

Tackling social issues head-on with the power of trusts and creating new value for clients and society

As we strive towards realization of a sustainable society and growth for SuMi TRUST Group, we shall continue to deliver comprehensive services with the power of trusts together with our business partners and employees possessing significant expertise in various fields.

Celebrating 100 years of trusts

This year marks ① 100 years since the enactment of Japan's Trust Act and Trust Business Act in 1922.

The footsteps of SuMi TRUST Group are the embodiment of the history of trusts. The foundation of the Group was formed in 1924 with the establishment of The Mitsui Trust Company, Limited, as Japan's first trust company pursuant to the Trust Business Act and followed by the founding of Sumitomo Trust Co., Ltd. in 1925. As an example, during the period of high economic growth in the post-war years, we supported Japan's growth mainly with loan trusts to meet the capital investment needs of heavy manufacturing industries. Since the 1960s we have assisted the comfortable livelihoods of company workers after retirement as ② a fiduciary of pension trusts by providing a triad of corporate pension plan design, asset management and asset administration services.

Our efforts to squarely resolve the challenges faced by clients and society in different periods in history and leveraging ③ the functions of trusts to establish a track record of providing solutions is what characterizes SuMi TRUST Group. The founding spirit of trusts— our conviction to solve various social issues with a completely client-oriented mindset and contribute to Japan's development—is reflected in ④ the Group's "Purpose" that defines our reason for existence.

The world is currently on the verge of a major turning point.

The occurrence of abnormal weather, increasingly intense natural disasters and other factors are driving heightened interest in environmental conservation. As a result, carbon neutrality and biodiversity initiatives continue to gain momentum. We are also seeing an increase in factors that are destabilizing society, such as the COVID-19 pandemic, a widening income disparity and the trajectory of Japan's super-aged society. Despite the emergence of such issues that threaten people's safe and prosperous living and the continuity of business activity, technology that eliminates the restrictions of time and place is rapidly evolving and the opportunity to offer real-time services of an even higher quality is now within reach.

Since our Group's establishment, we have accurately gauged and addressed societal trends and

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Reason for Existence ("Purpose"): Creating new value with the power of trusts and let prosperous future for our clients and society bloom



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offered value that is of benefit to clients and society. We have accumulated many years of unequivocal experience and achievements, as well as the aspirations inherited from our predecessors together with an enterprising spirit. Given the current business environment, we believe now is the opportune time for the Group to demonstrate its capability as a provider of trust functions to realize a safe and secure society. The Group's vision is to provide solutions to social issues, in addition to facilitating a circulation of funds, assets and capital, fairly distribute the economic benefits of our efforts and leave a legacy of prosperity for future generations. Going forward, the creation of value by the Group will improve the well-being of clients and society, and lead to a sense of pride and motivation among employees. Propelled by this virtuous circulation, we will look to shape the next 100 years of trusts.

Review of second year of Medium-Term Management Plan and key topics in FY2022

In FY2021, the second year of our Medium-Term Management Plan, the impact on earnings from the spread of COVID-19 was a cause for concern, but the performances of client businesses such as real estate and investment management consulting, along with the asset management business, were brisk. Businesses unique to a trust bank group grew strongly, driving net business profit before credit costs to its highest level since the management integration in 2011. In fact, compared to the time of the integration, [⑤ the changes in our earnings structure](#) are now clearly visible and we feel increasingly confident that we have acquired the capacity to attain our targets in the final year of the plan.

As for strategic shareholdings, we have adopted a policy, in principle, of not holding strategic shares as a conventional stable shareholder. With the understanding of our business partners, we shall continue to steadily reduce our strategic shareholdings.

We are also focused on returns to our shareholders. As a result of sustained and stable improvements in profitability and efforts aimed at accumulating capital, we have raised the dividend per share to ¥170, a twofold increase from ¥85 over the last 10 years up through FY2021. For FY2022, we forecast a dividend per share of ¥200, which is predicated on our dividend payout ratio target of around 40% as stated in the Medium-Term Management Plan.

Taking these factors into consideration, for FY2022—the final year of the Medium-Term Management Plan—we have decided to focus on the following three key topics from the perspective of having the Group itself propel and lead a virtuous circulation of funds, assets and capital at a time when social infrastructure and industrial structures are undergoing fundamental changes.

- (1) Strengthening our business portfolio to accelerate a virtuous circulation of funds
- (2) Promoting strategic investments in pursuit of sustainable growth
- (3) Enhancing and improving service quality to gain the confidence of our clients

(1) Strengthening our business portfolio to accelerate a virtuous circulation of funds

We have hitherto developed a business portfolio by drawing on our strength of being able to provide new value through the integration of wide-ranging functions that each Group company possesses. In recent years, we have extended our know-how of asset management and asset administration honed in the corporate pension business to regional financial institution clients, the asset formation generation, and high net-worth individuals. We have seen growth in domains outside of our traditional banking operations and our [⑥ broad array of businesses](#) have expanded as we possess numerous points of contact with economic entities such as individuals, corporations, investors.

[⑤ See page 27](#)

[⑥ See page 22](#)

The many different touchpoints we have with economic entities, in particular, is one of the Group's biggest strengths. The smooth circulation of funds, assets and capital between economic entities means that economic activity at the point of contact is also invigorated.

