of our business operational quality in light of serious incidentsConduct risk management framework
Finance	<ul style="list-style-type: none">Changes to shareholder return policy
Relationships with stakeholders	<ul style="list-style-type: none">Climate change response and disclosure (TCFD, etc.)Dialogue with investors, shareholder measures

	<ul style="list-style-type: none">Materiality management and Sustainability PolicyResults of Evaluation of the Board of Directors, etc.New policy on strategic shareholdingsUpgrading of cybersecurityImpact of, and response to, COVID-19Issues surrounding IFRS adoption and how to address themStrategies to promote fiduciary duties and customer satisfactionIncreasing employees' awareness of Purpose and strengthening their engagement
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5. Results of the FY2020 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 ensuring a PDCA cycle to improve the effectiveness of the Board of Directors’ oversight.

In the Evaluation of the Board of Directors for FY2020, we confirmed that certain improvements have been implemented with respect to the issues that were raised in FY2019. We also

confirmed that the content of the deliberations has been enhanced and the supervisory function has been strengthened as a result of the Board of Directors and each committee being operated with an awareness of its objectives, and that a certain level of effectiveness had been ensured.

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.

- Improving discussions concerning important themes and medium- to long-term management issues and strategies set out in the Medium-Term Management Plan.
- Further improvement and validation of the effectiveness of the internal control system and governance on a Group-wide basis
- Enhancement of dialogue with executives regarding the Board of Directors’ recognition of issues and acceleration of responses to the issues

For more information, see the link below.
URL: https://www.smth.jp/english/-/media/th/english/about_us/management/governance/evaluation_E200629.pdf

■ PDCA Cycle



6. Exercise of Supervisory Functions Related to Strategic Shareholdings

(1) Status of Deliberations at the Board of Directors

The SuMi TRUST Group’s Board of Directors has long recognized the reduction of strategic shareholdings as a material management issue and has strengthened its monitoring of the issue. The Board receives regular reports from the business execution departments on the status of the Group’s reduction of strategic shareholdings and incorporates perspectives from outside the Company while deliberating on the issue.

In FY2020, the Board of Directors and the business execution departments continued to deliberate on the issues listed in the table below based on a reciprocal examination process involving mutual discussions and two-way dialogue.

Outside of the Board of Directors meetings, preparatory briefings* were utilized to drive the discussions forward.

* Meetings for the purpose of briefing mainly external directors about draft agenda items for Board of Directors meetings.

Date	Topic of Deliberation
May 2020	• Status of strategic shareholdings
November 2020	• Status of strategic shareholdings • Changes in the environment surrounding strategic shareholdings
January 2021	• Direction of policy to reduce strategic shareholdings • Hedging policy against risk of market value fluctuations of strategic shareholdings
February 2021	• Direction of policy to reduce strategic shareholdings
March 2021	• Policy to reduce strategic shareholdings
April 2021	• Disclosure of policy to reduce strategic shareholdings
May 2021	• Status of handling of strategic shareholdings • Enhancements to the system for the exercise of voting rights
June 2021	• Status of handling of strategic shareholdings • Amending Basic Policy on Corporate Governance in relation to policy on strategic shareholdings

(2) Main Points of Discussion at the Board of Directors

As a trust bank group with a diverse range of stakeholders, the SuMi TRUST Group is committed to creating a virtuous circulation from increased enterprise value leading to an increase in household savings, assets and capital. In this context, the Board of Directors has redoubled its commitment to deepening its deliberations with respect to the Group’s strategic shareholdings, and on the following issues in particular.

1) Recognition of the current situation in light of changes in the environment surrounding strategic shareholdings

With respect to strategic shareholdings, the Group has been aware of the issue of the size of its exposure in comparison to its shareholders’ equity and the risk of market value fluctuations, and has been taking measures to address these issues. However, as a result of deliberations on the current situation of the Group in light of changes in the external environment, including the impact of financial regulations such as Basel III and trends at other companies that provide advice on

the exercise of voting rights, the Board of Directors came to the conclusion that non-routine measures were necessary.

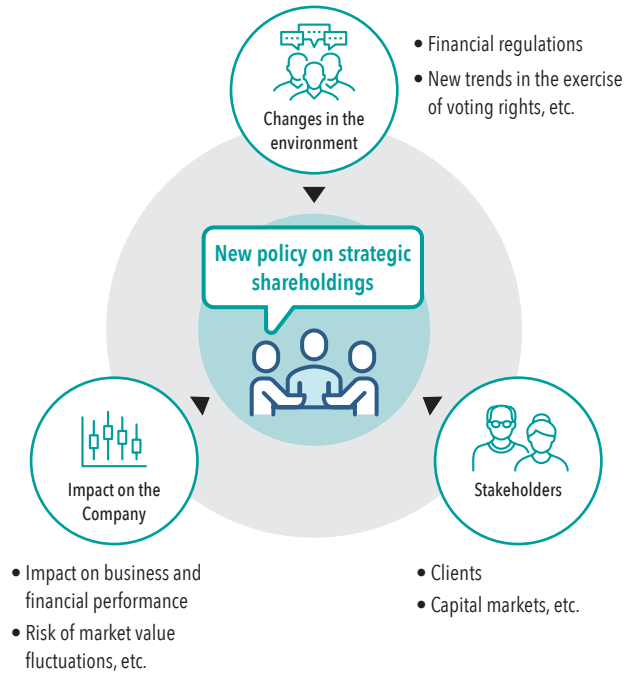
2) New policy on strategic shareholdings

Based on this recognition, the Board of Directors deliberated on a new policy on strategic shareholdings aimed at contributing to the further development of capital markets and the virtuous circles of funds, assets, and capital. The new policy incorporates a variety of considerations from different perspectives, including how to hold shares in a manner consistent with our social responsibility as Japan’s largest trust bank group providing asset management and asset administration services, how to respond to the needs of corporate clients of whom the SuMi TRUST Group is a strategic shareholder, how to manage the impact of the reduction in holdings on the Group’s business and financial results, and how to manage the risk of market value fluctuations associated with the strategic shareholdings.

As a result of these deliberations, the Board of Directors resolved to change its existing policy on strategic shareholdings to the policy that, in principle, the Group shall not hold any “strategic shareholdings as a conventional stable shareholder,” and to clearly state this policy in the Group’s Basic Policy on Corporate Governance.

Going forward, in accordance with the Basic Policy, the Board of Directors will closely supervise the Group’s progress on the reduction of strategic shareholdings as well as its ability to offer solutions that sustainably increase enterprise value and solve problems through extensive dialogue with our clients.

■ Deliberations at the Board of Directors



7. Committees

To ensure the effectiveness of corporate governance and further enhance the soundness and reliability of the Group’s business model, as well as the transparency of management, we have established the Risk Committee and the Conflicts of Interest Committee as advisory bodies to the Board of Directors to complement the three committees required under the Companies Act, namely, the Nominating Committee, the Compensation Committee, and the Audit Committee. As a financial group specialized in trust banking, the Conflicts of Interest Committee possesses supervisory functions unlike at any other financial group.

(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 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 reports regarding these matters.

(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 reports on these matters.

(3) Audit Committee

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

ly 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.

(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.

(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 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.

■ Meetings of Board of Directors and Committees (July 2020 through June 2021)

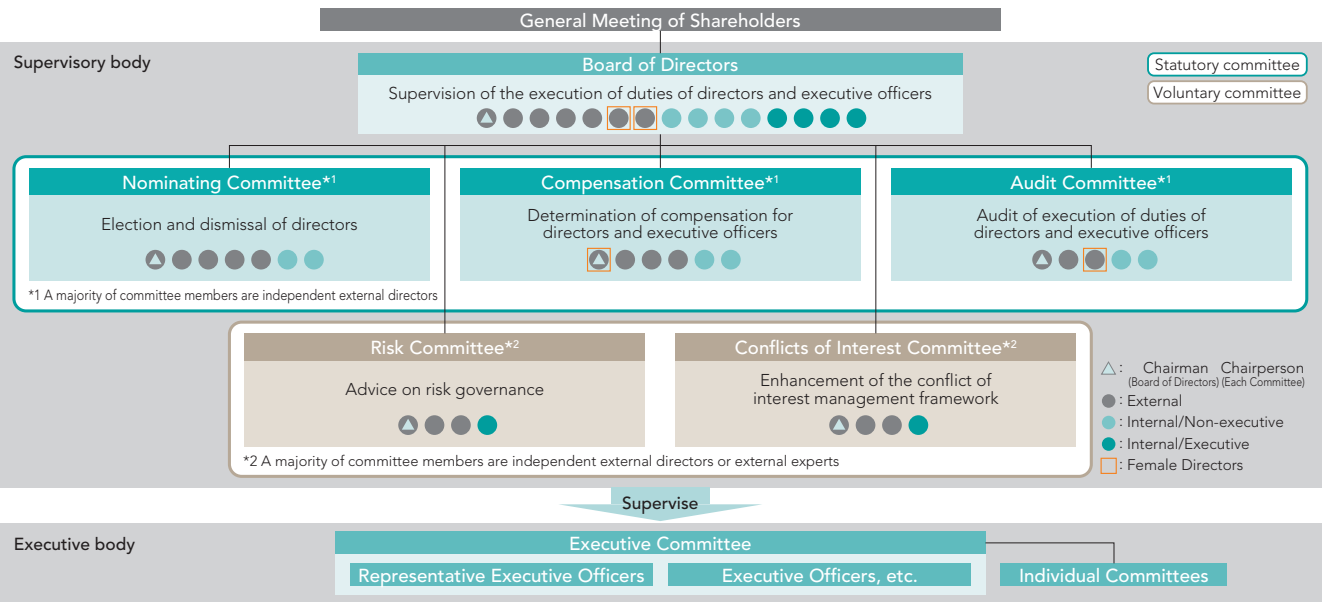
	July 2020	Aug.	Sept.	Oct.	Nov.	Dec.	Jan. 2021	Feb.	Mar.	Apr.	May	June
Board of Directors	●	●	●	●	●●	●●	●●	●	●●	●	●●	●●
Nominating Committee	●	●	●●	●●	●	●●	●●	●●	●	●	●●	●●
Compensation Committee	●			●		●		●●	●	●	●●	●●
Audit Committee	●	●	●	●	●●	●	●	●	●●	●	●●	●●
Risk Committee	●		●			●	●		●		●	
Conflicts of Interest Committee	●	●	●		●		●					●

● One meeting ●● Two meetings ●●● Three meetings

Committee self-evaluations

- Every year each committee conducts a self-evaluation in an effort to improve its autonomous management by considering and adopting measures aimed at improving issues identified in the evaluation.
- The results of each committee’s self-evaluation are reported to the Board of Directors for deliberation (in April).

■ Corporate Governance System



■ Members of Committees

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

			Nominating	Compensation	Audit	Risk	Conflicts of Interest
External	Directors	Isao Matsushita	▲	●			
		Shinichi Saito	●		▲		
		Hiroko Kawamoto	●	□			
		Mitsuhiro Aso			●		
		Nobuaki Katoh	●	●			
		Masanori Yanagi	●	●			
	Experts	Kaoru Kashima			□		
		Hideki Kanda*					▲
		Kenji Fujii				▲	
		Takeshi Suzuki					●
Internal	Directors	Mikio Araki				●	
		Haruyuki Toyama				●	
		Akiko Hosokawa					●
		Tetsuo Ohkubo	●	●			
	Executive Officer	Masaru Hashimoto	●	●			
		Kuniyuki Shudo			●		
		Kouji Tanaka			●		
		Yasuyuki Suzuki				●	●

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

8. Compensation System for Directors and Executive Officers / Succession Plan

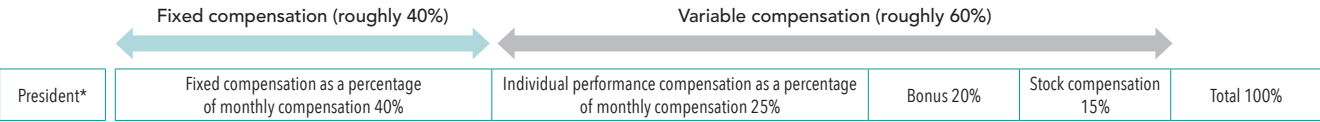
(1) Policy Regarding Decisions on the Content of Compensation

- Compensation for directors and executive officers is intended to function effectively as an incentive for the improvement of corporate performance and enhancement 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 framework 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 compensation system that is accountable, 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, compensation is paid with a combination of monthly compensation (comprising fixed compensation and individual performance compensation), bonuses for directors and executive officers (performance-linked bonuses), and stock compensation (share delivery trust).



(3) Indicators (KPIs) Concerning Performance-Linked Compensation

A system has been introduced to derive total bonus (performance-linked) and stock based remuneration (share delivery trust) for directors and officers by calculating achievement rates for the items listed below with reference to KPIs and then multiplying the rates against a predetermined base.

Near-term/ medium-term	Indicators (KPIs) concerning performance-linked compensation			KPI selection reason	Calculation method
		Target*1	Actual*1		
Bonuses for directors and officers (performance-linked)					
Linked to near-term earnings	(1) Consolidated net business profit	260 bn yen	294.7 bn yen	Considered the KPIs at left to be appropriate indicators of the company's business results and capabilities in the fiscal year under review	Calculated based on a weighted average with a 2:1 weighting on the achievement rates for (1) and (2), respectively
	(2) Consolidated net profit attributable to owners of the parent	140 bn yen	142.1 bn yen		
Stock compensation (share delivery trust)*2					
Linked to near-term earnings	(1) Consolidated net business profit	260 bn yen	294.7 bn yen	Considered the KPIs at left to be appropriate indicators of the company's business results and capabilities in the fiscal year under review	Calculated based on a weighted average with a 2:1 weighting on the achievement rates for (1) and (2), respectively
	(2) Consolidated net profit attributable to owners of the parent	140 bn yen	142.1 bn yen		
Linked to medium-term earnings	(3) Consolidated shareholders' equity and ROE	Around 7%	5.41%	<ul style="list-style-type: none">Considered them as appropriate KPIs for they are key financial indicators and non-financial items in the company's Medium-Term Management Plan and key topics in management strategyTo clarify commitment to management of directors, officers, and executive officers	<ul style="list-style-type: none">Final achievement rate calculated by qualitatively assessing the achievement and progress of (3), (4), and (5), as well as the activities for (6) and (7) and adding the scores to the achievements rates calculated with (1) and (2) above.Achievement rate is capped at 130% (lower limit of 0%) so as to provide an appropriate incentive scheme
	(4) Consolidated common equity tier 1 capital ratio	Mid-10% range	9.4%		
	(5) Consolidated overhead ratio (OHR)	Lower 60% range	60.1%		
	(6) ESG-related activities and rating agency score, etc.	—	—		
	(7) Fiduciary duty and customer satisfaction activities	—	—		

*1 (1) and (2) are the results for 2020 against the forecast announced in 2020 (reviewed in November). (3) or (5) is the actual result for 2020 against the target for 2020 set in the Medium-Term Management Plan.
*2 Compensation with the use of a trust scheme. Points are awarded every fiscal year based on the achievement rates for the KPIs above and delivered in the form of shares upon retirement. Malus (reduction/forfeiture prior to share delivery) and clawback (return after share delivery) provisions apply.

(4) 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 who 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 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.

Message from the Chairman of the Board of Directors and the Chairman of the Nominating Committee



Isao Matsushita
External Director
Chairman of the Board of Directors and
Chairman of the Nominating Committee

Performance Status of the Functions of the Board of Directors

Four years have elapsed since SuMi TRUST Holdings became a “company with Three Committees,” and during this period, the Board of Directors has made steady progress in accordance with the PDCA cycle of annual evaluation of the Board of Directors. Seeking to further enhance its supervisory function, the Board of Directors itself has continued to reflect seriously about what its role should be. I believe that we have been able to build a frank relationship with the executive side that includes critical discussions.

At last year’s Board of Directors meeting, in response to the occurrence of serious incidents, we challenged the executive side with sustained questioning from an outsider’s perspective. These exchanges made us realize the need to accelerate our efforts to improve the quality of our operations, which is the starting point of a trust bank group, and to strengthen the relationship of trust with our clients and society.

In addition, as a result of further transfer of authority to the executive side under the “monitoring board” model, which separates execution from supervision, I feel the need to further deepen the dialogue by taking additional steps to follow up on the status of discussions on the executive side, and at times, demanding speedier responses. This was presented as one of the issues to be addressed in the evaluation of the Board of Directors in FY2020.

Going forward, in my role as chairman of the Board of Directors, I intend to continue to address these issues and to enrich our discussions aimed at achieving sustainability, both in society and in terms of stable growth

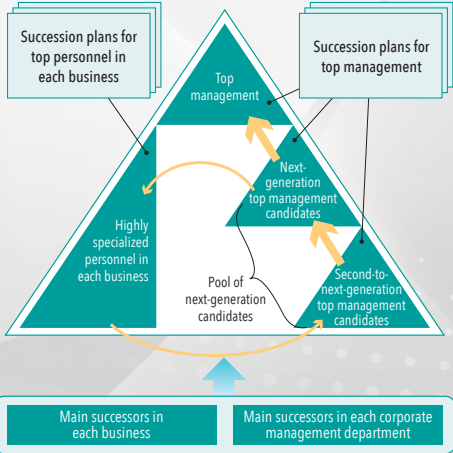
in the Group, so that we can live up to the expectations of our stakeholders.

Process and Key Points for Selecting the President

I was appointed as an external director in 2017, the same year of the transition to a “company with Three Committees,” and today I serve as chairman of the Board of Directors and chairman of the Nominating Committee. Of the seven members of the Nominating Committee, five, including myself, are external directors, which I believe constitutes a highly independent structure. This selection of President was the first since the transition to a company with Three Committees. However, the Nominating Committee had been continuously discussing the selection in accordance with the succession plan, which had been undergoing revision since 2017.

Specifically, when selecting the President, the committee members, each of whom brings a broad range of experiences, knowledge, and perspectives, considered and discussed each of several candidates based on their achievements, reputation, leadership, and similar qualities in light of the Group’s business environment, business strategy, and the qualities required of top management. Following candidate deliberations, including interviews, the Nominating Committee compiled a draft report at its January 2021 meeting and submitted it to the Board of Directors. Overall, I believe that the selection of the President was conducted with a high degree of objectivity and transparency.

