

**Thinking by yourself, making your own judgments,
and acting on your own.**

Trust for flourishing the future as a fiduciary.

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Introduction

The future starts from the moment you feel it

Fifty-five years ago, the Japan World Exposition was held in Osaka under the banner of “Progress and Harmony for Mankind”. As an elementary school student, I remember visiting the venue nine times during the six-month duration of the event, helped by the fact that I lived nearby. It was at the Osaka Expo that products and services now widely used in modern society, from electric cars and mobile phones to moving walkways and canned coffee, first appeared. In front of the Tower of the Sun sculpture, which had a commanding presence at the Expo, there was a large roof and a festival plaza where people from all over the world would gather. As was fitting for an Expo that was being held in Asia for the first time, it seems likely the hosts came up with this design to provide a place for cultural exchange in addition to discussions on science and technology, so that more

countries and regions could get involved in the Expo. Even now, I vividly remember being deeply moved to see the future of Japan, progressing from post-war reconstruction to harmony with the rest of the world, right before my eyes.

As a young child, I didn’t understand complex ideas, but I had an intuition that the future is not just a prediction or a plan. It is something you create by yourself. My memories of that time became a driving force that has supported me over the years. Now, more than half a century later, Osaka is once again hosting the World Expo with the future being the theme. The fact that I am responsible for managing a trust group that aims to create the future is no coincidence. It is partly the result of my own will.

Last year, Sumitomo Mitsui Trust Group celebrated the 100th anniversary of its incorporation. Our 100-year

history is one of solving social issues that change with the times. (Q.P.24) At a time when our economy and society are becoming more sophisticated and diverse, and it is becoming more difficult to solve problems through personal responsibility alone or simply by entering a contract, we need someone we can truly trust and talk to about our concerns. A trust, as a dependable entity that provides reassurance and security, fulfills its responsibilities to help realize a prosperous future for clients built on fiduciary duties that go beyond a simple contractual relationship. (Q.P.22)

Focusing on the social issues of helping citizens build assets in a super aging society and facilitating huge investments toward decarbonization, Sumitomo Mitsui Trust Group is working to establish a virtuous circulation of funds, assets, and capital that connects

investors and business operators. (Q.P.26) Without this virtuous circulation, Japan’s vision of becoming an Asset Management Nation cannot be realized. I am humbled by the enormous role that Sumitomo Mitsui Trust Group plays in a wide range of investment chains, both socially and economically. I believe in the power of trusts to solve social issues through the generations.

Advances in digital technology will dramatically enhance the potential of trusts, enabling them to offer a wide variety of specialized products and services to more people. We will guide our customers through the next 100 years with a sense of pride and determination in our ability to listen to their vague anxiety regarding the future, which they can entrust to us with confidence. This idea is truly embodied in our Purpose - “Trust for a flourishing future”.

Strengthening human capital to adapt to the future

People who can adapt to new technologies and information will create the future

In the early 1990s, closed network communications services called “PC communication” were popular among young people in Japan. I remember buying my own modem, dialing up to a server, and writing my own text. I even created a blog page soon after the Internet became popular. My colleagues were also moved by a vague sense of change and curiosity and felt that communication services using open networks would become widespread in the future, radically changing our daily lives and work styles. The future is created by people who are not bound by the practices or accepted wisdom of the past, and who can adapt to new technologies and information.