The Group is also focusing its attention on the age of 100-year life and other similar societal issues as a business domain in which we seek to foster further virtuous circulation through balanced creation of both social value and economic value. The long-term management and utilization of assets is imperative if one is to lead a more fulfilling, long life of 100 years. However, the reality is that there are risks specific to longevity, such as concerns about dementia and housing options, which may discourage some people to utilize asset management services. By combining the unique functions in the Group and offering them in the shape of services to individual clients, we believe we can further harness the liberal and flexible product design aspects of trusts to minimize the aforementioned risks. For instance, by providing our clients with consulting proposals on healthy and comfortable living and offering financial support, we can extend the economic life-span of their financial resources and contribute to the attainment of a fulfilling "second life." In this way, we will aim to achieve a virtuous circulation of funds by developing an environment in which our clients can rest assured knowing that the fruits of their long-term investments can be utilized effectively over the course of their long life and inherited by the next generation.



Virtuous circulation of funds, assets and capital, and accelerating the use of capital to drive sustainable growth of the Group

(2) Promoting strategic investments in pursuit of sustainable growth

We intend to make efficient and effective use of capital with the objectives of helping to solve the medium- to long-term issues faced by our clients and society and ensuring the Group's own sustainable growth.

Enormous amount of investment is needed to solve social issues and create a prosperous future. For instance, it is said that achieving carbon neutrality by 2050 will cost the entire world more than [⑦ 10 quadrillion yen](#). We see this as an opportunity for SuMi TRUST Group and will actively invest in fields that contribute to the reduction of greenhouse gases and fields dedicated to [⑧ regenerating forests and ecosystems](#). Starting with the active injection of our own risk capital, we will look to evoke a favorable response from various stakeholders and strive to create opportunities and fund circulation mechanisms for corporate clients and investors facing investment challenges.

Furnishing our businesses with innovative technology-driven functions is also indispensable to create and expand new opportunities and markets. Specifically, digital transformation (DX) that allows for unfettered connections between economic entities is a crucial function enabling us to make rapid

[⑦ Estimate of the Glasgow Financial Alliance for Net Zero \(GFANZ\)](#)

[⑧ See page 82](#)

progress regarding the speed and scale of the Group’s business. We will work on improving our services and expanding the number of clients who can access them mainly through [9](#) the consolidation and analysis of data accumulated in various business domains.

In addition, we will proceed with the building of a network designed to accelerate the virtuous circulation of funds in Japan and overseas. Globally, we will collaborate with distinguished overseas partners to expand investment instruments and opportunities in the asset management business. Domestically, we will actively participate in the building of [10](#) regional economic ecosystems in partnership with regional financial institutions and corporations including startups.

(3) Enhancing and improving service quality to gain the confidence of our clients

The Group believes that “operational quality” in sales and administrative business to be the source of value provided to stakeholders. Up until now we had concentrated heavily on developing frameworks for human resource allocation and IT investment with the aim of risk prevention, but going forward, we will also strive to raise the level of our products and services so they meet the needs of the times. We will also promote initiatives that contribute to productivity improvements such as analysis of feedback from clients and society, and the standardization and centralization of work flow by utilizing DX.

The attainment of a sustainable society is gaining recognition as a management issue for corporations and we are cognizant of the mounting expectations placed on us as a trust bank group primarily engaged in the business of providing value that benefits clients and society based on our fiduciary spirit from the time of our founding. By maintaining an optimal balance between risk and quality, we will aim to gain a competitive advantage and continue to respond to the expectations and confidence placed in our Group by clients and society.

Investing in human capital in pursuit of expertise and diversity

Social issues are growing increasingly complex and there are numerous situations in which expert knowledge of a specific field alone is not enough to deliver a solution. For example, epidemiologists are working together with experts in the fields of IT, digital technology, and economics to fight



[9](#) See page 51

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the COVID-19 pandemic by pooling their wide-ranging specialist knowledge. In SuMi TRUST Group too, we intend to further energize our corporate culture of creating value across the entire Group by having highly specialized employees working in a broad range of businesses make the most of their respective competencies and spur each other on to greater heights.

In the ESG area, in recent years we have been bolstering [11](#) our ranks of doctoral-level science and engineering experts with knowledge of emerging technologies. By engaging in dialogue with corporate and investor clients, they are working to grasp their needs from an advanced scientific point of view, thereby playing a pivotal role in promoting the deployment of innovative technology in society.

In the area of IT and digital technology, we are hiring [12](#) specialists, but we also intend to broaden our reach to personnel that can utilize knowledge and skills with a view to develop future businesses. We would like to offer the benefits of our human capital investment to our employees and society as a whole, providing learning and practical opportunities to continually improve the skills that will be applicable outside of the organization and in variety of situations.

On top of that, we will continue to respect the individuality of everyone in our diverse workforce and promote diversity and inclusion so that each and every employee in the Group can reach their full potential. As a part of this initiative, to promote the active participation of women, SuMi TRUST Bank set itself a KPI target of increasing its ratio of female employees in management positions (section managers, team leaders, and above) to at least 20% by the end of March 2025 and affirmed its intentions of endorsing [13](#) “Here We Go Year 2030 30%” project. We have also launched [14](#) the Support Executive Program that aims to nurture female candidates of general managers in the future. Also, in April 2022 [15](#) two female executive officers were appointed at SuMi TRUST Holdings.

In conclusion

Investing for the future is absolutely essential if we are to pass on a prosperous society to the next generation. I believe it is the Group’s social mission to lead the way in investing for the future, generate strong momentum in a virtuous circulation that resonate with clients from which all stakeholders can reap the benefits of their investments.

Of the many social issues, there is a pressing need for Japan to align with carbon neutrality. We intend to emphasize investment and [16](#) environmental education, share social issues with Japanese investors, encourage investment and strive to achieve a prosperous future for Japan.

I sincerely appreciate your continued support and understanding.

July 2022

Director, President
Sumitomo Mitsui Trust Holdings, Inc.

Tom Takakura

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[12](#) See page 58

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[14](#) See page 56

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