Development of management personnel based on succession plan



Our Board of Directors and Executive Officers

(As of July 1, 2021)

Directors (internal)

	Director, President (Representative Executive Officer) Toru Takakura	Toru Takakura has served as a senior managing executive officer in charge of overseeing corporate management departments of SuMi TRUST Holdings, and assumed office as President, Executive Officer in April 2021. He has experience of being in charge of corporate management departments of Sumitomo Mitsui Trust Bank, Limited and has served as an officer in charge of Fiduciary Services Business. Therefore, he has extensive knowledge and experience regarding the corporate management and business operations of a trust bank group.
	Director, Deputy President (Representative Executive Officer) Jiro Araumi	Jiro Araumi was in charge of the corporate management department as Senior Managing Executive Officer from April 2017, and Director, Senior Managing Executive Officer from June 2017 to March 2021. He has assumed office as Director, Deputy President since April 2021. He has also served as an officer in charge of Fiduciary Services Business of Sumitomo Mitsui Trust Bank, Limited until March 2021. Therefore, he has extensive knowledge and experience regarding the corporate management and business operations of a trust bank group.
	Director, Senior Managing Executive Officer Nobuaki Yamaguchi	Nobuaki Yamaguchi has extensive sales experience in the Wholesale Total Solution Services Business and Real Estate Business since he took office as executive officer of Sumitomo Mitsui Trust Bank, Limited in April 2017. He also has been in charge of corporate management departments as Senior Managing Executive Officer of SuMi TRUST Holdings since April 2021.
	Director, Executive Officer Kazuya Oyama	Kazuya Oyama has been responsible for the planning and promotion of the Group's management strategy since he took office as Managing Executive Officer, General Manager of Corporate Planning Department of SuMi TRUST Holdings in April 2017. He assumed office as President of Sumitomo Mitsui Trust Bank, Limited in April 2021, and has been responsible for overall management of the company.
	Chairman Tetsuo Ohkubo	Tetsuo Ohkubo has experience in positions for supporting part of corporate management, being in charge of corporate management departments of SuMi TRUST Holdings, and supervised overall group management as Director, President from June 2017 to March 2021. He has assumed office as Chairman since April 2021.
	Director Masaru Hashimoto	Masaru Hashimoto has been in charge of corporate management departments of SuMi TRUST Holdings. From October 2016 to March 2017, he served as Deputy President Executive Officer. Since June 2017, he has served as Director, Executive Officer, in a position of assisting the Group's overall management. At Sumitomo Mitsui Trust Bank, Limited, he was responsible for overall management from April 2017 to March 2021 as President. He has served as Chairman since April 2021.
	Director Kuniyuki Shudo	Kuniyuki Shudo has served as general manager of the Fiduciary Services Business and overseas units, Regional Executive for the Americas, and General Manager of New York Branch. He then served as Managing Executive Officer of Sumitomo Mitsui Trust Bank, Limited, Executive Officer of SuMi TRUST Holdings, in charge of the Global Business Management Office and the Americas Business Management Office. Therefore, he has extensive knowledge and experience regarding the corporate management and business operations of a trust bank group.
	Director Kouji Tanaka	Kouji Tanaka has served as general manager of the Real Estate Business and general manager of domestic branches. He then served as Managing Executive Officer of Sumitomo Mitsui Trust Bank, Limited, in charge of the Internal Audit Department. Therefore, he has extensive knowledge and experience regarding the corporate management and business operations of a trust bank group.

Directors (external)

		Area of expertise			
		Corporate management	Financial accounting	Law	Banking
	Directors (external) Isao Matsushita *1	●	●	—	—
	Directors (external) Shinichi Saito *1	●	●	—	●
	Directors (external) Hiroko Kawamoto *1	●	—	—	—
	Directors (external) Mitsuhiro Aso *1	—	—	●	—
	Directors (external) Nobuaki Katoh *1	●	—	—	—
	Directors (external) Masanori Yanagi *1	●	—	—	●
	Directors (external) Kaoru Kashima *1	●	●	—	—

*1 External director as prescribed in Article 2, item 15 of the Companies Act. The overall balance, including areas of expertise above, is taken into consideration when external directors are selected.

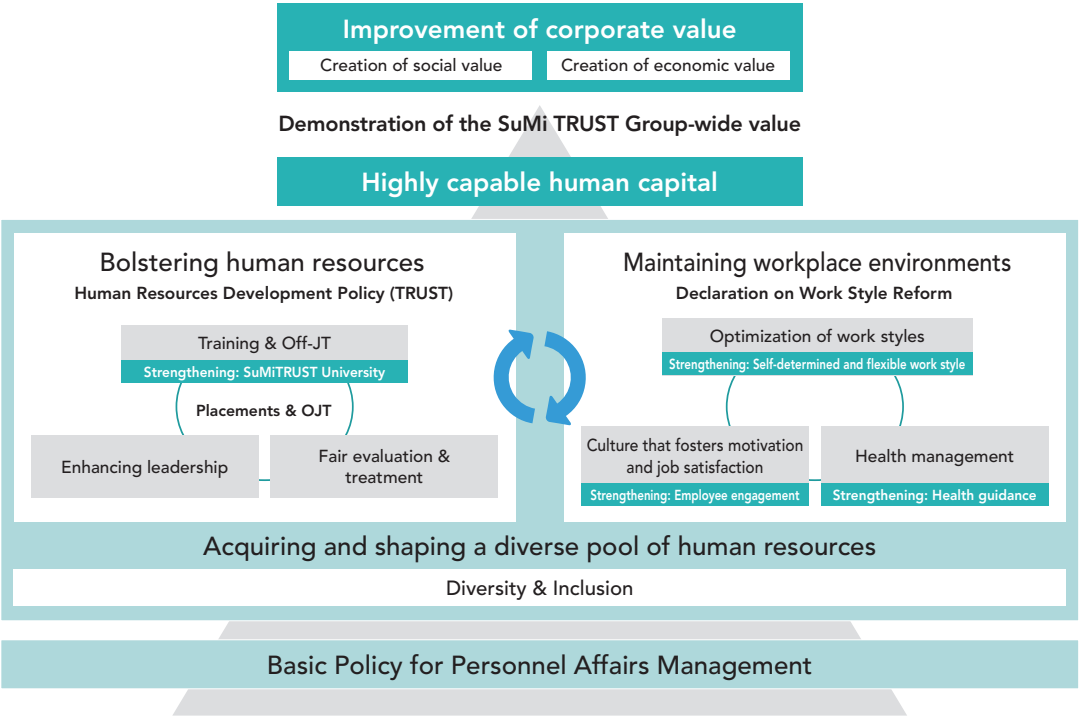
Executive Officers *2 () indicates the business in charge at SuMi TRUST Bank.

Senior Managing Executive Officer	Managing Executive Officer	Executive Officer	Executive Officer (Fiduciary Services Business)*2	Executive Officer
Hitoshi Sato	Yasuyuki Suzuki	Shigenori Ikemura	Kengo Noguchi	Yoshio Hishida
Senior Managing Executive Officer	Managing Executive Officer, Executive Officer (Private Banking Business)*2	Executive Officer (Real Estate Business)*2	Executive Officer (Wholesale Total Solution Services Business)*2	Executive Officer
Futoshi Itani	Toshiaki Nakano	Atsushi Kaibara	Shigeki Tanaka	Toshio Masui
Managing Executive Officer	Managing Executive Officer	Executive Officer (Retail Total Solution Services Business)*2	Executive Officer (Stock Transfer Agency Services Business)*2	Executive Officer
Junya Ueda	Manatomo Yoneyama	Seiji Iwakuma	Toshiya Shimobeppu	Kenji Kaiya

Executive Officer (Global Markets Business)*2	Executive Officer	Executive Officer	Executive Officer	Executive Officer
Yoshinori Momose	Satoshi Kitai	Miyo Yajima	Atsushi Matsumoto	Akira Ojima
Executive Officer (Wholesale Asset Management Business)*2	Executive Officer	Executive Officer	Executive Officer	
Takashi Kameda	Nobuhisa Takahashi	Atsushi Ueda	Shinichi Nonomura	
Executive Officer (Asset Formation Advisory, Work Place, Business)*2	Executive Officer	Executive Officer	Executive Officer	
Daisuke Maeda	Yuki Takada	Takuji Marui	Riro Sato	

Human Resources Strategy

We consider employees to be one of the key capitals (human capital) at the source of value creation for the SuMi TRUST Group. Under the Group’s Basic Policy for Personnel Affairs Management, we will form a diverse workforce in line with our philosophy of diversity and inclusion and promote the advancement of our human capital by working to bolster our human resources and improve our workplace environment. In addition to developing talent across the entities within the Group, we aim to widen the scope of employees’ activities to create both social value and economic value across the entire Group and increase its corporate value.



Status of the Group of Personnel that Provides Comprehensive Solutions				
Number of financial consultants (number of female consultants shown in parentheses) 271 (22)	Fellows of the Institute of Actuaries of Japan 44*	Securities analysts 1,032*	Appraisers 215*	Number of registered real estate transaction agents 7,356*
Bolster Human Resources				
Number of hours of training held FY2019: 5,705 hours FY2020: 4,690 hours	Number of applicants for voluntary training FY2019: 1,338 FY2020: 523		Status of positions of female employees (March 31, 2021) Executives: 4 General manager level postings: 16 Section manager level postings: 150	
Maintaining Workplace Environments				
Number of leave days used FY2019: 14.6 days FY2020: 15.4 days	Supporting work-life balance Childcare leave: 393 (March 31, 2021) Nursing care leave: 180 (cumulative total for FY2020) Childcare leave for male employees: 168 (cumulative total for FY2020) Cancer treatment leave: 95 (cumulative total for FY2020)			Workplace reassignments including spouse (within Japan) As of March 31, 2020: 150 As of March 31, 2021: 201

(All figures are actual results of SuMi TRUST Bank except those marked * which are actual results of SuMi TRUST Holdings)

1. Bolstering Human Resources

Having set the goal of being the “No.1 financial group for human resource development,” the Group established its Human Resources Development Policy (TRUST) in April 2018. We will also strive to be the “No.1 financial group for human resource participation,” where diverse human resources can play active roles based on this Human Resources Development Policy.



The SuMi TRUST Group Human Resources Development Policy

The SuMi TRUST Group will maintain its workplace environment and bolster its human resources based on a career development spirit consisting of “TRUST,” for the growth and career development of the employees who will create our future.

TalentTalent (individuality) can blossom
RespectRespect each individual
UniquenessDevelop true professionals
SupportMake mutual teaching and support our motto
TryPraise small, daily challenges

Based on the “fiduciary spirit of TRUST,” the SuMi TRUST Group aims to contribute to our clients and the continuous development of society through the growth of our employees, thereby maximizing the creation of shared value and becoming the corporate group that is chosen by society.

(1) Strengthening Recruitment in Preparation for the Future

Recruiting a diverse workforce is essential for creating new value. We are hiring new graduates with an emphasis on acquiring people who share our desire to develop their professional expertise to the highest level and then utilize this expertise to expand the possibilities of the trust business.

For example, SuMi TRUST Bank actively sponsors lectures at universities*1 and arranges business-based internships*2 dedicated to specific areas. In this way we are able to inform students about our career development and future creation activities (employee-driven ideas on new businesses) that are unique to SuMi TRUST Bank. We are also striving to expand matching opportunities with highly motivated and talented students from all over Japan by moving job interviews online when possible.

Currently, in order to strengthen the group’s talent pool, we are promoting stronger collaboration by holding joint recruitment events among the companies in the Group.

*1 We deploy employees with rich business experience to lecture on topics such as economics, trust law, and SDGs.
*2 We arrange internships that enable students with skills in finance, accounting, programming, data analysis, etc. to put their skills to practical use.

In addition, in order to maintain the broad and deep business fields required of a trust banking group while also establishing new growth areas, we believe it is also essential to continuously secure a group of more experienced individuals with diverse skills who have cultivated expertise in their respective fields. SuMi TRUST Bank is therefore also committed to recruiting career professionals who are actively engaged in business areas such as digital, technology, and legal affairs, and recruits about 100 such professionals each year.

(2) Strategic Human Resource Assignment and OJT*

The SuMi TRUST Group views OJT as the foundation for human resource development. We also focus on assigning employees to roles that awaken their passion for growth and allow them to realize their full potential. In FY2018, SuMi TRUST Bank introduced a program that enables younger employees to experience multiple work domains within a fixed period after joining the Company. We are also advancing initiatives such as a trust internship program aimed at developing human resources who possess a “high degree of expert knowledge in trust operations” and a “deep understanding of the fiduciary spirit.”

In addition, we have been able to reduce the volume of work at our branches by expanding the functionality of our internal systems and consolidating operations. Building on this, we are promoting the integrated operation of multiple branches in each area and working to drive business efficiencies, develop and rotate human resources, and strengthen operational readiness.

* OJT: On-the-Job Training. OJT is a process whereby workplace supervisors and senior employees teach subordinates the knowledge, skills, and duties required of them via their daily tasks.

(3) Enhancing Training and Other Off-JT* Programs

The SuMi TRUST Group has established the SuMiTRUST University to offer group training with the objective of improving employee business skills and management abilities. In addition, many opportunities in the self-development programs encourage employees to continue improving their skills. The company’s executive officer in charge of Human Resources serves as dean of SuMiTRUST University, while an external expert, who is an advisor to the Human Resources Department, serves as vice dean. University professors and other advisors also provide management advice. The SuMiTRUST University program is available across the entire SuMi TRUST Group. Since FY2020, SuMiTRUST University has evolved into a platform through which employees can discover their own appetite for learning, connect with others around them, and learn from each other, and we are working to expand its content, including the use of online content. In FY2021, we will develop a new system infrastructure with communication functions to strengthen opportunities for interaction both within and outside the company and work to inspire employees to learn on their own initiative.

* Off-JT: Off-the-Job Training. Workshops, training, and other methods are utilized to provide employees with the knowledge and skills that cannot be acquired through OJT.

(4) Initiatives to Develop Expertise

In order to earnestly promote the Group's business model, SuMi TRUST Bank certifies employees with a high level of expertise and skills as Fellows and provides an environment in which they can contribute to the Company for a longer period of time. Certified Fellows not only play an active role in the company by applying their expertise and skills, but also play a role in passing on their experiences to younger employees and providing them with guidance and development. Specifically, we hold seminars, small-group seminar activities, and original lectures delivered as on-demand video.

In addition to the training organized by the Human Resources Department, we are also promoting individual initiatives in each business. For example, in the Real Estate Business, we select young and mid-career employees and give them training to deepen their understanding of our highly specialized solutions in the real estate business, including overviews of our real estate brokerage service, real estate securitization service, and real estate-related ESG initiatives and funds, as well as how these solutions relate to one another. We also guide them to examine what new value we can provide as a real estate business, how we can help our clients solve their real estate issues, and how we can approach social issues.

(5) Enhancing Leadership

SuMi TRUST Bank offers a program to develop next-generation executive candidates in cooperation with Hitotsubashi University's Graduate Programs. Candidates receive instruction

on the values, general liberal arts knowledge, and MBA elements they need for management, and through sessions and courses, they complete the program by presenting a proposal to senior executives. The Bank also provides a leadership development program for female employees to step up to management through various rank-based training. After the employees complete their training, operations are conducted such as providing them with opportunities to practice what they have learned during training in a variety of environments, primarily through promotion and job rotation.

(6) Fair Evaluations and Treatment

Fair and just evaluations and treatment in accordance with abilities, roles, and results form the basis of SuMi TRUST Bank's performance evaluation system. The system used is based on a participatory model, in which employees communicate closely with their supervisors on a daily basis to establish and review specific goals. The process focuses not only issues related to the performance of duties, but formulates and provides feedback on future career development. Also, as a means of obtaining a multifaceted view of personnel, we have introduced an anonymous survey through which subordinates and others can rate the day-to-day management actions of line managers (general managers, deputy general managers, section managers, etc.). By conducting this survey, we can encourage management action reform and foster a culture of interactive communication.

(2) Health Management

The SuMi TRUST Group's active initiatives to promote better physical and mental health of all Group employees have been recognized for the fourth year running with our selection in the White 500 as an organization having outstanding health and productivity management. With regard to physical health, we provide health examinations every year and make re-examinations mandatory. The Human Resources Department and others follow up on every individual to ensure that everyone who requires treatment at a healthcare institution receives it. Going forward, we plan to focus our efforts on health guidance and with the establishment of health promotion centers and other pieces of infrastructure, we will endeavor to engage in a style of health and productivity management befitting of the age of 100-year life. With regard to mental health, we provide line management-based care and conduct stress checks once a year. Group results are provided to the employees' union, and we discuss improvements in workplace environments and make efforts to further improve them.

Specific initiatives

- Establish and adhere to rules for taking breaks between work shifts
- Thoroughly implement attendance management and prevent overwork among all Group employees
- Prohibit smoking in all buildings
- Lower the target age for breast and cervical cancer screening at company check-ups

(3) A Culture that Fosters Motivation and Job Satisfaction

We work to build culture that supports challenges and learning and activates bi-directional dialogue toward "providing opportunities for all employees to grow while participating actively with motivation." The SuMi TRUST Group has always encouraged activities that create opportunities for learning, such as circles formed by groups both in-house and outside, and has regularly held lectures by outside instructors. SuMi TRUST Bank encourages employees to independently and voluntarily shape their own careers through changes in job position or through an internal job-posting system. In FY2018, we launched activities for employees to shape their own futures, which solicit ideas from employees for the creation of new businesses and services. In FY2020 we received a total of 188 ideas from 368 employees group-wide. In addition, as a mechanism to convey the opinions of employees to management, we conduct an employee awareness survey covering all Group employees. We measure employees' vitality level (a measure of engagement) and satisfaction level, with positive scores (60 points) on each metric set as Company benchmarks. We also use the survey as a practical communication tool between employees and management, for example by incorporating the most frequently voiced opinions from the survey into our policies. Employees' opinions are also discussed as agenda items at meetings between the employees' union and management (in FY2020, the employees' union and management held 34 meetings).

FY2020 Employee Awareness Survey

Vitality level	60.4 points
Satisfaction level	63.2 points

* Target: course employees

2. Upholding Positive Workplace Environments

Declaration on Work Style Reform

The SuMi TRUST Group hereby declares it a top management commitment to offer a workplace where the diversity and creativity of its employees are more fully utilized to add value to the organization and where employees can have pride and be highly motivated in fulfilling their missions. The Group as a whole will work towards the following goals.

1. Achieving diverse work styles and work-life balance
2. Supporting health improvement through measures such as boosting health awareness and appropriately managing work hours
3. Providing opportunities for all employees to grow while participating actively with motivation

Through the enthusiastic work of each individual employee, we will continue to be a corporate group that contributes to the benefit of clients and is useful to society.

In terms of maintaining workplace environments, we have set up the Work Style Reform Headquarters headed by the presidents of both SuMi TRUST Holdings and SuMi TRUST Bank, and have also formulated a Declaration on Work Style

Reform to which the company's management team is committed to achieving. The initiatives we have implemented under this declaration have been rated favorably by numerous organizations (see page 110).

(1) Optimizing Work Styles

With the aim of achieving diverse work styles and work-life balance, SuMi TRUST Holdings actively develops workplace environments in which employees can work at ease and maintain a good balance between work and personal life. In addition to offering staggered work hours, telecommuting, and a satellite office work system, we monitor work hours and enforce breaks between work shifts in an effort to curb long working hours, and provide training for managers on labor management in a remote work environment.

In April 2021, SuMi TRUST Bank extended its retirement age from 60 to 65 years as part of the effort to create a working environment that allows employees to work actively in line with the increase in average life expectancy and healthy life expectancy. We believe this will enable us to offer consulting on asset administration and asset inheritance services that better meet the needs of our aging clients.