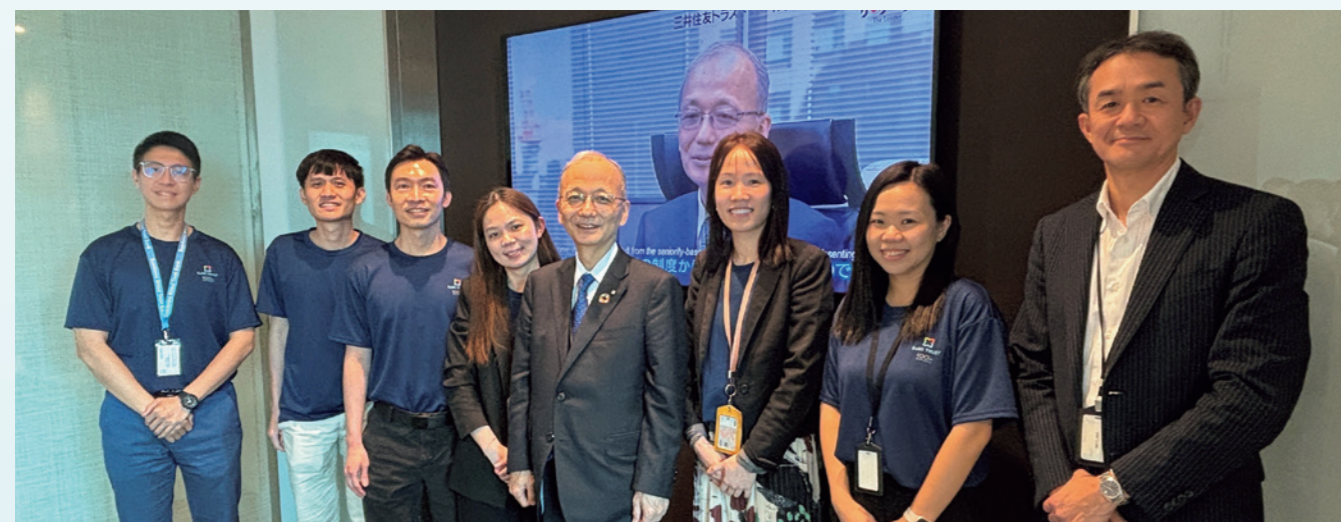
Based on these experiences, I believe it is the responsibility of my generation to provide an environment in which the younger generation, who will lead the future, can actively take on new challenges. Starting in the current fiscal year, Sumitomo Mitsui Trust Bank will introduce a new human resources policy that will enable employees to independently explore careers to match their own intentions, regardless of age or gender. (QP.64) The people who will shape the future are those who take on challenges based on their intrinsic motivation, without fear of failure. A policy that evaluates and promotes employees only within the scope of their assigned roles and responsibilities will no longer work. We need to redesign our policy so that Sumitomo Mitsui Trust Group and our employees are able at all times to make choices and be chosen. This is what will allow us to enhance corporate value and pull together in the same direction as we achieve self-growth and self-realization.

The majority of our employees joined Sumitomo Mitsui Trust Group after the 2011 management integration. The

future custodianship of trusts will lie with a generation that has taken full advantage of the Internet from a young age and effortlessly accepts technologies such as generative AI and blockchain. (QP.38) Since my appointment as President, I have engaged in dialogue with many young employees, including those based overseas. Meeting bright-eyed employees saying, “I want to play a bigger role”, fills me with hope for the future. Moreover, communicating to our employees the importance of thinking for themselves, making their own judgments, and acting on their own without settling for the status quo fills me with inspiration and energy. (QP.41)

Increasing the level of diversity is also an essential element for achieving corporate growth. Sumitomo Mitsui Trust Group aims to have at least 30% female executives in management positions by 2030. In time, it is likely that having female employees in management positions will become so common that these targets become unnecessary. (QP.67) Led by its President & CEO Stefanie Drews, Nikko Asset Management* has a highly diverse governance structure, with five foreign nationals and five women among its eleven directors. We believe that enhancing our ability to respond to changes in the environment and unexpected events, and continuing to develop human resources capable of adapting to the future, will be the main source of competitive strength for Sumitomo Mitsui Trust Group, which has woven a 100-year history alongside trusts.

* On September 1, 2025, Nikko Asset Management will change its trade name to Amova Asset Management.



Interaction with local staff at the Singapore Branch

The challenges facing Sumitomo Mitsui Trust Group

Truly important work is not immediately appreciated

In the mid-1990s, as a middle-level employee in the Human Resources Department, I was in charge of reforming the human resources policy. As we worked to improve our financial health while also building a diversified human resource portfolio, I proposed adding performance evaluation feedback given by supervisors to subordinates as a new process for personnel performance evaluations. At the time, a culture of superiority by superiors over subordinates was accepted without question at many companies, and superiors did not generally explain to their subordinates the basis or reasons for evaluations. People did not see this as good or bad. It was just accepted that this was how evaluations were managed. It goes without saying that many people objected to the proposal. However, we believed it to be an essential reform of the process for employees to develop independent careers, and that it was necessary for the company and employees in the future. Ultimately, we accomplished what we set out to achieve.