3. Diversity & Inclusion

The SuMi TRUST Group holds the concept of Diversity & Inclusion (D&I), in the sense of "utilizing the diversity and creativity of its employees in management," as its management principles ("Mission"). We also hold fully utilizing individuals' diversity and creativity as value added to the organization as our Basic Policy for Personnel Affairs Management. SuMi TRUST Holdings and SuMi TRUST Bank have each established a Diversity & Inclusion Office ("D&I Office") within the Human Resources Department. SuMi TRUST Bank's D&I Office is comprised of dedicated staff members from the Human Resources Department and members of business supervision departments. In addition to promoting diversified work styles for individual employees, the D&I Office implements measures according to the situation of each business that will lead to enhancement of corporate value. The D&I Office also hosts the quarterly meetings of the D&I Promotion Committee.

	Total	Women	Men
Number of employees (as of March 31, 2021)	13,740	7,752	5,988
Number of new graduates hired (as of March 31, 2021)	394	248	146

* SuMi TRUST Bank

(1) Initiatives for Active Participation and Advancement of Women

Guided by its general business owner action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace ("action plan"), and by its goal of increasing the number of women in decision-making positions, SuMi TRUST Bank formulated a new action plan effective April 2020 that calls for more than 12% of female employees appointed to section manager or higher and more than 30% in charge of management operations by the end of March 2023. Pipeline models have been formulated to facilitate the planned nurturing of employees in each business, while measures are being implemented to bolster their systematic development with a view to future appointments and support career planning. Such measures include rank-based training for women in leadership positions, career design workshops to assist self-determined career planning, and seminars for female employees in which executive officers deliver lectures. In addition, we are working to instigate a change in mindset among the management team, for example by providing senior executives with practical training on how to manage subordinates who work limited hours.

Meanwhile, at branch offices and departments, a bottom-up approach to D&I was adopted by providing opportunities to female employees to design their own careers by interacting with female employees from other companies.

■ Female executives and managers at SuMi TRUST Bank

	March 31, 2020	March 31, 2021
(1) Executives	4 (5.7%)	4 (5.7%)
(2) Women in general manager level positions	12 (4.8%)	16 (6.5%)
(3) Women in section manager level positions	135 (11.7%)	150 (12.9%)
(4) Women in section manager or higher decision-making positions ((2)+(3))	147 (10.5%)	166 (11.8%)
(5) Women in charge of management operations	1,570 (25.8%)	1,683 (26.9%)

* Ratio of women shown in parentheses. Executive officers included in (1). Women in assistant manager or higher positions shown in (5), which also includes (4). As of July 2021, SuMi TRUST Holdings has zero directors who are foreign nationals and two female external directors.

(2) Initiatives on Supporting Work-Life Balance

SuMi TRUST Bank has introduced two new leave systems: (1) workplace reassignments for employees whose spouse has been relocated; and (2) leave for employees when their spouse has been transferred overseas. The use of either system will help employees continue their careers without being disrupted by major life events. Alongside the periodic provision of information to employees on maternity or childcare leave, we are working to create an environment in which employees can actively balance both child-rearing and work by organizing seminars aimed at facilitating their smooth return to work and supporting career development thereafter.

As for balancing work with nursing care, we have distributed a handbook about this subject and hosted a seminar together with the employees’ union. Also, in the action plan that kicked off from April 2020, we set a goal of achieving at least 60 evaluation points (considered a positive assessment) in an annual awareness survey on nursing care schemes and corporate culture. We also have in place a framework that supports diverse work styles; for example, we lend our support to employees

requiring cancer and infertility treatments so they can balance their medical visits with work duties, and we encourage male employees to take childcare leave (105.6%* of eligible male employees took childcare leave in FY2020).

* The number of male workers who took childcare leave divided by the number of male workers whose spouses gave birth. (Cumulative total for one year)

(3) Promoting Active Participation by Diverse Human Resources

• Promoting active participation by disabled persons

The Group aims to be a place where employees can work with motivation and display their talents to the fullest as members of the workplace, regardless of their disability. At SuMi TRUST Bank, employees with disabilities work alongside their colleagues at branch offices where they have contact with clients or perform back-office tasks at head office. The Bank also makes efforts to interview employees after they start work to respond to concerns or requests that arise after starting work, and uses the points brought up in the interviews to create an easier working environment from physical and mental perspectives.

Disabled person employment ratio (as of March 31, 2021)	2.31%
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(SuMi TRUST Holdings)

• Promoting active participation of global employees

SuMi TRUST Bank offers training every year to locally hired employees working at its overseas branches and overseas subsidiaries to deepen their understanding of the Group and its operations and to also strengthen networks among participants and respective business lines. In order to facilitate smoother communication with employees of other nationalities, the Bank also organizes a Japanese language course with lessons to assist the learning of Japanese and holds intercultural communication training for supervisors of foreign national employees. With the aim of encouraging the active participation and promotion to management of employees hired at overseas offices, the Bank organizes transfers to offices in different countries or long-term postings to Japan.

Employees also have the opportunity at the end of this training to put into practice what they have learned primarily through promotion and job rotation.

4. Human Rights

(1) Human Rights Management

• Basic philosophy

The SuMi TRUST Group’s human rights management is based on the “Guiding Principles for Business and Human Rights,” which was adopted by the United Nations Human Rights Council in June 2011. We have established the Human Rights Policy along with the Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy) to respect the human rights of all stakeholders.

Human Rights Policy:

https://www.smth.jp/en/csr/management/human_rights_policy/index.html

• Human rights management system based on the guiding principles for business and human rights

The SuMi TRUST Group works to improve the quality of its human rights management in a PDCA cycle, in order to foster a corporate culture and workplace environment that respects the basic human rights of all stakeholders, by respecting individual human rights and diverse values, while eliminating discrimination.

Commitment	Establishment of the Human Rights Policy.
Implementation of human rights due diligence*1	Once a year, the Human Rights Due Diligence Self-check List*2 is distributed to all branches, departments, and affiliates both at home and abroad as a tool to check the status of respect for human rights at each unit.
Access to redress	The Personnel Consultation Desk in the Human Resources Department serves as a contact point.

*1 Human rights due diligence refers to a series of initiatives to identify actual or potential impacts on human rights, resulting from the activities of the Group or related outside parties, to develop measures for the prevention or mitigation of such impacts, and to continuously verify and disclose the effectiveness of such measures.

*2 A check list serves to verify the progress in each department concerned with the Human Rights Management System, such as the status of implementation of human rights due diligence, compliance with the Human Rights Policy, and occurrence of human rights violations.

• Human Rights Due Diligence Liaison Committee

The Human Rights Due Diligence Liaison Committee, chaired by the head of the Sustainability Management Department of the Corporate Planning Department, was established as a joint organization by SuMi TRUST Holdings and SuMi TRUST Bank. The committee investigates how human rights are being addressed at all Group companies, including overseas entities, identifies issues and risks that need to be addressed, and discusses and implements measures for improvement. Based on discussions by the committee, the Sustainability Management Department formulates objectives and plans for the development and reinforcement of the framework of initiatives, and the Human Rights Education Committee chaired by the Head of Human Resources engages in the formulation and implementation of various training programs and education activities concerning human rights issues at all Group companies, branches, and departments. Note that no cases of human rights violations have been reported in the Group in the past three years.

* See pages 109-110 in our 2020/2021 Sustainability Report for more information on human rights due diligence.

Training aimed at raising awareness about human rights was conducted by SuMi TRUST bank in the e-learning format in FY2020, reaching 25,438 participants Group-wide. In addition, SuMi TRUST bank delivered a total of 10 hours of lectures during rank-based training sessions, reaching a total of 1,492 participants.

(2) Protecting Various Human Rights

• Initiatives to address Dowa and foreign residents issues

The SuMi TRUST Group regards tackling discrimination against the Dowa caste as a particularly important theme in the promotion of human rights education, and has worked to completely eliminate prejudiced or discriminatory views against the Dowa caste. With regard to foreign residents issues, we make all employees aware of giving consideration to the human rights of foreign residents, including the handling of personal authentication documents and respecting individual identity.

• Prevention of sexual harassment and power harassment

Actions such as sexual harassment and power harassment are prohibited at the SuMi TRUST Group. In the event harassment does occur, advice is sought and complaints are registered via the Harassment Prevention Committee representative in each branch and department, or directly by the Personnel Consultation Desk (LGBTQ Consultation Desk) within the Human Resources Department. Stringent corrective measures or punishment are implemented against the perpetrators. The Personnel Consultation Desk (LGBTQ Consultation Desk) responds to various consultations related to encroachment on personal rights and, in cases where a negative impact on a person’s rights is evident, cooperates with the related departments to promptly take measures as needed. In FY2020, the Personnel Consultation Desk received 73 consultations, of which 30 were situations involving concerns about encroachment on a person’s rights, including harassment. Eight of these situations remain unresolved, and we are working with the related departments to settle these cases.

• Initiatives to prevent discrimination against LGBTQ people

We strive to ensure thorough prevention of discrimination against sexual minorities such as LGBTQ in hiring or performing their work. Our Personnel Consultation Desk (LGBTQ Consultation Desk) addresses this issue as an ally (supporter).

• Investments and loans related to cluster bombs

The SuMi TRUST Group refuses to provide loans to foreign or domestic companies that produce cluster bombs, which are recognized as a weapon raising strong humanitarian concerns.



Selected for inclusion in Bloomberg Gender-Equality Index for third year running



Selected as Nadeshiko Brand by Ministry of Economy, Trade and Industry (METI) and Tokyo Stock Exchange (TSE) in March 2020



Selected for inclusion in the White 500 for the fourth year running as an organization having outstanding health and productivity management



Awarded the highest rating of “Gold” in Pride Index for LGBTQ initiatives



Obtained “Platinum Kurumin” certification as a company that supports balancing work and childcare based on the Act on Advancement of Measures to Support Raising Next-Generation Children



Obtained “Eruboshi” and “Platinum Eruboshi” certification as a company that promotes the advancement of women

* External evaluation as of June 30, 2021

1. Digital Strategy — six strategic areas

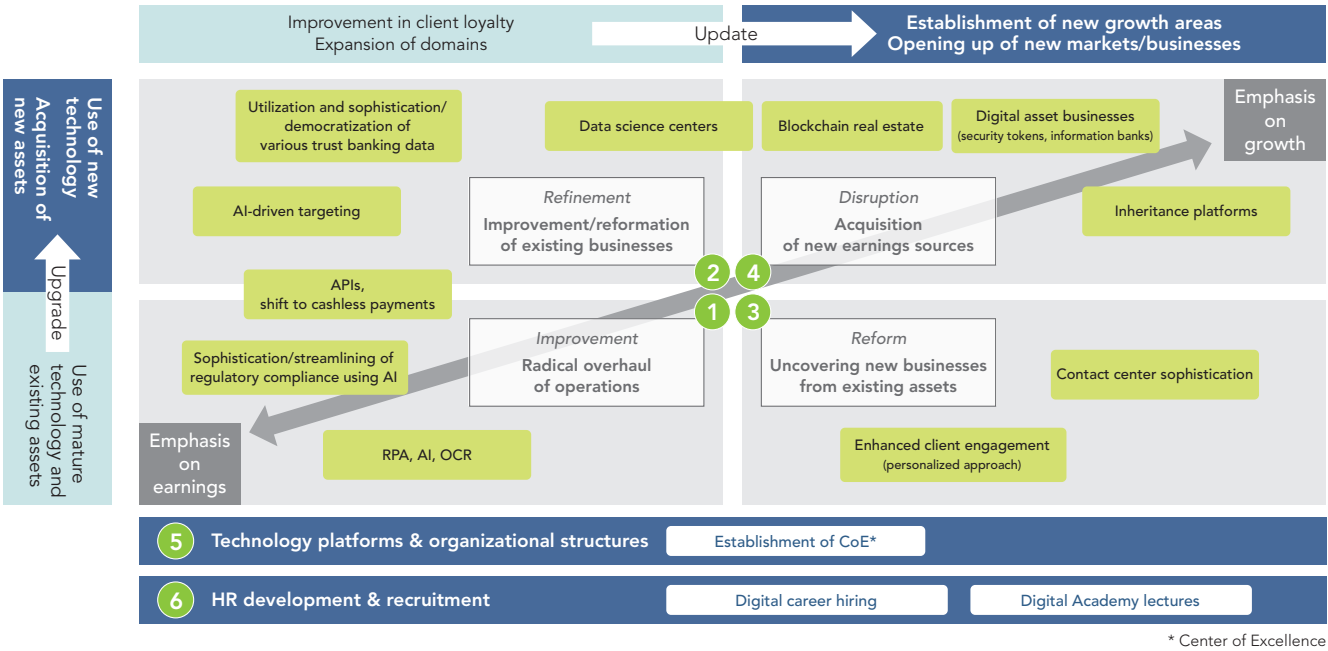
In our Medium-Term Management Plan commencing in FY2020, we have identified six strategic areas in which we will advance our digital strategy.

The following four areas will be promoted concurrently: (1) improvement—utilize mature technology and existing assets to pursue mainly a radical overhaul of operations; (2) refinement—brush up existing businesses by utilizing new technology and acquiring new assets; (3) reform—redeploy existing strengths and assets to open up new markets and businesses;

and (4) disruption—look to establish new growth areas by utilizing new technology.

In order to speedily drive forward each project in these four areas, we will also need to continue reinforcing our systems. For this reason, we have positioned (5) technology platforms and organizational structures, and (6) HR development and recruitment, as key strategic areas to be addressed over the medium to long-term.

Six strategic areas



In areas such as asset administration, inheritance, and real estate, which are social and public in nature and where we have strengths as a trust banking group, we will focus on areas that are poised for full-fledged digital transformation (DX) in the future. In addition, we will continue to utilize a wide variety

of data, including data from banking operations unique to us as a trust bank group, as the driving force behind the creation of social value that helps solve social issues and the creation of economic value that contributes to the growth of the Group.

2. Efforts to Improve Efficiency Through the Use of RPA and AI-OCR

SuMi TRUST Bank has achieved savings of approximately 300,000 person-hours of labor in one year since the full-scale introduction of Robotic Process Automation (RPA) in FY2018 to automate operations that were previously performed by humans. By integrating the development and operations of our internal user and IT departments, we made it possible to monitor operations after RPA deployment and make continuous improvements such as adding new functions and changing settings as necessary, thereby improving operational efficiency and quality.

In addition, starting in FY2020, we introduced the AI-Optical Character Reader (AI-OCR), which can convert paper documents containing handwritten characters into text data, into four business operations, achieving an efficiency improvement equivalent to approximately 20,000 person-hours of labor. Although the transition to paperless operations through digitization is underway, there are still some paper-based operations. By leveraging AI-OCR and further linking it with RPA, we are expanding the scope of work to be automated and driving further gains in efficiency.

3. Data Utilization Initiatives

Transactions between the Group and its clients cover a wide range of areas, including fund transactions, provision of financial instruments, and financial management transactions. We are working on leveraging the diverse data obtained through these transactions, which is unique to us as a trust bank group, to enhance our services, for example by identifying emerging client needs that are not yet obvious in order to offer more valuable solutions. For example, in our businesses that deal

with individual clients, we analyze information on our investment trust and insurance transactions and use it to predict the best products and services to offer the client next. We are also actively promoting the utilization of AI and data in our businesses that deal with corporate clients. For example, to uncover hidden real estate needs and create new sales opportunities, we are analyzing interactions between clients and sales representatives from text data such as daily log entries.

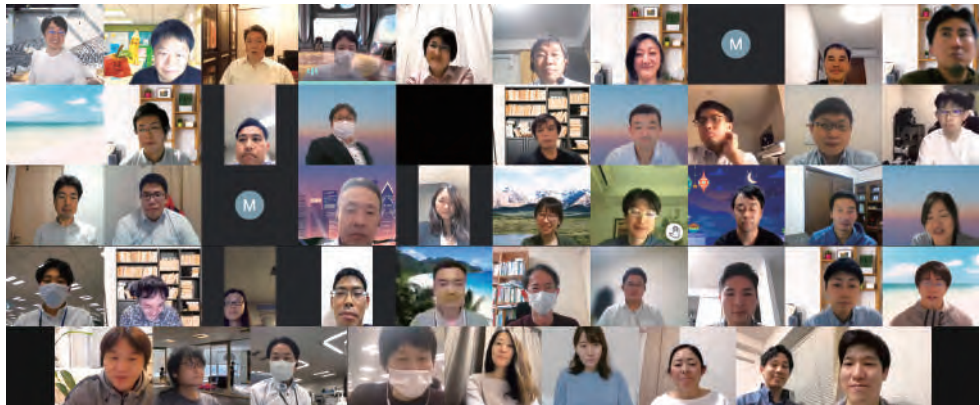
4. Developing Digital Human Resources

When it comes to the development of digital human resources, we are committed to not only the development of specialized professionals with advanced knowledge and skills, but also raising the level of digital literacy across the entire Group.

With respect to developing specialized professionals who will drive DX, we have been sending employees to universities, including Georgetown University in the U.S. (starting in FY2019), which has a reputation for cutting-edge research

on blockchain technology, and the Keio University Quantum Computing Center (starting in FY2020), and conducting joint research with participating companies.

With respect to raising the literacy level of the Group, we hold workshops that attract active participation from Group employees, including a hands-on workshop led by a Google Cloud AI specialist on using Google AI to discover ways to improve operational efficiency and create new services.



Scene from a training session led by a Google Cloud AI specialist

T O P I C S

Establishment of Digital Strategy Company

On April 1, 2021, SuMi TRUST Holdings established a company to take charge of the Group's digital strategy. The new company will take over the DX strategy across the Group's companies and SuMi TRUST Bank's businesses and accelerate the process of digitization. The new company has built its own system development environment and simplified set of business rules in order to operate with a lighter footprint and survive the intense competition in the fast-changing digital landscape.

The CEO, an employee in his 30s, was recruited through the internal job posting system. The staff will be assembled from individuals with diverse career paths and personalities from within and outside the company, and collaboration with external companies will be actively encouraged. While inheriting the Group's Purpose, the new company will bring new vigor to the Group with flexible ideas that are not bound by conventional wisdom.



Chief Executive Officer
Satoshi Tanaka

Risk Appetite Framework

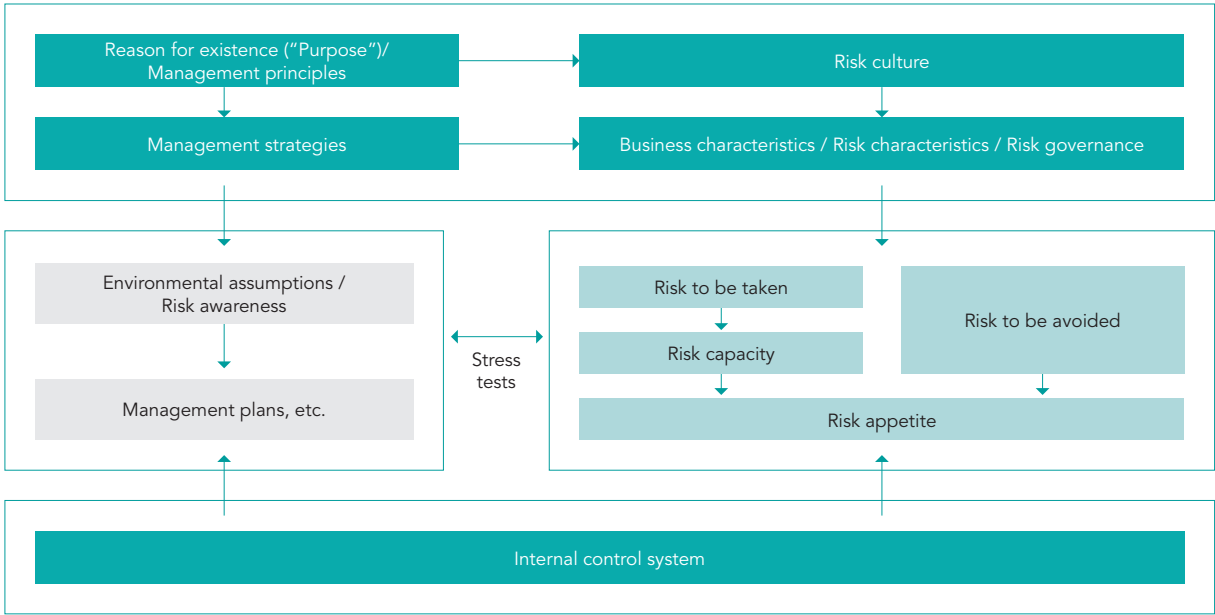
1. Outline of the Risk Appetite Framework

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 management strategies formulated based on the Group's reason for existence ("Purpose") and management principles, together with an internal control system that monitors the process and ensures

its appropriateness and sufficiency.

To improve profitability and enhance risk management, the Group's RAF establishes communication processes through the setting, propagation, and oversight of risk appetite and promotes the improvement of transparency in the decision-making process, the optimization of management resource allocation, and the strengthening of the monitoring system for the whole of risk-taking.

Outline of the Risk Appetite Framework



2. Risk Appetite Controlling Process

(1) Determining Risk Appetite Target

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 Board of Directors establishes a risk-taking policy, which is an overriding management policy based on its management principles, and takes into account the results of stress tests to set risk appetite indicators. In addition, the Executive Committee sets more detail risk-taking policy and risk appetite indicators for each business within the scope of policy set by the Board of Directors.

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

(2) Monitoring of Risk Appetite Tolerance

In order to verify that risk taking is conducted appropriately based on its business model, the Group sets separate risk appetite indicators from the three perspectives 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 reconsiders the levels of risk taking.

(3) Risk Governance

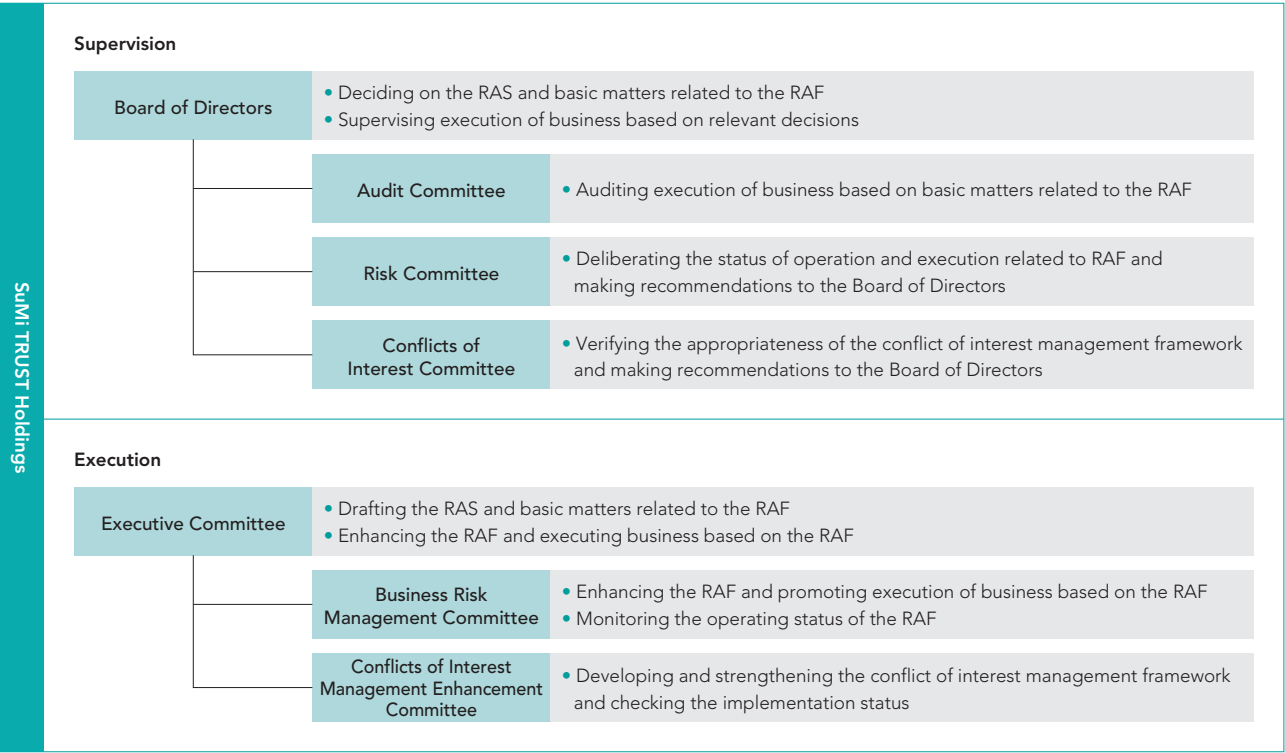
Risk governance, which forms a part of corporate governance, is a framework for identifying, measuring, managing, and controlling risks, as well as ensuring appropriate risk taking, by defining and monitoring risk appetite.

The Group promotes the enhancement of risk governance,

with the aim of achieving the sustainable and solid development of the Group.

The Group is working on enhancing 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 Management System



3. Developing Positive Risk Culture

The Group defines risk culture as a basic philosophy that prescribes the codes, attitudes, and conduct of the Group, as well as its directors, officers and employees, that flexibly excute 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 so that it will take root across the Group, we define risk-taking policies for each busi-

ness when formulating its management plan, and encourage appropriate risk-taking by all officers and employees. In this way, the Group aims to build sustainable business models that contribute to increasing corporate and stakeholder value. In addition, we have formulated a Risk Appetite Statement (RAS) clearly stating our RAF, which is used as a common language in lively discussions concerning risk appetite within the Group.

Risk Management

1. Basic Policy on Risk Management

In order to ensure sound management, secure revenue through risk taking based on management strategies, and achieve sustainable growth, the Group follows a basic policy of accurately assessing risk conditions and implementing necessary risk-related measures through a series of risk management activities, including risk identification, evaluation, monitor-

ing, control and mitigation, validation for advancement, and review, based on the Group’s management policy and basic policy on the internal control system.

The Group’s risk management framework encompasses the Risk Appetite Framework, and integrates it to function organically within the Group.

2. The Group’s Risk Characteristics

Based on a fiduciary spirit, and leveraging its significant expertise and comprehensive capabilities, the Group, as a trust banking group, strives to create distinct value through a total solution business model that combines its banking, asset management and administration, real estate businesses and others.

The Group faces various risks, including credit risk, market risk, funding liquidity risk, and operational risk, which vary depending on the business characteristics of each of the Group’s businesses. In this context, as a basis for improving management of risks related to trust business operations, we

have established Group-wide Trust Business Guidelines to provide information about basic matters that warrant caution. SuMi TRUST Bank primarily manages these risks in the operational risk category, particularly in terms of its duty of due care as a prudent manager, duty of loyalty, and duty to segregate property as a trustee.

Reporting is regularly performed regarding whether the overall risk of the Group, combining the risks of each business, is within the limits of risk capacity (soundness and liquidity) that have been determined by the Board of Directors.

Risk Definition

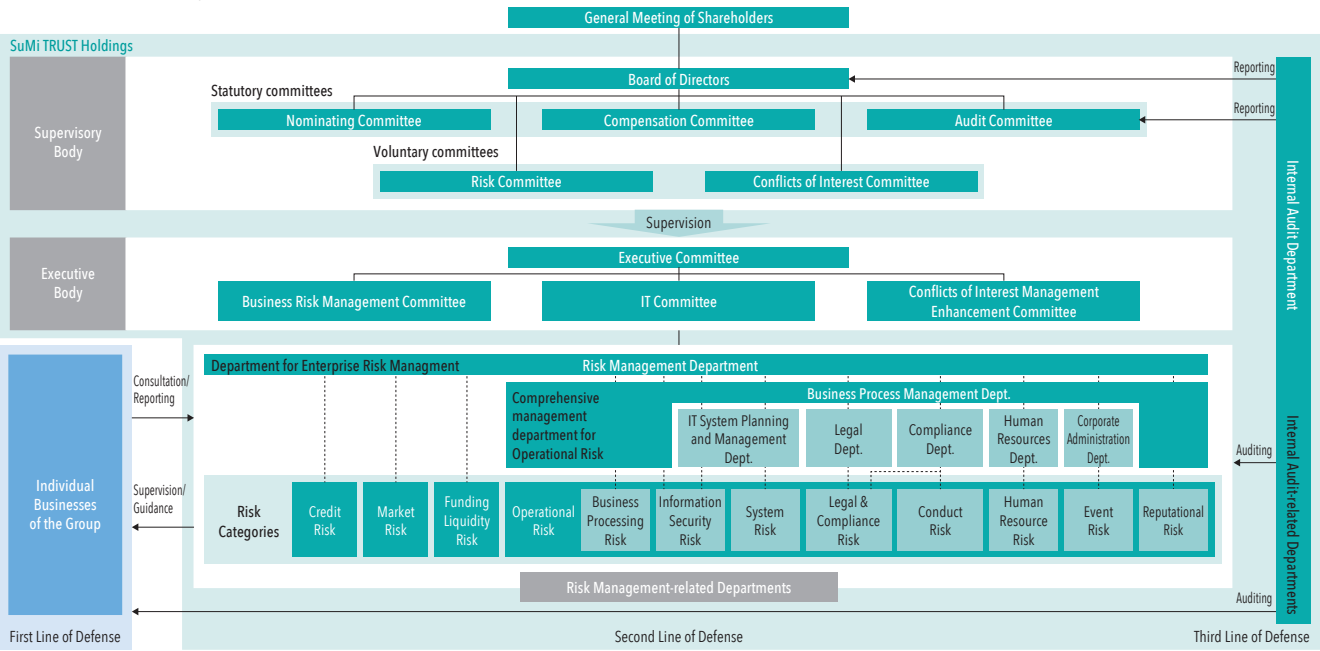
Risk Category		Definition
Credit Risk		Risk that the Group may incur losses due to a decrease or impairment of the value of assets (including off-balance sheet assets), for reasons such as deterioration of the financial condition of obligors. In this regard, “country risk” in particular refers to the risk that the Group may incur losses on credit provided overseas, due to the foreign exchange, political, or economic conditions in the countries where our clients operate.
Market Risk		Risk that the Group may incur losses due to fluctuations in the value of assets/liabilities (including off-balance sheet assets/liabilities), or in the earnings generated from assets/liabilities, due to fluctuations in various market risk factors, such as interest rates, foreign exchange rates, stocks, commodities, and credit spreads. In this regard, “market liquidity risk” in particular refers to the risk that the Group may incur losses due to a situation in which it becomes impossible to conduct transactions in the market, or becomes obligatory to trade at prices that are significantly more disadvantageous than usual, due to market turmoil.
Funding Liquidity Risk		Risk that the Group may incur losses in a situation where it becomes impossible to secure necessary funds, or becomes obligatory to raise funds at interest rates significantly higher than usual.
Operational Risk (Below are “risk sub-categories” within Operational Risk)	Business Processing Risk	Risk that the Group may incur losses due to inappropriate business procedures arising from executives or employees neglecting to engage in proper business activities, or other incidents such as accidents or fraud.
	System Risk	Risk that the Group may incur losses due to reasons such as computer system failures, malfunctions, and defects, as well as the risk that the Group may incur losses due to unauthorized computer usage.
	Information Security Risk	Risk that the Group may incur losses due to the improper management or maintenance of information assets. This includes information leaks, information errors, and misuse of information, as well as an inability to use the information system.
	Legal & Compliance Risk	Risk that the Group may incur losses due to uncertainty regarding the legal aspects of transactions, or due to insufficient compliance with laws, regulations, etc.
	Conduct Risk	Risk that may adversely affect the Group, clients, markets, financial infrastructure, society, or the work environment due to the actions of Group companies, executives, or employees that are unprofessional or do not meet the expectations and trust of stakeholders. *Appropriate service level set by the Group based on an understanding of reasonable expectations
	Human Resource Risk	Risk that the Group may incur losses due to personnel and labor management issues, such as unequal or unfair management of personnel, and harassment.
	Event Risk	Risk that the Group may incur losses due to external events that impair business, such as natural disasters, crimes such as terrorism, damage to public infrastructure that prevents its functioning, and the spread of infectious diseases, or due to the inappropriate use or management of tangible assets.
	Reputational Risk	Risk that the Group may incur losses as a result of a deterioration of the reputation of SuMi TRUST Holdings or its subsidiaries, due to reasons such as mass media reports, rumors, or speculation.

3. Risk Governance System

For the group-wide risk governance system, the Group has developed a Three Lines of Defense system consisting of risk management by individual businesses (first line of defense), risk management by the Risk Management Department and

individual risk management-related departments (second line of defense), and validation by the Internal Audit Department (third line of defense).

Risk Governance System



(1) First Line of Defense

Each Group business identifies and gains an understanding of the risk characteristics involved in carrying out its own business, based on knowledge of the services and products in that business.

Each business takes risks within the scope of its risk appetite in accordance with its risk-taking policy, evaluates risks, and swiftly implements risk control at the on-site level when risks materialize. In addition, the status of risk management is reported to the second line of defense in a timely manner.

(2) Second Line of Defense

The Risk Management Department and risk management-related departments act as control departments responsible for the management of each risk category. In accordance with the Group-wide basic policy on risk management approved by the Board of Directors, the Risk Management Department and risk management-related departments act as a check-and-balance function for the risk taking of the first line of defense, and supervise and provide guidance regarding the risk governance system from an independent standpoint.

The Risk Management Department, as an Enterprise Risk Management Department, performs overall risk management, identifies and evaluates group-wide risks, creates a risk management process, and sets risk limits in accordance with the group-wide risk management policy determined by the Board of Directors. In addition, it formulates group-wide recovery strategies, in advance, to prepare for cases when risks materialize.

Furthermore, it shares information with risk management-related departments appropriately, monitors the overall status of risks and risk management in an integrated manner, and reports the status to the Executive Committee and the Board of Directors.

(3) Third Line of Defense

The Internal Audit Department verifies the effectiveness and appropriateness of the Group-wide risk governance system and processes from a standpoint independent of the first and second lines of defense.

(4) Executive Committee

The Executive Committee is composed of representative executive officers and executive officers designated by the President. It makes decisions on matters concerning risk management and undertakes preliminary discussions regarding matters to be resolved by and reported to the Board of Directors.

(5) Board of Directors

The Board of Directors is composed of all of the directors. It decides on the Group’s management policy and strategic goals for risk taking, formulates a risk management policy, etc. that reflects these strategic goals based on a solid understanding of the location and nature of risks, and develops an appropriate risk governance system and supervises its implementation. The Board of Directors has voluntarily established the Risk Committee and the Conflicts of Interest Committee, as advisory bodies, based on the business strategies and risk characteristics of the Group.

• Risk Committee

The Risk Committee receives requests for consultation from the Board of Directors on matters concerning the business circumstances surrounding the Group and the effectiveness of its risk management, etc., reviews their appropriateness, and reports its findings.

• Conflicts of Interest Committee

The Conflicts of Interest Committee receives requests for consultation from the Board of Directors on matters concerning the Group’s fiduciary duties and conflict of interest management, which are the foundation on which the Group seeks to become the “Best Partner” of its clients based on a fiduciary spirit, reviews their appropriateness, and reports its findings.

4. Risk Management Process

In the Group, the Risk Management Department and individual risk management-related departments act as the second line of defense, performing risk management using the following procedure. This risk management process, along with its associated systems, undergoes regular auditing by the Internal Audit Department, which acts as the third line of defense.

(1) Risk Identification

The risks faced by the Group are comprehensively identified, while ensuring the comprehensiveness of the Group’s operations, and the risks to be managed are identified based on the scale and characteristics of the identified risks. Of note, risks that are particularly important are managed as material risks.

(2) Risk Evaluation

The risks identified as requiring management undergo analysis, assessment, and measurement in a manner appropriate for the business scale, characteristics, and risk profiles. We periodically evaluate material risks in terms of frequency of occurrence, degree of impact, and severity to determine whether they can be classified as “top risks” (risks that require management attention due to their potential to have a material impact on the Group’s business capabilities and earnings targets within one year) or “emerging risks” (risks that could have a material impact in the medium to long term; i.e., after one year).

(3) Risk Monitoring

Risk conditions are monitored with appropriate frequency, given the conditions of the Group’s internal environment (risk profiles, allocated capital usage status, etc.) and external environment (economy, markets, etc.). Recommendations, guidance, and advice are given to each of the Group’s businesses based on the risk conditions. Monitoring contents are reported and submitted to the Board of Directors, the Executive Committee, and other bodies regularly or as needed.

5. Enterprise Risk Management

(1) Enterprise Risk Management System

We manage risks by comprehensively grasping the risks faced by the Group, which are evaluated on an individual risk category basis, and comparing and contrasting them against our corporate strength (enterprise risk management).

We evaluate the effectiveness of our risk management and risk control annually, and when the need arises due to changes

Risk predictor management for top risks, etc.

Risk appetite indicators are defined for risks resulting from internal factors, based on the features of the Group’s business model and risk characteristics, and these management indicators are monitored. Regarding risks resulting from external factors, the top risks are selected, and risk predictors are monitored. Countermeasures are implemented based on the monitoring results for both types of risks.

The top risks at present include “the global COVID-19 pandemic” and other risks. Along with countermeasures, these risks are reported to the Board of Directors and the Executive Committee. Emerging risks at present include “climate change” and other risks, and we are analyzing these risks and considering necessary countermeasures.

The Group’s main top risks and emerging risks are listed in the table below.

■ Main top risks and emerging risks	
Top risks	Risks related to the global COVID-19 pandemic
	Risks related to falling prices for strategic shareholdings and similar assets
	Risk of concentration of credit in major obligors in the credit portfolio
	Risks related to cyberattacks
Emerging risks	Risks related to climate change*
	Risks related to innovation
	Risks related to Japan’s declining birthrate and aging population

* The Group is taking steps to enhance the sophistication of its management of climate change-related risks, for example by identifying major climate-related risks in its portfolio and conducting scenario analyses.
For more information, please refer to our TCFD Report published in December 2020.