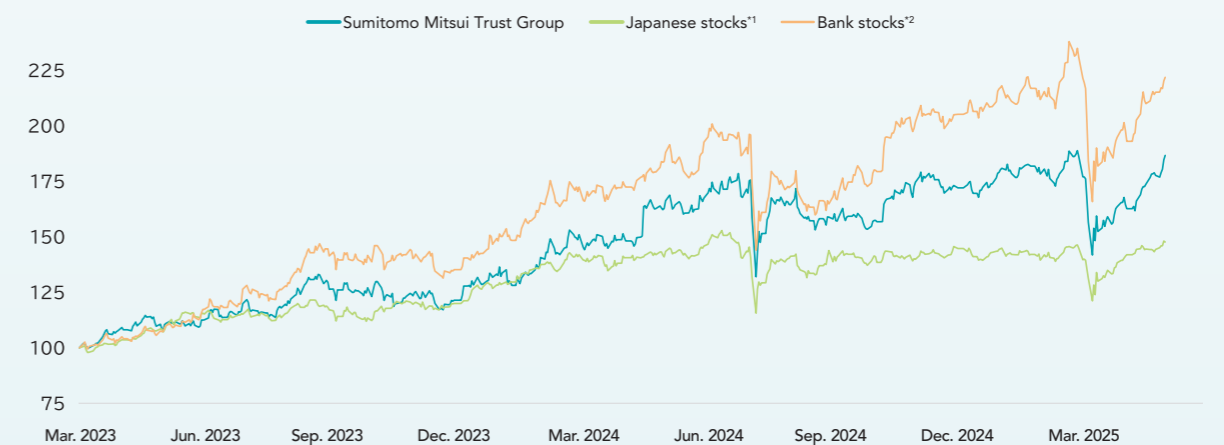
Through this experience, I learned that truly important work is not immediately appreciated. When you change things in a future-oriented way, there will naturally be opposition from people who believe in the way things

have always been done and who stick to the current rules. Before change actually happens, people never understand or appreciate ways of thinking that anticipate possible future changes. What’s more, no one will remember you for coming up with these ideas because you will already have retired from your role when those changes actually come about. When you think something is really necessary, you have no choice but to accomplish it based on your own convictions without worrying about what others think.

This is something I have continued to believe ever since I became a business leader. The most important thing in management is to develop strategies that anticipate the future from a medium- to long-term perspective. In this sense, I am extremely grateful to be given the opportunity to share my views through dialogues with long-term investors in Japan and overseas, and to receive their opinions and advice on management. Of course, we have a wide range of different shareholders and stakeholders, so it is important to pursue ideals over a long period of time, while at the same time steadily building on our current performance.

Currently, there are three major challenges facing Sumitomo Mitsui Trust Group.

■ Trends in Total Shareholder Return (March 31, 2023 = 100)



*1 JPX-Nikkei Index 400 (Total Return)
*2 TOPIX Sector Index – Banks (Total Return)

First, we need to overcome the challenge of our undervalued stock price. Since the Bank of Japan announced a revision to its monetary policy at the end of 2022, Sumitomo Mitsui Trust Group’s stock price has continued to underperform among Japanese banks.

On a recent business trip to North America, an institutional investor who has held our stocks for a long time

said to me, “You’re a trust group, right? You have a different profit structure and business model to commercial banking groups, so I don’t expect your stock price to follow the same trend from the beginning.” This made me smile wryly, but also gave me great encouragement.

In FY2024, we achieved the ROE target set out in our Medium-Term Management Plan one year ahead of schedule

by significantly increasing fee income, mainly in the trust-related business. (QP.34) Although we have yet to resolve the issue of our undervalued stock price, we think that long-term investors who believe in our group's growth have a real sense of the progress we have made in our strategy. By steadily implementing a growth strategy with high capital efficiency, targeting an ROE of 10% or above, and steadily returning the benefits of sustained earnings growth to shareholders, we aim to achieve a PBR of 1x or higher as soon as possible. From there, we will target even higher levels.