(4) Risk Control and Mitigation

If any incidents that could have a significant impact on the soundness of management occur, such as the risk amounts exceeding the risk limits, or the existence of concerns that it might do so, appropriate reports are presented to the Board of Directors, the Executive Committee, and other bodies, and the necessary countermeasures are implemented according to the severity of the risk.

in the business environment or other circumstances, we will consider revisions to our risk category system, risk management system, and other policies.

Among the risks we manage through our enterprise risk management, we combine the risk values for risks that can be quantitatively measured using a single standard, such as VaR*, and compare the combined value against our corporate

strength (capital position), thereby managing risks (integrated risk management).

* VaR = Value at Risk

(2) Capital Allocation Operations

For the purpose of the Group’s capital allocation operations, SuMi TRUST Holdings allocates capital to each business, including the Group companies, based on each risk category (credit risk, market risk, and operational risk) in consideration of the external environment, risk-return performance status, scenario analysis, and the results of assessments of capital adequacy levels. The capital allocation plan is subject to the approval of the Board of Directors. Capital allocation levels are determined based on the Group’s risk appetite.

Each business is operated within both the allocated amount

6. Cyber Security and Systems Maintenance

Based on the selection of cyberattacks as a top risk, The Group has formulated its Cyber Security Management Declaration against cyberattacks, and is working to strengthen security measures led by management. Specifically, SuMi TRUST Holdings has established SuMiTRUST-CSIRT*¹ as an internal management system that collects and analyzes threat and vulnerability information from both inside and outside the group, develops necessary security measures, deploys them, and reports them to top management on a regular basis. We share and utilize the latest cyberattack techniques and vulnerability information using CSIRT as well also other information sharing organizations such as Financial ISAC*² and FS-ISAC*³, and conduct cyber security exercises on a regular basis to strengthen our ability to respond to cyberattacks. In addition, we are working to strengthen and standardize security measures Group-wide by deploying common security measures such as a common Internet infrastructure and SOC*⁴ moni-

of risk capital and its risk appetite. The Risk Management Department measures the risk amount on a monthly basis, and reports regularly on the risk conditions, compared to the allocated capital and risk appetite, to the Board of Directors, and others.

(3) Stress Tests and Assessment of Capital Adequacy Level

The Risk Management Department performs three types of stress tests (hypothetical scenario stress testing, historical scenario stress testing, and examination of probability of occurrence) each time a capital allocation plan is formulated or reviewed, with the aim of ensuring capital adequacy from the standpoint of depositor protection. Based on the results of these stress tests, it assesses the level of capital adequacy, and reports to the Board of Directors, and others.

toring, as well as by promoting Group-wide standardization of security assessments using international assessment tools such as FFIEC-CAT*⁵. With respect to systems maintenance, in order to minimize the impact of large-scale failures and disasters on our information systems and prepare for early recovery and business continuity, we are working to strengthen our resilience by specifying the Group’s communication and response systems in detail, developing workarounds and recovery procedures, and conducting education and training in operations.

*1 CSIRT (Computer Security Incident Response Team): In-house organization that collects, analyzes, and responds to early warning information about attacks
*2 Financial ISAC (Information Sharing and Analysis Center): Information sharing organization for Japanese financial institutions
*3 FS-ISAC (Financial Services Information Sharing and Analysis Center): Information sharing organization for financial institutions, mainly in the United States
*4 SOC (Security Operation Center): An office that monitors the network and performs cyberattack detection and analysis
*5 CAT (Cybersecurity Assessment Tool): A cybersecurity risk assessment tool published by FFIEC (Federal Financial Institutions Examination Council) for financial institutions

7. Crisis Management

The Group has developed systems to swiftly and appropriately implement emergency and crisis response measures in the event of natural disasters, computer system failures, outbreaks of new infectious diseases, and the like, which are rooted in its public mission and social responsibilities as a financial institution, and strives to disseminate information regarding these systems throughout the organization.

Specifically, we have developed BCPs (business continuity plans) for continuing business in the event of a crisis, after securing the safety of our clients, directors, officers, employees, and their families. In order to ensure the effectiveness of our BCPs, we periodically conduct exercises and revise their content. In addition, we have created a response system in which, in the event of a crisis, an emergency response headquarters is created, which is headed by the President.

For large-scale natural disasters such as earthquakes, which are envisioned as having a significant impact, we are enhanc-

ing our response system through the preparation of backup offices and backup systems.

To address risks related to business continuity amid the COVID-19 pandemic, we established an emergency task force and set our basic stance of “ensuring the health and safety of our employees and their families,” “maintaining business continuity as a key piece of social infrastructure,” and “preventing the spread of infection in population (including activities that make the population less vulnerable).” In accordance to our stance, we have flexibly implemented measures while taking into account the COVID-19 infection situation in Japan and overseas, government requests, client trends, etc. In addition, we have implemented various business continuity measures as stipulated in our BCP and actively utilize teleworking in order to balance the maintenance of services with safety considerations.

1. Basic Initiative Policy

The Group has positioned compliance as one of its most important management issues necessary for the realization of “The Trust Bank,” its management principles and ideal model, and set out “strict compliance with applicable laws and regulations” in the Codes of Conduct (“Value”).

The Compliance Rules formulated by the Board of Directors define the Group’s overall basic policy, the standards that directors, officers and employees must follow, and the Group’s organization structure for realizing compliance, creating a

compliance system befitting “The Trust Bank.”

The Group’s stakeholders are becoming more demanding every day, and their expectations are rising. Under these circumstances, we aim to meet their expectations and win their trust by not only complying with laws, regulations, and rules, but also by implementing better and best practices.

Compliance-related risks fall under the category of legal & compliance risk, which is a sub-category of operational risk.

2. The Group Compliance Framework

The Group formulates the Compliance Program, which consists of specific practice plans for implementing compliance within the Group each fiscal year, with the approval of the Board of Directors, and the Board of Directors periodically receives reports on the progress and evaluation of the Compliance Program.

SuMi TRUST Holdings manages the compliance framework for the entire Group in order to create an appropriate framework in line with the characteristics of operations of each Group company. This is done by formulating the companies’ Compliance Programs and providing guidance and oversight on the progress and achievement status of these programs.

3. Initiatives to Foster Compliance Awareness

The Group has created a Compliance Manual containing explanation of laws and regulations that must be followed and actions to be taken in the event of the discovery of compliance infractions, with the approval of the Board of Directors, and employees across the Group are thoroughly informed regarding its contents.

We are also improving compliance education to promote the fostering of compliance awareness throughout the entire Group. Specifically, we provide training resources such as

e-learning materials and discussion-based workshops. In addition to the above, to foster compliance awareness among employees, each Group company implements training and workshops in accordance with the characteristics of their operations and products as well as e-learning on specific themes.

Furthermore, in order to accurately grasp the status of the penetration of compliance awareness, the Group conducts awareness surveys on compliance at major subsidiaries and elsewhere.

4. Hotline System

The SuMi TRUST Group and Group companies such as SuMi Trust Bank have established a compliance hotline system through which all directors, officers, and employees can report violations directly to the Compliance Department and an external attorney’s office. This hotline system enforces the rigorous control of information and protection of privacy to ensure the protection of whistleblowers, and strictly prohibits their adverse treatment. Simple reporting functions have also been put in place, including by telephone (the external attorney’s office) and through a Web-based system (in-house point of contact (SuMi TRUST Bank)) that allows reporting 24 hours a day. An accounting hotline system has also been established for the reporting of inappropriate accounting.

The compliance hotline system operated by SuMi TRUST Holdings is registered under the Whistleblowing Compliance Management System (Self-Adaptation Declaration Registration System)*.

*The Whistleblowing Compliance Management System (Self-Adaptation Declaration Registration System) is a system in which businesses evaluate their own whistleblowing system and then submit an application to the designated registration body of the Consumer Affairs Agency. If certain certification criteria are met, the business is registered with the Agency and granted authorization to use the designated WCMS mark.



5. Prevention of Money Laundering*1

The Group has released its “Anti-Money Laundering Compliance Policy” with the approval of the Board of Directors, and made clear its resoluteness in standing up to money laundering.

We oversee the status of the anti-money laundering framework’s development and provide guidance on improving the framework at each Group company through periodic risk assessment on the framework. This effort is to prevent abuse of financial services within the entire Group including overseas bases. For risks that are identified, each Group company implements risk control measures according to risks. For instance, SuMi TRUST Bank carries out additional confirmation according to the transactions’ content, and it verifies, using an AML system*2, whether any illicit transfers between accounts have taken place, and has a system in place for employees, when coming across transactions suspected to be related to illegally obtained

money or used to finance terrorism, to immediately report to the person in charge, who notifies the relevant authorities. We also work continuously to improve the system, for example by enacting special provisions in response to the Financial Services Agency’s publication of its Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism.

In addition, we support internal training programs by each Group company and employees’ acquisition of specialized certifications on anti-money laundering. Internal training programs on anti-money laundering are provided periodically.

*1 Money Laundering is the act of hiding a source of money obtained illegally (for example, through the sale of illegal drugs) by routing it through multiple bank accounts or financial instruments. Terrorists and perpetrators of remittance scams are examples of people who may abuse the accounts of financial institutions. It is the responsibility of financial institutions to prevent the misuse of financial services. Such efforts are referred to as “money laundering prevention countermeasures.”

*2 AML (Anti-Money Laundering) system: A system for monitoring fraudulent and suspicious transactions

6. Initiatives to Prevent Bribery and Corruption*

The Group, with the approval of the Board of Directors, has published its “Anti-Bribery and Corruption Compliance Policy,” and under the supervision of the management team, implements anti-bribery and anticorruption programs. We review and strengthen the programs through regular assessment of risks related to bribery and corruption, and endeavor to improve the framework for prevention of bribery and corruption. We do this by taking such measures as fostering a close-knit collaboration between our overseas bases and local legal counsel to allow for swift and proper responses at over-

seas bases, where such risk is high.

In addition, the Group provides directors, officers and employees with regular training each fiscal year. Also provided is additional specialized training for employees at departments with a high potential risk of facing bribery, and written pledges for compliance are obtained from the employees.

* The Group defines bribery and corruption as the act of offering, promising, or providing entertainment, gifts of money or goods, or other benefits with the intent to improperly influence the counterparty, and the act of receiving or requesting goods or services with the intent to improperly benefit the provider.

7. Response to Antisocial Forces

The Group has declared its resolute stance against antisocial forces in its Value (“Codes of Conduct”) and takes initiatives to prevent transactions by antisocial forces. The aim is to realize “The Trust Bank,” the Group’s management principles, and ideal model. Specifically, we have incorporated a clause to exclude organized crime from transactions in various products, services, etc., and established a framework to prevent transactions with antisocial forces by checking with a database operated by the National Police Agency, via the Deposit Insurance Corporation of Japan, before providing new personal loans,

etc. In cases in which the counterparty in a transaction is found to be an antisocial force after the commencement of a transaction, we take measures in close coordination with the police and other external expert organizations for the eventual cancellation of the transaction.

In addition, we provide directors, officers and employees with training for the prevention of transactions with antisocial forces each fiscal year to strengthen awareness of preventing such transactions.

8. Initiatives to Prevent Insider Trading

Through its “Rules on Insider Information Management,” the Group strictly regulates the handling of information that may be obtained during the execution of working duties.

In addition, we have established a framework for regular

training on prevention of insider trading, and we obtain written pledges for compliance with internal rules from directors, officers, and employees.

Compliance with International Financial Regulations

1. Compliance with Finalized Basel III Reforms

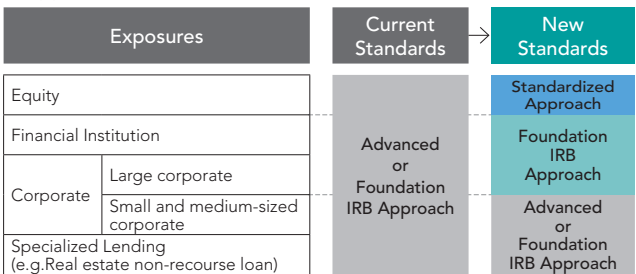
Triggered by the financial crises in 2008, the Basel Committee on Banking Supervision (BCBS) made the agreement to implement new regulations, called “Basel III.” Basel III includes the implementation of higher capital requirements, leverage ratio and liquidity requirements. In Japan, Basel III has been implemented in phased manner from the end of March 2013.

Subsequently, in December 2017, an international agreement was reached on “Finalized Basel III,” which aims to

constrain the use of internally modelled approaches by banks and to introduce a new capital floor based on the standardized approaches to the risk-weighted assets measurement approach in the calculation of the capital adequacy ratio.

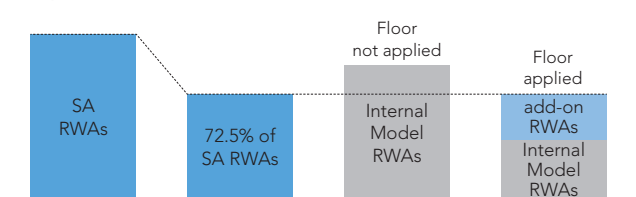
“Finalized Basel III” is required to be implemented from 2023. The Group will work to secure the target level through the future accumulation of capital and other means, and promote appropriate profitability and portfolio management to establish a framework for introducing tighter capital requirements.

■ Conceptual Diagram of Risk-weighted Assets Measurement Approach for Credit Risk



Standardized Approach: Supervisory risk weight according to external credit ratings
Foundation IRB Approach: Risk weight calculated based on banks’ own estimates of probability of default (PD)
Advanced IRB Approach: Risk weight calculated based on banks’ own estimates of probability of default (PD) and loss given default (LGD)

■ Capital Floor Structure



• In the case where 72.5%* of SA RWAs (Floor) is larger than internal model RWAs, Add-on RWAs are charged.
* As for the applicable multiplier of the floor, starting at 50% in 2023, it will be raised by 5% each year to 72.5% in 2028.

2. Strengthening of Regulations on Non-financial Risk Areas

Regarding financial risks, BCBS finalized the agreement on Basel III as described above, and major frameworks for various liquidity risk regulations and Single Counterparty Credit Limit (SCCL) are close to being determined. Although minor modifications of details are still needed, the hardest part is over. With this background, international organizations and the financial authorities of each country are focusing on tightening and enhancing regulations on non-financial risk areas. Examples of such areas that have been attracting interest recently include:

- Operational resilience
- Incorporation of climate change issues into financial supervision

<Operational resilience>

• Operational resilience refers to the ability of banks to continue “critical operations” in the event of a terrorist attack, cyberattack, pandemic, or natural disaster. The concept was proposed by the Bank of England in 2018 as a comprehensive framework encompassing BCP, cybersecurity, outsourcing management, and similar areas. In 2020, proposals and guidelines related to operational resilience were also issued by the European Commission, the Monetary Authority of Singapore (MAS), the International Organization of Securities Commissions (IOSCO), and the Federal Reserve Board (FRB). The Basel Committee incorporated these approaches into its March 2021 publication “Principles of Operational Resilience.”

- As a trust bank entrusted with the investment and management of the assets of our clients, the Group has been paying attention to these trends from early on and is working on developing a compliance framework.

<Incorporation of climate change issues into financial supervision>

- Financial regulators and central banks from many countries are discussing the integration of climate change risks into the oversight of the soundness of the financial system health from the perspective of financial stabilization. In the U.K., the PRA (Prudential Regulation Authority) in 2019 requested that boards of directors of financial institutions develop business strategies that take into account long-term climate change risks. The PRA is planning to conduct stress tests to examine the soundness of the financial institutions when climate change factors are considered. In the U.S., the NYDFS (New York State Department of Financial Services) in 2020 called on financial institutions to integrate climate change issues into their business strategies.
- The SuMi TRUST Group is committed to working proactively to address ESG issues. For example, in December 2020, we published our “TCFD Report 2020/2021,” in which we disclosed the results of our risk scenario analyses in line with TCFD’s recommendations.

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

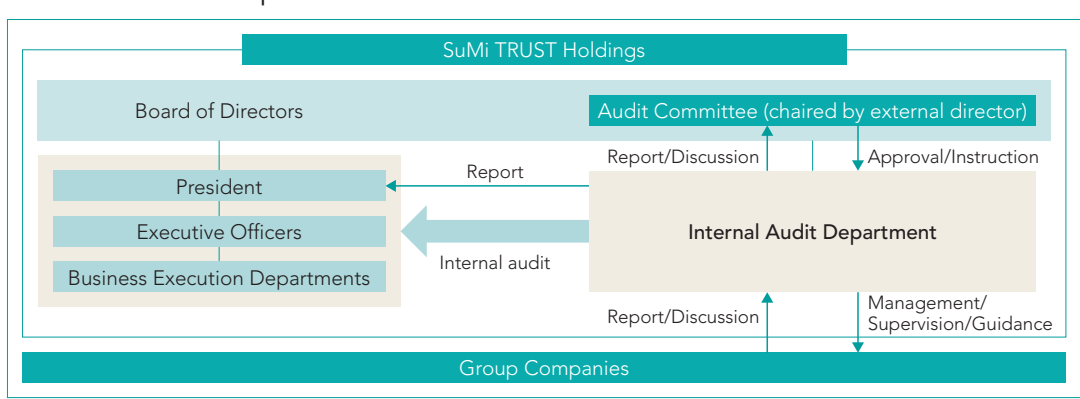
ment supervising the Group’s internal auditing, receives consultations from each Group company regarding the audit plan, and confirms its consistency with the basic policy on internal audits. The Internal Audit Department carries out internal audits in collaboration with the internal auditing unit of 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 Company.

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

■ The SuMi TRUST Group



Development of New Products and Services Supporting Total Solutions and New Product Examination/Management Systems

(1) Basic Stance on the Development of New Products and Services

In its Medium-Term Management Plan for FY2020-2022, the Group defined its reason for existence (“Purpose”) as “To create new value with the power of trusts and let prosperous future for our clients and society bloom.” Trusts have a long history of developing and offering trust products to solve the problems of the times. With our Purpose in mind, we will continue to focus on developing products that contribute to our clients and society.

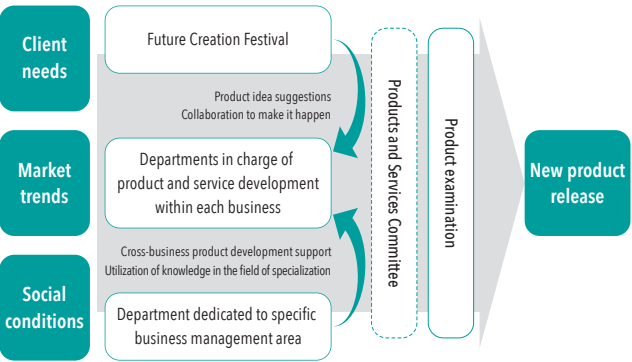
(2) System for the Development of New Products and Services

The Group pursues the development of new products and services that take advantage of its expertise and comprehensive capabilities as a trust banking group. SuMi TRUST Bank has the ability to develop new products and services within its businesses, and applies its business-specific expertise to the development of new products and services based on client needs and market trends.

We have established departments dedicated to specific areas of business management, including a Business Research and Development Department, Regional Revitalization Planning and Promotion Department, Digital Transformation Department, and Sustainability Management Department, and assigned them responsibility for research and development in their respective areas, namely trust and related areas, regional co-creation, digital transformation, and sustainability. We have also built a system to develop and support new products and services across businesses.

In addition, we have established a Products and Services Committee as a meeting body where executives and others can discuss the development of new products and services. These meetings are held on a regular basis to share issues where breakthroughs are required in the development process and to share measures to be taken to drive development forward from the perspective of medium- to long-term management strategies that go beyond the practical working level.

■ System for Development of New Products and Services



(3) “Future Creation Festival” Where Employees Propose New Products and Services

Since FY2018, the Group has held its Future Creation Festival (“Future Festival”).

The Future Festival is an in-house business plan contest that

aims to create the future of the Group with ideas originating from employees. All Group employees are eligible to enter. The goal is to discover a variety of new and unexpected ideas, regardless of the area of the business plan. In the final round, applicants are given the opportunity to present their proposals directly to the judges, who are executives and external experts. Applicants selected in the final selection are given the green light to try to commercialize the product or service they proposed.

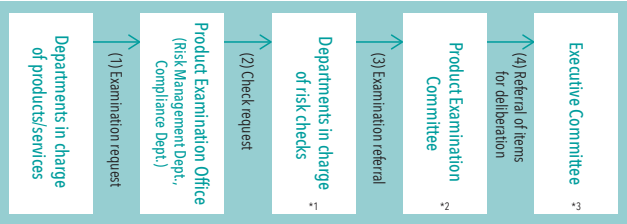
The third Future Festival will be held in FY2020. The festival has become a major event, with a total of 670 entries submitted in the previous two years. Among these was our “solitary trust” product, released in December 2019 as the first product originating from the Future Festival.

(4) New Product and Service Examination System and Post-Introduction Management System

When introducing a new product or service, it is necessary to develop various systems in order to continue offering the product or running the operation, including making an advance determination regarding the existence of any inherent risks and identifying their types, evaluating and managing such risks, and providing explanatory materials and methods to clients. To that end, we have developed a new product and service examination system. In the examination process, multiple departments carry out verification from various angles, with an emphasis on introducing products and services that will earn the trust of clients.

For products and services that have been examined by the Product Examination Committee, after they are introduced, we regularly monitor the status of our post-introduction initiatives, including from a risk management perspective. Regular monitoring is also carried out from the viewpoint of providing clients with appropriate explanations for products and services that are expected to be affected due to changes in the environment and so on, regardless of whether or not they have been deliberated by the Product Examination Committee. The results of these verifications are reported to the Product Examination Committee, and in the event that a situation arises that differs from the assumptions at the time of review, we discuss how to address and report the details to the officers in charge of the Risk Management Department and the Compliance Department.

■ Product Examination Process (SuMi TRUST Bank)



*1 Risk Management Dept., Compliance Dept., Legal Dept., Planning and Coordination Dept., Fiduciary Duties & Customer Satisfaction Planning and Promotion Dept., Financial Planning Dept., Business Process Management Dept., etc.

*2 Held jointly with the Conflicts of Interest Management Enhancement Committee as necessary to consider merchantability and the perspective of conflicts of interest.

*3 When new products and services that may have a significant impact on the Group’s management are referred to SuMi TRUST Bank’s Executive Committee, discussions are held with SuMi TRUST Holdings, and a framework is provided for bringing up matters at the Executive Committee and reporting to the Board of Directors.

Client-Oriented Initiatives

1. Providing Value to Clients

In an era of dramatic environmental change, the needs of both individual and corporate clients to build, manage, and review their assets and plan for succession are becoming increasingly complex, and their needs for trustworthy financial institutions are growing. The SuMi TRUST Group aims to be the “Best Partner,” providing the greatest value to individual and corporate clients by accurately understanding their needs and providing total solutions that include a wide range of highly specialized products and services as the best way to address those needs. To this end, as the only independent trust banking group in Japan, which allows us to make effective use of the comprehensive capabilities that combine banking and trust functions, as well as various trust functions within the Group. In our endeavor to be completely client-oriented, we have established a stringent conflict of interest management framework.

By constantly striving to improve customer satisfaction, be

completely client-oriented, and help solve problems in society, we aim to gain the trust of clients and society and continue to grow alongside each other. To this end, the Group is pursuing initiatives based on the Voluntary Declaration of Consumer-Orientation. In September 2020 we published “Results of Initiatives Based on Voluntary Declaration of Consumer-Orientation,” which documents our results and improvements.

About the Voluntary Declaration of Consumer-Orientation

The Voluntary Declaration of Consumer-Orientation is the Group’s declaration for the approach toward consumer-oriented management (a business activity respecting general consumers’ viewpoints and gaining consumer trust as the providers of a sound market, while being aware of its social responsibilities, and working toward the creation of a sustainable and desirable society) as promoted by the Consumer Affairs Agency and others.

2. Implementing a Client-Oriented Approach

In our effort to provide our clients with the products and services best suited to meet their genuine interests as their “Best Partner,” and to instill a client-oriented approach across all our business operations, in September 2016, we formulated and released our Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group (“Policies”) and since then we have continued to further strengthen our initiatives by revising them whenever necessary. The SuMi TRUST Group has established an extensive organizational structure from the management level to the working level, and strives

constantly to enhance its initiatives in this area (please see page 128 for enhancement of the conflict of interest management framework).

In order to clearly communicate to our clients regarding the results of these initiatives, we periodically publish a report entitled KPIs for Initiatives Aimed at Becoming Our Clients’ “Best Partner.” (see page 126). These KPIs include those commonly used by financial institutions regarding sales of investment trusts.

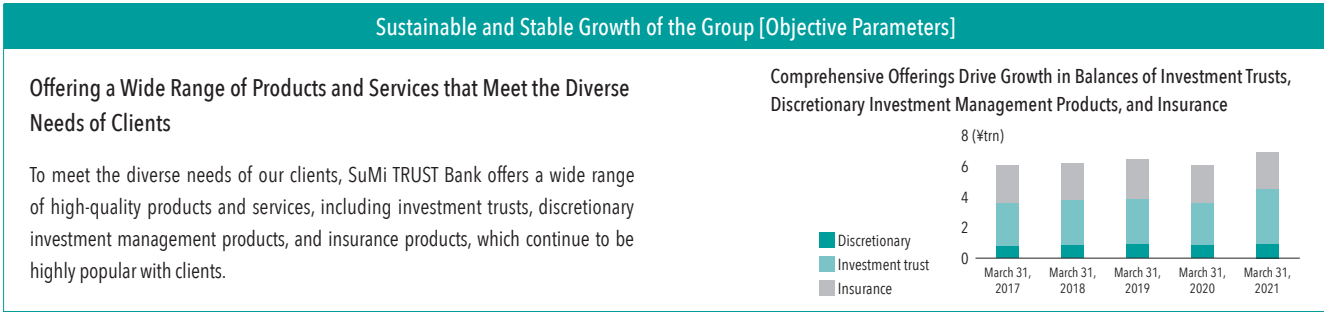
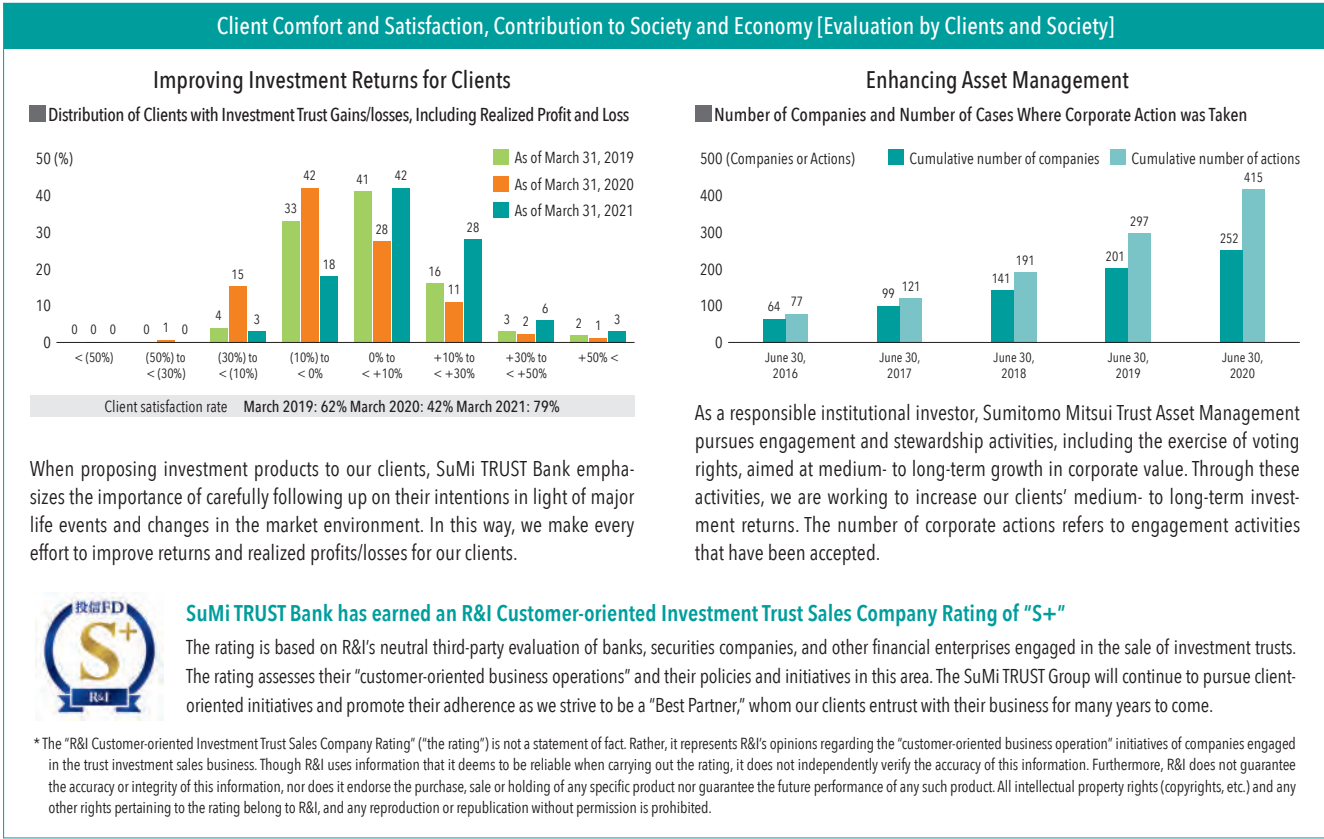
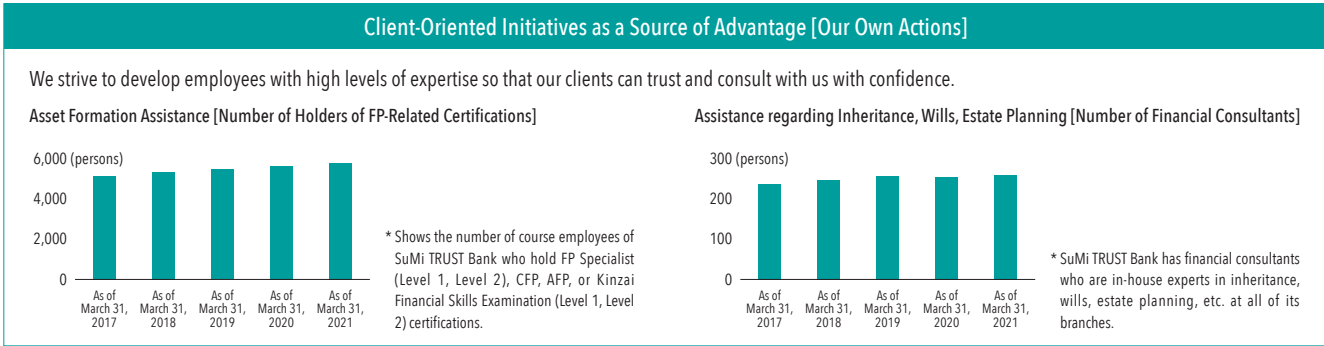
■ Promoting/Supervising Structure of the Group

SuMi TRUST Holdings	Organization		Initiatives
SuMi TRUST Bank	Board of Directors	Conflicts of Interest Committee	• Supervise Conflict of Interest management for the group, monitor FD* progress
	Executive Committee	Conflict of Interest Management Enhancement Committee	• Discuss important cases • Guide improvement to relevant departments
	Department in charge	Fiduciary Duties & Customer Satisfaction Planning Promotion Dept.	• Promote FD* within organization
		Compliance Dept.	• Enhance Conflict of Interest management
Group Companies	Group-wide	Fiduciary Duties Discussion Panel	• Consult with external experts, Implement within company

* FD: Fiduciary duties

3. Status of Initiatives Aimed at Becoming Our Clients’ “Best Partner,” and Key Performance Indicators (KPIs)

The SuMi TRUST Group regularly discloses public indicators that allow confirmation of the status of initiatives aimed at becoming our clients’ “Best Partner.” These indicators are revised periodically as we promote and enhance these activities.



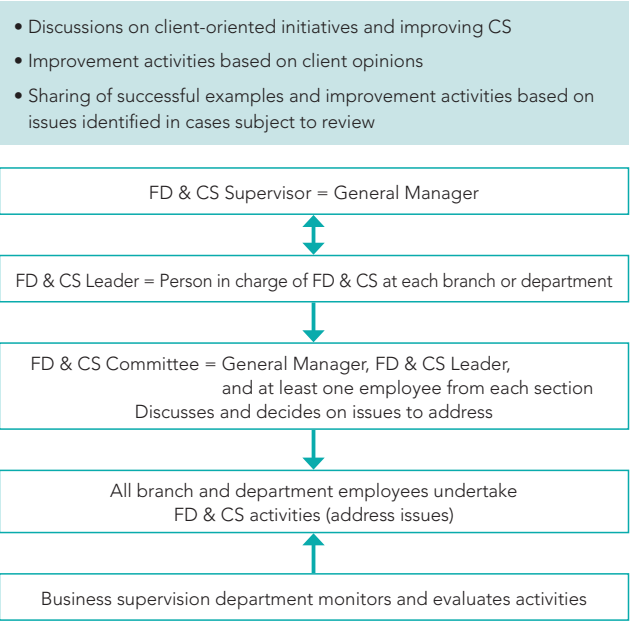
4. Shaping Corporate Culture to Become Our Clients’ “Best Partner.”

SuMi TRUST Bank has established FD & CS Committees at its branch offices and departments and each and every employee strives to improve customer satisfaction and deliver client-oriented services by engaging in improvement activities based on the opinions of clients, improvement activities to address issues identified in client questionnaires, and by taking part in various training sessions and discussions.

Establishment of FD & CS Committees

For the purpose of enhancing FD in each branch office and department and improving CS, we have revised the activities of the CS Committees undertaken thus far and launched a new set of activities under a new FD & CS Committee system. The FD & CS Committees are actively undertaking a whole host of activities according to the characteristics of each branch office or department.

Example of FD & CS Committee System

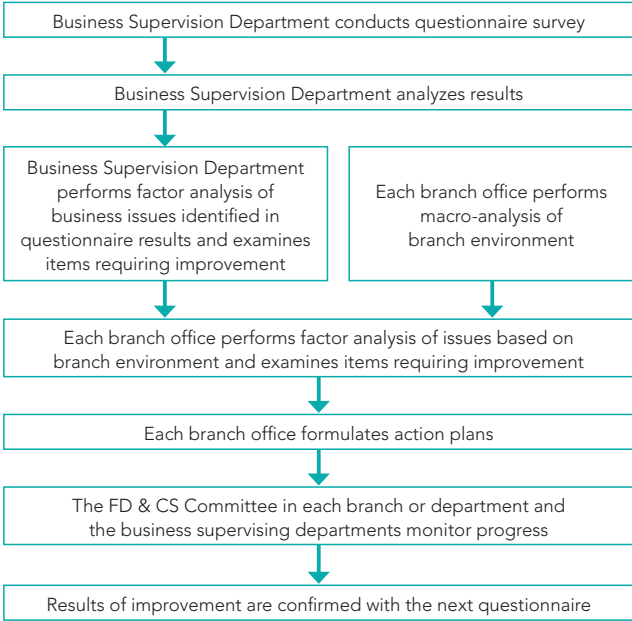


* Example of FD & CS Committee in the Retail Total Solution Services Business

Use of Client Questionnaires

We survey both corporate and individual clients with a questionnaire so that we can better manage and improve the quality of our services. We utilize the questionnaire results to identify issues that need to be addressed by SuMi TRUST Bank and subsequently implement initiatives that reflect measures to improve those issues.

Example of Utilizing CS Questionnaire at Each Business



5. Initiatives to Link “Voice of Clients” to Enhance Customer Satisfaction

1) SuMi TRUST Bank receives hundreds of thousands of valuable opinions and requests annually from clients and many requests via branch offices throughout Japan and through diverse channels such as telephone centers and the Group’s website. 2) To analyze this client feedback, we use the “CS Voice of Clients Portal” system, the purpose of which is to better meet our clients’ needs by making client feedback more visible, so that we can better recognize such needs. 3) Furthermore, regarding opinions and requests received from clients, branches and the head office cooperate to investigate and analyze the causes and identify problems. Based on the results, we search for improvement measures, and strive to provide better products and services.



6. Conflict of Interest Management*

With the approval of the Board of Directors, the Group announced the Management Policy Concerning Conflicts of Interest (Outline), in order to protect the interests of our clients from undue harm caused by provision of various services by Group companies and their related parties. The Group identifies and classifies transactions that have possible conflicts of interest in advance and manages such transactions appropriately.

Furthermore, we have established a system in which the Compliance Department, which is the department that oversees conflict of interest management independently of sales divisions, regularly verifies the effectiveness of conflict of interest management across the Group. The results are regularly reported to the Board of Directors and other relevant parties and we have a framework to continuously implement necessary improvements and guidance.

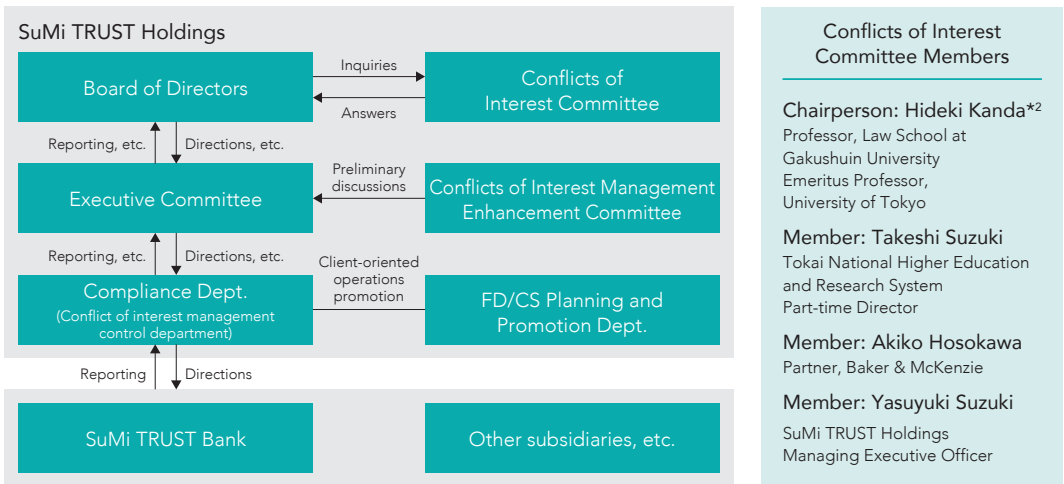
In addition, the Group has established the Conflicts of Interest

Committee in an effort to enhance the effectiveness of the Group's conflict of interest management framework. The majority on the Committee consists of external members. It serves as an advisory body to the Board of Directors and receives verification of the appropriateness of the Group's conflict of interest management. The summary of agendas of the Committee has continuously been made available for public review.