We also receive advice from many institutional investors on how to enhance the effectiveness of the Board of Directors as we pursue further enhancement of corporate governance. Although we are not able to follow every suggestion, in June this year we reduced the number of internal directors by three, thereby making independent external directors form the majority of Sumitomo Mitsui Trust Group's Board of Directors. The Nominating Committee and the Compensation Committee are comprised entirely of independent external directors, and more than 20% of directors are women. We will continue to heighten the expertise and diversity of our management, while striving to develop and increase the sophistication of governance to support sustainable growth and enhance our medium- to long-term corporate value. (QP.78)

The second challenge we face is to achieve sustainable earnings growth across Sumitomo Mitsui Trust Group. At present, the market environment is conducive to raising profits in both the trust business and the banking business due to the expansion of investment and the rise in interest rates. Moreover, we can expect to profit from the sale of strategic shareholdings. However, these positive conditions will not continue indefinitely. Sumitomo Mitsui Trust Group's growth strategy is centered on our asset management and asset administration businesses, and it takes a certain amount of time for earnings to materialize. When we are achieving solid growth in earnings, we steadily invest in future growth and enhance the sophistication of our management base to achieve sustainable and stable increases in corporate value.

Reducing strategic shareholdings is the starting point for realizing earnings growth with high capital efficiency. The risk assets we generate as a result of reducing our strategic shareholdings will be reallocated to investments and loans with high expected returns, such as impact equity investments and product-related credit, thereby attracting investor funds and expanding Assets Under Fiduciary (AUF). (QP.36) We will return profits to shareholders through progressive dividends, while proactively making in-organic investments in the asset management and asset



administration domains, as well as investments in our employees and systems to support the future growth of Sumitomo Mitsui Trust Group.

We are also making progress in reviewing our business portfolio to achieve sustainable earnings growth. When formulating the current Medium-Term Management Plan, we decided to define what we want our group to become and to take all possible measures toward a new future. As we recover investments and make progress in concluding strategic partnerships, I feel we are steadily getting closer to that future.

The third challenge we face is the evolution of human capital. Human resources are our most important asset. In my roles as general manager and an executive in charge of the Human Resources Department, I worked to cultivate employees and develop their skills. Since my appointment as President & CEO, I have focused on building a talent portfolio that will shape our future in response to changes in the digital landscape and sustainability. (QP.63)

In the digital domain, we established Trust Base in April 2021 as a digital strategic subsidiary. This company has grown from a staff of around 30 to more than 200 including external partners. It offers digital support to Sumitomo Mitsui Trust Group's diverse range of businesses and operations. In the past, the first assignments we gave to new employees were mainly to branch offices and other sales departments. However, a few years ago, we started to assign at least 10% of our new employees to IT and systems-related departments as part of our efforts to develop and secure experts in the digital domain.

In the sustainability domain, we established the Technology Based Finance (TBF) team in April 2021. We hired about ten researchers and other experts with doctoral degrees, who have perspectives and capabilities that are completely different from those of financial institutions, to support our corporate clients in solving their technical issues. The team has been active in areas such as impact

equity investments and sustainable finance, and its ongoing efforts to collaborate with the sales departments of a trust bank have helped to increase the knowledge and know-how of our entire organization. (QP.59)

In the asset management business, during FY2025 Sumitomo Mitsui Trust Bank will integrate its gatekeeper functions within Sumitomo Mitsui Trust Investment Co., Ltd. This will help to promote private asset initiatives and secure and develop human resources.

In closing

Paving a path to a flourishing future alongside our stakeholders

Today, the world is facing unprecedented instability. A complex mix of factors, including geopolitical tensions, economic uncertainty and the escalating scale of natural disasters, has deepened concerns about the future. It is precisely under circumstances such as these that Sumitomo Mitsui Trust Group places the balanced creation of both social and economic value at the core of our management. We will act with the highest priority on sustainable growth achieved by resolving the challenges facing society and our customers.

History makes it clear that trusts have the ability to transform assets and timeframes, giving us the flexibility and creativity to overcome challenges and cope with the changing times. Utilizing the functions and networks of

At the same time, we will promote the hiring of highly specialized personnel and human resources who are ready to hit the ground running. However, organic human resource development will be crucial for business promotion that leverages the comprehensive capabilities of Sumitomo Mitsui Trust Group. We will strive to systematically develop and secure the human resources needed for the future, and to achieve corporate growth by helping to overcome the challenges faced by society and our customers.

trusts will allow our diverse group of employees, who possess high levels of expertise and the adaptability to make changes, to further develop their ingenuity. There will also be opportunities for them to overcome challenges by working with powerful business partners to demonstrate added value. Let's believe in the power of trusts, take on challenges without fear of failure, and work together to achieve personal growth based on the intrinsic motivation of each and every employee. This is what will help us to pave a path to the future alongside our stakeholders.

This idea is truly embodied in our Purpose - "Trust for a flourishing future".