With respect to our conflict of interest management system for stewardship activities, the Conflicts of Interest Committee has established a Stewardship Services Working Group composed of third-party members from the external committees of the Group's asset management companies. The aim is to strengthen information coordination and oversight functions on the Group-level stewardship activities.

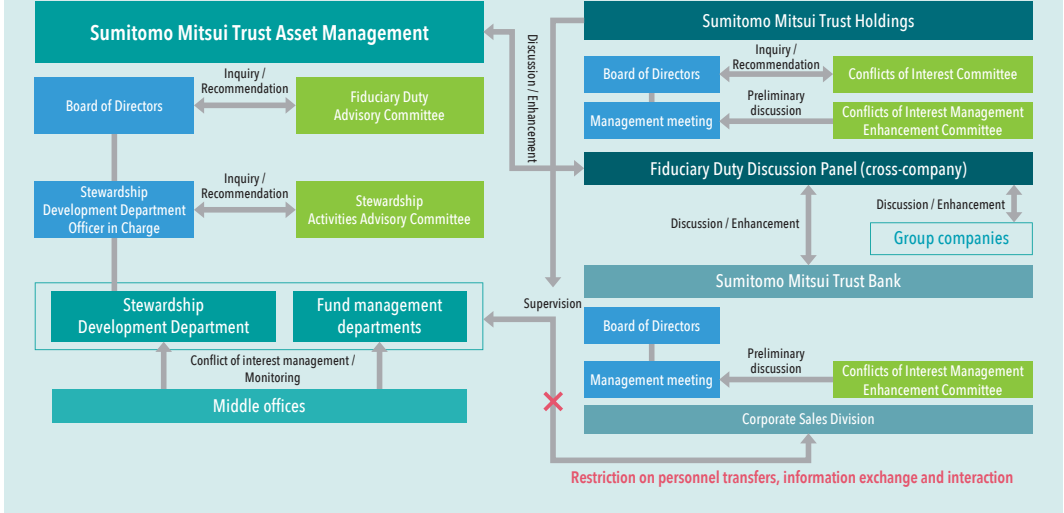
* A conflict of interest refers to a situation where there are conflicting interests between the Group and its clients, or between clients of the Group.

Conflict of Interest Management System*1



*1 For roles and responsibilities of each management structure and main departments, please see page 125.
*2 External Director, SuMi TRUST Bank

Conflict of Interest Management System for Stewardship Activities

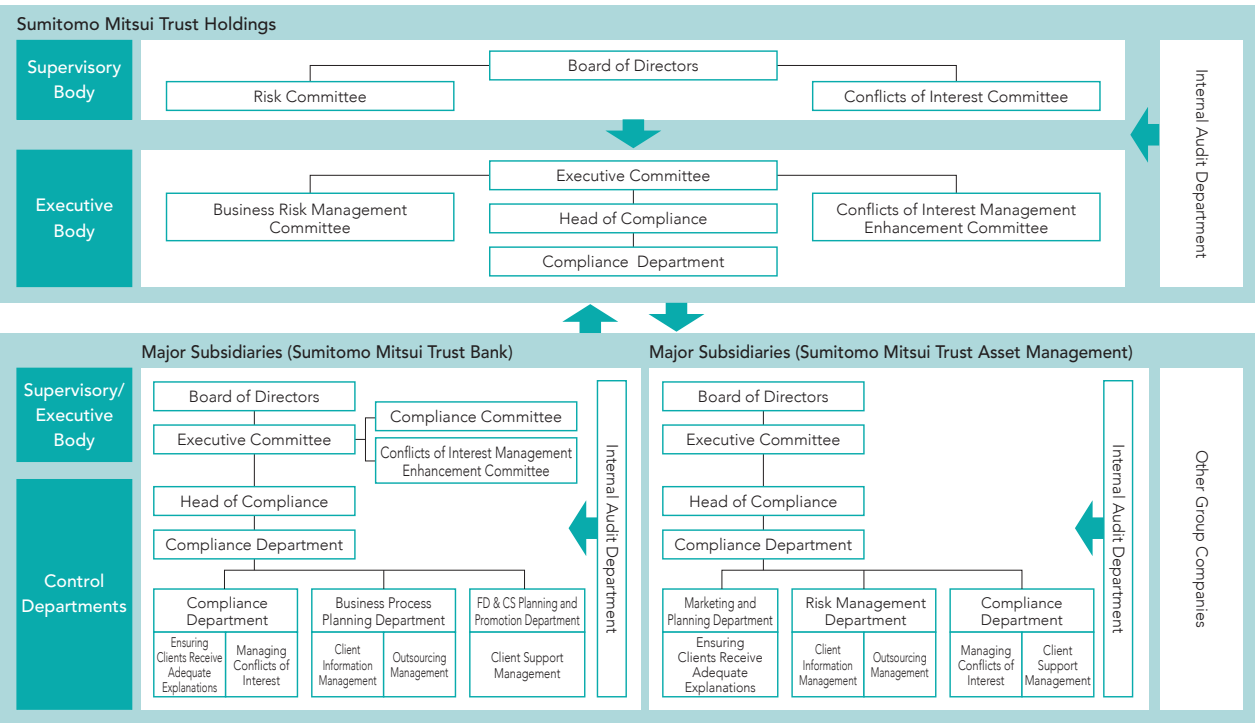


7. Client Protection Management

(1) Basic Initiative Policy

The Group regards client protection as one of its most important management issues. SuMi TRUST Holdings has established a basic policy in its Action Guidelines for the Best Interest of Clients designed to enhance the Group's client protection and convenience, to enable the Group companies to develop appropriate client protection management systems in accordance with the characteristics of their own operations. Based on the basic policy, each Group company has estab-

lished the control departments for client protection management and supervisory departments according to functions. The control departments oversee client protection management as a whole, through the preparation of internal company rules and regular reporting to the Board of Directors and others. Supervisory departments develop frameworks for each function, and ensure appropriateness and sufficiency of each function through guidance for related departments, enhanced training and improvement.



(2) Ensuring Clients Receive Adequate Explanations

When providing financial products and services, the SuMi TRUST Group offers appropriate and sufficient explanations and easy-to-understand information so that our clients understand and are assured about the offered products and services. Specifically, we have created a client protection management framework, such as thoroughly enforcing the suitability rule* and duty of honesty and fairness, creating a client explanation manual that stipulates appropriate provision of information to clients and expanding and improving training, based on the solicitation policy regarding provision of financial products and services and the Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group.

In particular, we monitor whether appropriate explanations are provided to our clients to ensure their understanding in transactions involving financial products that may pose risk, including investment trusts and life insurance. We revise our solicitation rules, as necessary, to ensure that solicitation and

sales activities for financial products are conducted appropriately from the perspective of the clients.

* Rules that prohibit inappropriate solicitation in view of clients' knowledge, experience, financial position, and purpose of transactions

(3) Client Information Management

The Group has established the Sumitomo Mitsui Trust Group Privacy Policy to securely protect the personal information of its clients for establishing a framework for appropriately managing client information. When accessing client information jointly within the Group, each company complies with laws on personal information protection, guidelines on personal information protection in the financial industry, and other related laws and regulations, so as to ensure the appropriate use of such information. The SuMi TRUST Group requires all employees to submit a written affirmation of their duty of confidentiality, so that they clearly recognize the duty they have to keep important information, including personal data they come across while working, confidential.

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, our top management

2. Record of Activities

(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”).

In FY2020, in-person information meetings were suspended in order to prevent the spread of COVID-19, but we participated in an online information meeting organized by a securities firm in December and distributed the video of the meeting on our website.



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

(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 manage-

endeavors to present our shareholders and investors a deeper understanding of SuMi TRUST Holdings’ performance, business conditions, and business strategies directly by actively holding information meetings, in addition to disclosing corporate information in a timely, fair, and accurate manner.

ment strategy and financial position by participating in conferences organized by securities companies and the like and by holding one-on-one investor meetings in Japan and overseas. The opinions of analysts and institutional investors obtained through these opportunities are fed back to the management team in a timely and appropriate manner, and IR activities are reported to the Board of Directors on a regular basis.

We are also working to enhance constructive dialogue with shareholders. We are increasing opportunities for dialogue to explain the governance and management policies of the Group to those responsible for exercising voting rights. We will also focus more on dialogue on ESG (Environmental, Social and Governance) themes in the future.

Although the COVID-19 pandemic has not receded and domestic and overseas travel has been difficult, in FY2020 we continued to dialogue with investors by actively utilizing conference calls, video conferencing, and other means.

■ IR Activities Carried Out in FY2020

Investor meetings on financial results for analysts and institutional investors	2 times
Overseas IR events	6 times (all held online due to travel restrictions)
One-on-one meetings with institutional investors in Japan and overseas	Number of companies: 266 (including 112 overseas investors)
Information meetings for individual investors	4 times (held online)

3. General Meeting of Shareholders

Well before the General Meeting of Shareholders held in June of each year, the convocation notice is sent, and one week before that, the English-language version of the notice is posted on our website and other channels at the same time as the Japanese version. Voting rights may be exercised electronically over the Internet, for example by smartphone. SuMi TRUST Bank is working to promote the electronic exercise of voting rights by participating in a platform for the exercise of voting rights by institutional investors and by participating in the “Smart Exercise” campaign, which encourages shareholder registry administrators to allow electronic exercise of voting rights, including by smartphone.

In order to ensure shareholders are provided with sufficient information, the 2021 General Meeting of Shareholders was held early on June 23rd to avoid overlap with other shareholder meetings held in the same busy period. In addition to implementing a system that allows shareholders to ask questions about agenda items via the Internet in advance of the General Meeting of Shareholders, we conducted a live web-cast of the meeting to allow shareholders who were unable to attend to view the proceedings via the Internet.

Notices of resolutions and voting results are posted on our website immediately after the conclusion of the General Meeting of Shareholders along with video footage of the day’s events.

● Initiatives for Financial Facilitation

The SuMi TRUST Group considers the facilitation of financing to small and medium-sized enterprises (SMEs) and individuals seeking mortgage loans as one of its most important social missions.

SuMi TRUST Bank took steps to further enhance its financial intermediary function and established a basic policy on the facilitation of financing. This was to ensure prompt and appropriate responses to requests from SMEs and mortgage loan clients for various consultations, and restructuring of loan repayment conditions and other issues.

The bank facilitates financing operations through a system at branch offices to provide prompt and appropriate responses to clients’ consultations about, or requests for, the restructuring of loan repayment conditions and other matters and a system at the head office to fully grasp the branch office support activities. The bank also responds to clients’ requests for consultation and complaints through a dedicated telephone number as well as at branch offices.

The Act concerning Temporary Measures to Facilitate Financing for SMEs, etc. expired on March 31, 2013. Even so, the SuMi TRUST Group continues to provide appropriate and proactive financial intermediary services to facilitate the business activities of SMEs and to provide mortgage loan clients with financial security. Also, when there are consultations about, or requests for, the restructuring of loan repayment conditions, the SuMi TRUST Group endeavors to respond in a flexible and appropriate manner, taking each client’s circumstances into account.

In addition, SuMi TRUST Bank has a system under which it respects and abides by the “Guidelines for Management Guarantee,” which were adopted in February 2014, and the “Special Provisions on Guidelines for Management Guarantee” (adopted in April 2020), and discloses the utilization status of the guidelines (including the Special Provisions) on its website. The Bank also respects the “Guidelines on Arrangement for Victims of Natural Disaster,” which were adopted in April 2016, and the “Special Provisions for the Application of the Guidelines to COVID-19” (adopted December 2020), and we are prepared to respond appropriately to consultations from clients directly or indirectly affected by natural disasters such as the Great East Japan Earthquake and Kumamoto Earthquake as well as the COVID-19 pandemic.

● Status of Initiatives to Improve SME Business Operations and to Revitalize Regions

(1) Policy on Management Support Measures for SMEs

SuMi TRUST Bank assists SMEs with efforts to improve and revitalize their business operations by considering their conditions and providing business consultations, management guidance and support for formulating business reconstruction strategies, and other support services.

(2) Framework of Management Support for SMEs

In order to conduct management support for SMEs, SuMi TRUST Bank has established “Financing Facilitation Promotion Offices” in the Wholesale Business Planning Department and in the Personal Loan Business Promotion Department, to prepare a framework to deal appropriately and satisfactorily with various consultations and requests from clients.

In terms of specific measures related to management support for SMEs, branch offices and the head office are engaged in efforts such as support for formulating business reconstruction plans tailored to individual circumstances, and assistance aimed at making progress with business reconstruction plans, taking the industry conditions and the business dealings of individual SMEs into account. Furthermore, SuMi TRUST Bank prepares to support clients in overseas expansion and business succession as well as in electronically recorded monetary claims.

1) Initiatives related to support for overseas expansion

SuMi TRUST Bank has a six-site network that includes New York, London, Singapore, Hong Kong, Shanghai and Thailand. These branches offer financial services such as loans, deposits, foreign

exchange, and derivatives to Japanese client companies who are expanding overseas.

In addition to developing our own offices, we are making efforts to address the growing need for financial services denominated in local currencies through partnerships with leading banks in Asian countries. In Vietnam, we are working to strengthen financial services such as sales finance for Japanese companies that are expanding into the market through the Bank for Investment and Development of Vietnam (hereinafter “BIDV”), with which SuMi TRUST Bank has a partnership, as well as our leasing joint venture company with BIDV (BIDV-SuMi TRUST Leasing Company, Ltd.).

2) Initiatives related to support for business succession

SuMi TRUST Bank provides detailed proposals and prompt information to meet the diverse asset inheritance and business succession needs of both its corporate and individual clients. Tailor-made services for the needs of company-owner and high net-worth clients are provided in collaboration with an affiliate company, Sumitomo Mitsui Trust Wealth Partners, and various specialists such as lawyers and tax accountants.

Financial consultants have been assigned to branches nationwide as immediate counseling service counter so that company-owner clients may consult on any inheritance or business succession concerns or issues they may have. Our financial consultants draw on the expertise they have accumulated through a rich, wide-ranging set of experiences to consult with clients on matters concerning inheritance, asset inheritance and business succession as well as asset management and administration.

Furthermore, we cooperate with our tax accountant corporate partners to hold seminars for business owners on the inheritance and business succession tax system and business succession measures that utilize trusts. These events serve as opportunities to make SuMi TRUST Bank’s consulting function more broadly known among people who have never had dealings with a trust bank.

3) Initiatives related to “Densai” (electronically recorded monetary claims)

In order to facilitate fundraising for SMEs, SuMi TRUST Bank has offered “Densai Services” since February 2012. The service is based on the Zengin Electronic Monetary Claims Recording Network, in which financial institutions nationwide are members. We also provide “Densai lump-sum factoring services.”

Due to the impact of the COVID-19 pandemic, we have been asked by the Zengin Electronic Monetary Claims Recording Network, “densai.net Co., Ltd.,” to endeavor to apply the same kinds of financial measures (e.g., deferment of insolvency proceedings) that are applicable under the Disaster Relief Act. We will endeavor to respond to our clients’ consultation about the payment of monetary claims already issued in a flexible and appropriate manner, taking each client’s circumstances into account.

(3) Status of Management Support Initiatives for SMEs and of Regional Revitalization Initiatives

SuMi TRUST Bank has branches throughout the country. Although it is not engaged in initiatives for the revitalization of specific regions, the Bank carries out initiatives focused on support to improve the business operations of clients at each branch according to their individual circumstances and business dealings.

Examples of Specific Initiatives

- Introduced prospective buyers of idle real estate (buildings for rent and other properties) of clients and brokered the sale of such assets. Contributed to reducing interest-bearing debt of the clients.
- Executed sales mediation services (real estate surveys) for clients to other clients, and contributed to increasing their sales.

10-Year Data

Billions of Yen (Unless specified otherwise)										
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Net Business Profit before Credit Costs	342.2	284.6	285.8	316.7	318.3	232.3	270.5	282.2	289.0	294.7
Total Credit Costs	(8.9)	6.1	9.1	19.3	(25.9)	(28.5)	2.9	(2.9)	(43.8)	(7.8)
Net Gains on Stocks	(33.9)	(4.2)	(3.7)	(2.1)	29.6	36.4	6.3	13.7	40.1	(43.5)
Of which Amortization of Shares, etc.	(30.3)	(7.7)	(2.3)	(0.3)	(6.3)	(3.8)	(0.0)	(3.4)	(12.4)	(0.8)
Other Net Non-Recurring Profit	(27.2)	(31.4)	(33.2)	(41.4)	(43.9)	(43.9)	(47.2)	(36.5)	(27.6)	(60.2)
Ordinary Profit	272.1	255.0	258.0	292.4	278.0	196.3	232.6	256.4	257.6	183.1
Extraordinary Profit	22.8	(26.7)	(11.3)	(59.9)	(4.9)	(5.2)	6.1	(15.0)	(16.9)	16.8
Total Income Taxes	(109.3)	(75.1)	(91.6)	(60.1)	(93.9)	(56.9)	(73.0)	(60.5)	(75.6)	(56.0)
Net Income	185.6	153.1	154.9	172.4	179.1	134.2	165.7	180.7	165.0	143.9
Net Profit Attributable to Non-Controlling Interests	(20.9)	(19.4)	(17.2)	(12.7)	(12.2)	(12.7)	(11.7)	(6.8)	(2.0)	(1.7)
Net Income Attributable to Owners of the Parent	164.6	133.7	137.6	159.6	166.9	121.4	153.9	173.8	163.0	142.1
Total Assets	34,376.3	37,704.0	41,889.4	46,235.9	58,229.9	65,453.7	68,356.7	57,029.1	56,500.5	62,163.8
Loans and Bills Discounted	20,636.4	22,391.6	23,824.0	25,550.0	27,525.8	28,040.4	28,190.5	29,025.7	29,703.3	30,506.9
Securities	6,795.7	6,346.0	5,764.4	4,813.3	4,926.2	5,127.7	5,537.6	5,759.5	6,437.5	6,983.4
Total Liabilities	32,039.2	35,373.5	39,448.3	43,518.9	55,525.4	62,662.0	65,484.4	54,298.7	53,909.6	59,441.3
Deposits	22,077.8	23,023.8	24,123.3	25,079.7	26,701.9	36,000.8	37,351.8	31,903.5	30,688.9	33,467.6
Negotiable Certificates of Deposit	3,252.8	4,103.5	5,100.1	6,570.5	7,130.6	7,326.6	6,563.3	6,328.6	5,860.2	7,160.5
Total Net Assets	2,337.0	2,330.4	2,441.0	2,716.9	2,704.5	2,791.6	2,872.3	2,730.3	2,590.9	2,722.5
Treasury Stock	1,817.8	1,711.5	1,901.7	1,860.1	1,966.8	2,031.6	2,127.8	2,242.9	2,334.3	2,416.0
Of which Retained Earnings	696.8	790.1	886.4	970.3	1,087.1	1,159.0	1,263.4	1,387.5	1,495.0	1,581.0
Accumulated Other Comprehensive Income	9.0	134.4	203.5	529.6	410.1	430.9	496.8	410.4	220.8	277.7
Non-Controlling Interests	510.1	484.4	335.6	326.9	327.1	328.4	246.8	75.8	34.5	27.7
Consolidated Common Equity Tier 1 Capital Ratio	—	8.30%	9.32%	10.28%	11.36%	11.04%	11.33%	12.18%	12.62%	12.12%
Consolidated Tier 1 Capital Ratio	—	9.95%	10.83%	11.45%	13.36%	13.54%	13.74%	14.18%	14.47%	13.51%
Consolidated Total Capital Ratio	—	14.10%	14.78%	15.57%	16.75%	16.42%	16.31%	16.77%	17.23%	15.76%
Dividend Per Common Share (Yen)*	85	90	100	120	130	130	130	140	150	150
Dividend Payout Ratio	30.3%	27.2%	29.3%	29.6%	30.0%	40.9%	32.1%	30.5%	34.5%	39.5%
Net Assets Per Common Share (Yen)*	4,131.11	4,707.16	5,110.21	6,186.38	6,181.19	6,437.57	6,897.36	7,008.67	6,822.48	7,192.07
Net Income Per Common Share (Yen)*	385.40	312.76	344.88	403.84	433.30	317.24	403.91	458.91	434.31	379.65
ROE	9.58%	7.48%	7.13%	7.17%	7.00%	5.01%	6.05%	6.58%	6.25%	5.41%

* Value shown assumes that the reverse stock split on October 1st 2016 (1 share per 10 shares of common stock) was carried out last fiscal year.

Financial Review

Terms with an asterisk are explained in “Glossary” on page 135, 136.

In the consolidated financial results for FY2020, net business profit before credit costs increased by ¥5.6 billion year on year to ¥294.7 billion, which far exceeded our published forecasts. The rise was mainly due to an increase in effective net interest income and related profit in SuMi TRUST Bank, despite a decrease in net fees and commissions and related profits due to the effects of self-restraint on business activities with the spread of COVID-19.

In the meantime, net income attributable to owners of the parent decreased by ¥20.8 billion year on year to ¥142.1 billion. This was because of impairments of software assets, etc. with an eye on “new normal” state of the economy in the future, partial realization of both unrealized gains on strategic-shareholdings and unrealized losses on hedge transactions, and improvement of mark-to-market value of hedging positions in net nonrecurring profits line and below. In the first year of the newly launched Medium-Term Management Plan, the plan mostly progressed as envisaged , achieving the initial plan of ¥140 billion.

Overview of the Financial Results in FY2020

<Consolidated> SuMi TRUST Holdings (Consolidated)				
	FY2020 (A)	FY2019 (B)	Change (A)–(B)	Rate of change
Net Business Profit before Credit Costs*	294.7	289.0	5.6	2.0%
Ordinary Profit	183.1	257.6	(74.5)	(28.9%)
Net Income Attributable to Owners of the Parent	142.1	163.0	(20.8)	(12.8%)
Total Credit Costs*	(7.8)	(43.8)	36.0	—
Return on shareholders’ equity*	5.41%	6.25%	(0.84%)	—
Net Income per Common Shares (EPS) (Yen)	379	434	(54)	(12.6%)
Net Assets per Common Shares (BPS) (Yen)	7,192.07	6,822.48	369	5.4%

* [Net Income Attributable to Owners of the Parent / (FY-start total shareholders’ equity (equity) + FY-end total shareholders’ equity (equity)) / 2] × 100

<Non-consolidated> SuMi TRUST Bank (Non-consolidated)				
	FY2020 (A)	FY2019 (B)	Change (A)–(B)	Rate of change
Net Business Profit before Credit Costs*	206.5	206.8	(0.2)	(0.1%)
Net Interest Income and Related Profit*	229.9	134.1	95.7	71.4%
Net Fees and Commissions and Related Profit*	163.9	174.3	(10.3)	(5.9%)
Net Trading Profit	(33.2)	102.1	(135.4)	(132.5%)
Net Other Operating Profit	91.3	42.5	48.7	114.6%
General and Administrative Expenses	(245.4)	(246.4)	0.9	(0.4%)
Total Credit Costs*	(6.3)	(34.7)	28.4	—
Net Non-recurring Profit, etc.	(86.2)	4.4	(90.6)	—
Ordinary Profit	114.0	176.4	(62.4)	(35.4%)
Extraordinary Profit	15.6	1.0	14.5	—
Net Income	95.9	124.7	(28.7)	(23.1%)

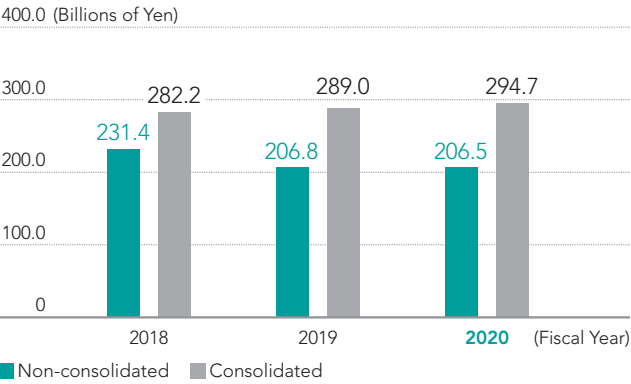
(Note) Amounts less than ¥100 million are rounded down.

<Dividends>

	FY2020 (A)	FY2019 (B)	Change (A)–(B)
Dividend per Share on Common Share (Yen)	150.00	150.00	±0.00

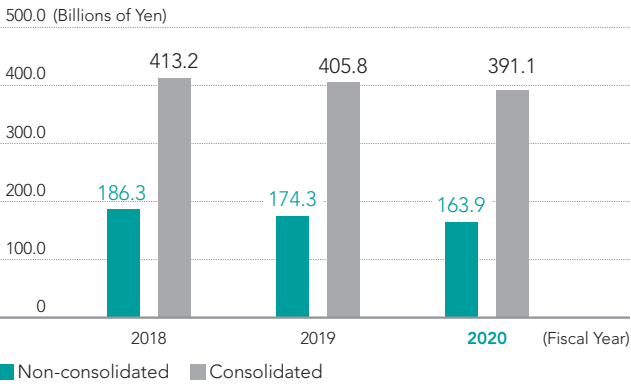
Status of Profit and Loss

Net Business Profit before Credit Costs*



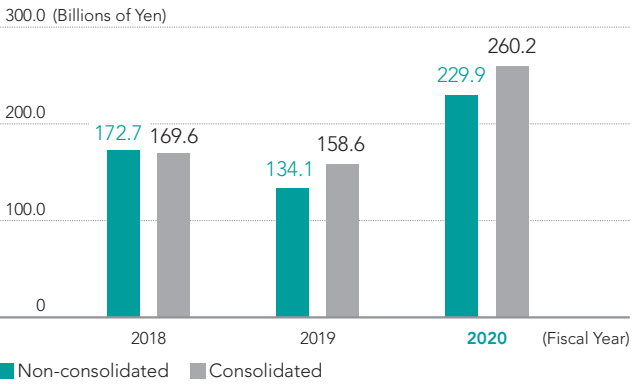
Net fees and commissions and related profit decreased, despite steady recurring revenue, mainly due to decrease in nonrecurring fee revenue. On the other hand, effective loan/investment related profit increased mainly owing to the improvement in domestic deposit-loan margin and the effect of a temporary boost in revenue from investments in partnerships, bringing the total profit to ¥294.7 billion, which is an increase of ¥5.6 billion from the previous fiscal year.

Net Fees and Commissions and Related Profit*



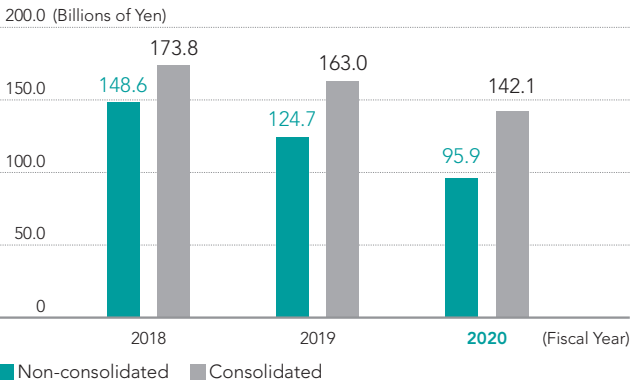
While recurring revenue related to asset management and administration remained strong, revenue related to investment management consulting services and nonrecurring revenue related to real estate brokerage services decreased due to self-restraint on business activities with the spread of COVID-19. This resulted in a decline of ¥14.6 billion from the previous fiscal year to ¥391.1 billion.

Net Interest Income and Related Profit*



Nominal net interest income and related profit increased by ¥101.5 billion compared to the previous fiscal year. Effective profit increased by ¥18.0 billion, including profit attributable to deployment of foreign currency surplus funds, which is included in other operating income. The contribution factors include the effect of a temporary boost in revenue from investments in partnerships, as well as the improvement in domestic deposit-loan margin.

Net Income Attributable to Owners of the Parent



Although there was an increase in net business profit before credit costs, we recognized impairments of software assets, etc. with an eye on “new normal,” partial realization of both unrealized gains on strategic-shareholdings and unrealized losses on hedge transactions, and improvement of mark-to-market value of hedging positions in net nonrecurring profits line and below. This resulted in a decline of ¥20.8 billion from the previous fiscal year to ¥142.1 billion.

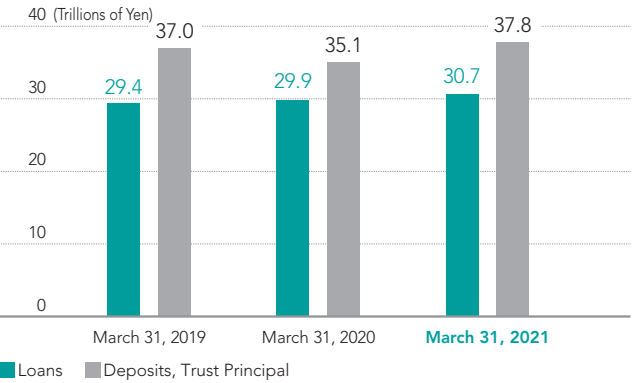
Glossary

- Net Business Profit before Credit Costs**
Substantial profit of a bank's core businesses, calculated by eliminating the effects of non-recurring factors, such as total credit costs and net gains on stock from ordinary profit.
- Total Credit Costs**
Costs incurred in posting allowances for losses on loans and writing off loans.
- Net Interest Income and Related Profit**
Net revenues after subtracting interest paid on deposits, etc., from revenues on loans and securities investment.
- Net Fees and Commissions and Related Profit**
Net profit of the sales fees of investment trusts, real estate brokerage fees, and trust fees for assets under management, etc.

Financial Status

Terms with an asterisk are explained in “Glossary” on page 136.

Loans and Deposits (Non-consolidated)

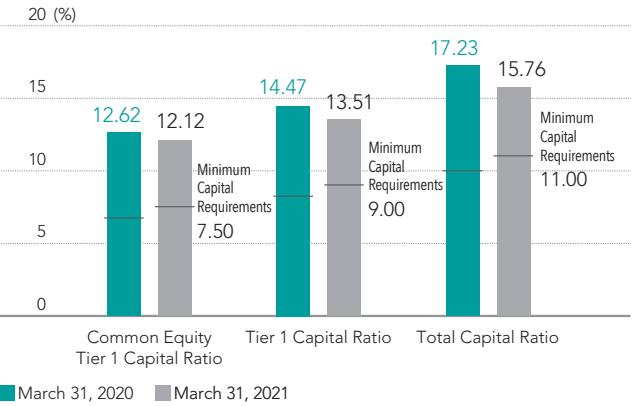


Both loans and deposits increased

Loans and bills discounted increased by ¥0.7 trillion from the end of the previous fiscal year to ¥30.7 trillion, due to increases in both mortgage loans and loans to corporations. Deposits, increased by ¥2.6 trillion to ¥37.8 trillion, mainly due to an increase in time deposits from corporate clients.

* Deposits include the principal guaranteed trust account (loan trusts and jointly operated money trusts), but exclude negotiable certificates of deposit.

Capital Adequacy Ratio, etc.* (Consolidated)

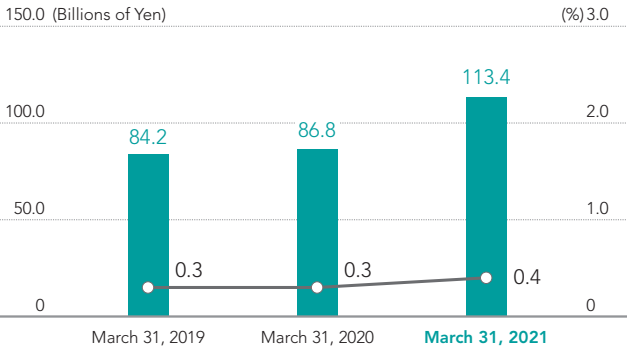


Coverage levels remain well above regulatory standards

Common Equity Tier 1 capital ratio decreased by 0.50 percentage points from the end of the previous fiscal year to 12.12%. The decrease was mainly due to an increase in corporate loans due to the COVID19 pandemic and an increase in bear investment trust (additional hedging) as a result of the rise in stock prices. Total capital ratio also decreased by 1.47 percentage points from the end of the previous fiscal year to 15.76%. Common Equity Tier 1 capital ratio as well as the total capital ratio remain well above the corresponding regulatory required levels of 7.5% and 11.00%, respectively.

Basel III:
Basel III is a new capital regulatory standard that was announced by the Basel Committee on Banking Supervision in December 2010. Basel III, intended to enhance the soundness of internationally active banks, has been adopted in Japan as of the end of March 2013 in a phased manner. Basel III newly defines “Common Equity Tier 1,” which is comprised of capital components that can be used to cover unexpected losses and do not need to be repaid, such as common equity and retained earnings, and requires that the ratio of those capital components to risk-weighted assets, such as investments and loans, (“Common Equity Tier 1 ratio”) must be kept higher than a prescribed level.

Problem Assets Based on the Financial Reconstruction Act* (Non-consolidated)



Problem Assets Based on the Financial Reconstruction Act (Left)
Ratio to Total Loan Balance (Right)

Ratio to total loan balance remains low at 0.4%

The total balance of problem assets based on the Financial Reconstruction Act increased by ¥26.6 billion compared to the end of the previous fiscal year to ¥113.4 billion, with the ratio to total loan balance remaining at a low level of 0.4%, after an increase by 0.1%. As for the ratio of problem assets covered by collateral and the allowance for loan losses, the ratio was 90% for doubtful loans and 50% for substandard loans, both of which are deemed sufficiently high.

Glossary

Problem Assets Based on the Financial Reconstruction Act
Assets for which disclosure is required by the Financial Reconstruction Act, and which are classified as follows. These are generally used in referring to “non-performing loans.”

Bankrupt and Practically Bankrupt
Assets to debtors who are legally bankrupt (due to bankruptcy, corporate reorganization or rehabilitation proceedings, etc.), or virtually bankrupt.

Doubtful
Assets to debtors who are not legally bankrupt, but whose financial conditions and business results have deteriorated, with a high likelihood that the lender will not be able to collect the principal or receive interest in accordance with the contract.

Substandard
Assets more than three months past due and assets whose terms have been modified to support debtors through such means as interest reductions or exemptions.

Capital Adequacy Ratio, etc.
Basel III defines the composition of capital in three steps: Common Equity Tier 1 capital, Tier 1 capital and total capital. The ratios obtained by dividing them by risk-weighted assets refer to Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio, respectively.

Common Equity Tier 1 Capital
Common Equity Tier 1 capital is composed of core capital, consisting primarily of the capital stock, capital surplus and retained earnings.

Tier 1 Capital
Tier 1 capital is composed of Common Equity Tier 1 plus Additional Tier 1 capital, which includes preferred shares, etc.

Total Capital
Total capital is the total amount of capital, composed of Tier 1 capital and Tier 2 capital, which includes debt capital such as subordinated debt and subordinated loans.

Corporate Information (as of March 31, 2021)

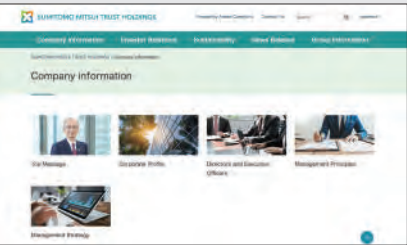
Registered Trade Name: Sumitomo Mitsui Trust Holdings, Inc.
Headquarters Location: 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Date of Establishment: February 1, 2002 (Change of trade name: April 1, 2011)
Main Business: With trust banking at its core, Sumitomo Mitsui Trust Holdings, Inc., will focus on the management of business operations, as the holding company of the Sumitomo Mitsui Trust Group, and sets the following (1) - (8) as its key functions:
(1) Supervising management strategies
(2) Supervising financial management
(3) Supervising human resource management
(4) Supervising general affairs management
(5) Supervising business process management
(6) Supervising risk management
(7) Supervising compliance management
(8) Managing internal auditing
Capital: 261,608,725,000 Yen
Stock Exchange Listings: Tokyo, Nagoya Stock Exchanges
Tokyo (1st Section), Nagoya (1st Section)
Securities Code: 8309

Rating Information (as of June 30, 2021)

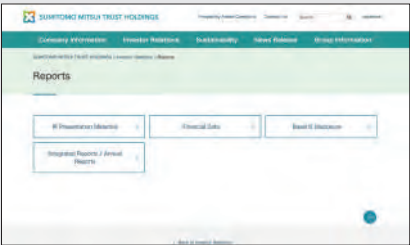
		Long-term	Outlook	Short-term
Sumitomo Mitsui Trust Holdings	JCR	AA-	Stable	—
	R&I	A	Stable	—
Sumitomo Mitsui Trust Bank	S&P	A	Stable	A-1
	Moody's	A1	Stable	P-1
	Fitch	A-	Stable	F1
	JCR	AA-	Stable	—
	R&I	A+	Stable	a-1

Website

Please go to our website for specifics on our Group.



About The Sumitomo Mitsui Trust Group
https://www.smth.jp/english/about_us



Reports
<https://www.smth.jp/english/investors/report>



Sustainability
in The Sumitomo Mitsui Trust Group
<https://www.smth.jp/english/sustainability>

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