

# Investor Meeting on Financial Results for FY2017

May 22, 2018

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Definitions of terms in this document

Sumitomo Mitsui Trust Holdings (Consolidated): "Consolidated " or "SuMi TRUST Holdings"

Sumitomo Mitsui Trust Bank (Non-consolidated): "Non-consolidated " or "SuMi TRUST Bank"

Figures before FY2011 in Non-consolidated : CMTB (Non-consolidated) + CMAB (Non-consolidated) + STB (Non-consolidated)

Accounting for Business combination related to Management Integration

Purchase accounting method : Accounting method for business combination related to management integration

Results of applying purchase accounting method : Amount of effect from purchase accounting method

Financial indices per share

Indices regarding financial information per share such as "Net asset per 1 share," "Dividends per 1 share," are presented assuming that the consolidation of shares (one (1) share for every ten (10) shares) enacted on October 1, 2016, took place at the beginning of fiscal year ended March 31, 2016, for consistency purposes.

- ◆ Thank you all for attending today's investor meeting.
- ◆ Regarding today's presentation, I would like to spend most of my time explaining our strategy for FY2018, while limiting the time spent on going over the results for FY2017.
- ◆ Please turn over to P2.

# Progress on Midterm Management Plan

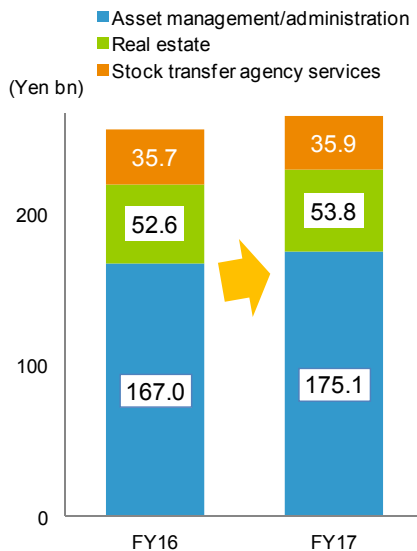


## Progress on Midterm Management Plan

✓ Steady progress as first year of Midterm Management Plan, growth in areas where our trust business has competitive advantage and improvement in profitability of loan/investment business

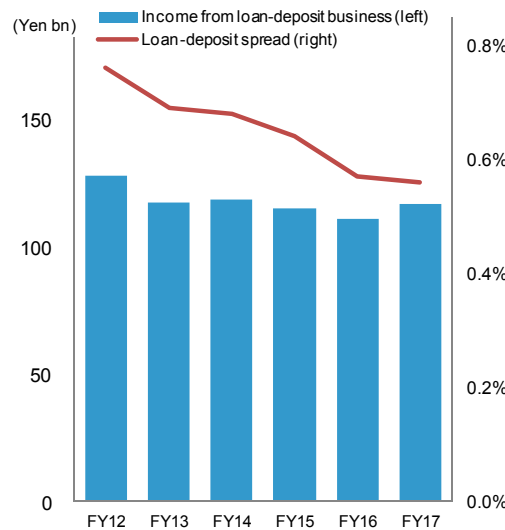
### Fee business

Fee income from asset management / administration and real estate has increased



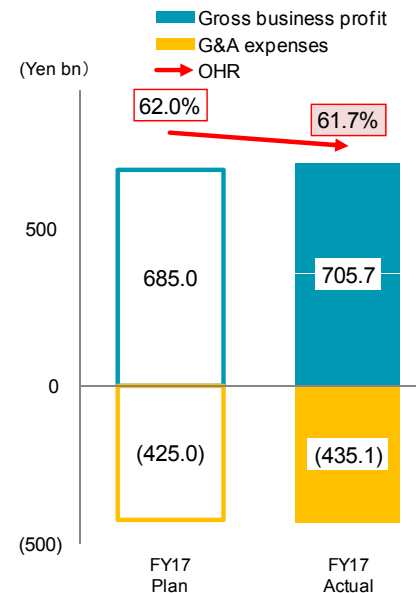
### Loan/investment business

Domestic lending's profitability and margin contraction has been bottoming out



### Expenses

OHR has improved



- ◆ I believe we have made a good start in FY2017 as the first year of our Midterm Plan.
- ◆ Fee income increased in all areas where our trust business has a competitive advantage such as asset administration, asset management and real estate. Our loan/investment business has also turned a corner, and we have confirmed that the contraction of loan-deposit spread have been bottoming out due to our relentless efforts to improve our margins both on the lending side and funding.
- ◆ While I have strengthened my conviction in our strategy outlined in the Midterm Plan, I feel that it is necessary to accelerate the implementation of strategies to differentiate ourselves from the competition, and I would like to make certain that we maintain our momentum.
- ◆ Please turn over to P5.

## Major KPIs of Midterm Management Plan

(Yen bn)	FY17			FY18		FY19	Major KPIs
	Plan	Actual	Against plan	Plan	Change from FY17	Midterm Plan (*)	
Net business profit before credit costs	260.0	270.5	10.5	280.0	9.4	300.0	
Substantial gross business profit	685.0	705.7	20.7	715.0	9.2	730.0	
Substantial G&A expenses	(425.0)	(435.1)	(10.1)	(435.0)	0.1	(430.0)	
Net income	150.0	153.9	3.9	165.0	11.0	180.0	
Fee income ratio		57.4%				55-60%	Approx. 60%
Overhead ratio (OHR)	62.0%	61.7%	(0.3%)	60.8%	(0.9%)	55-60%	Mid 50% level
Shareholder ROE		7.4%				Approx. 8%	8% or more
Common Equity Tier 1 ratio		11.3%				Approx. 10%	Approx. 10%

<Assumptions of the market>

	Mar. 17		Mar. 18		(FY18 Plan)	(Midterm Plan)
	Actual	Actual	Actual	Actual	Mar. 19 Assumption	Mar. 20 Assumption
3M TIBOR	0.06%	0.07%			0.07%	0.06%
10 year JGB	0.07%	0.045%			0.15%	0.40%
Nikkei 225 (yen)	18,909	21,454			21,500	19,000
USD/JPY	112	106			108	118

(\*) Midterm Management Plan launched in May 2017

# Business Initiatives for FY2018

1

### Increase in fee business

(1) Asset management business (Consultation marketing, investment management, administration)

(2) Real estate business

(3) Inheritance business

2

### Profitability improvement of loan/investment business

(1) Corporate

(2) Retail

3

### Accelerate digitalization strategy

4

### Improvement of OHR

5

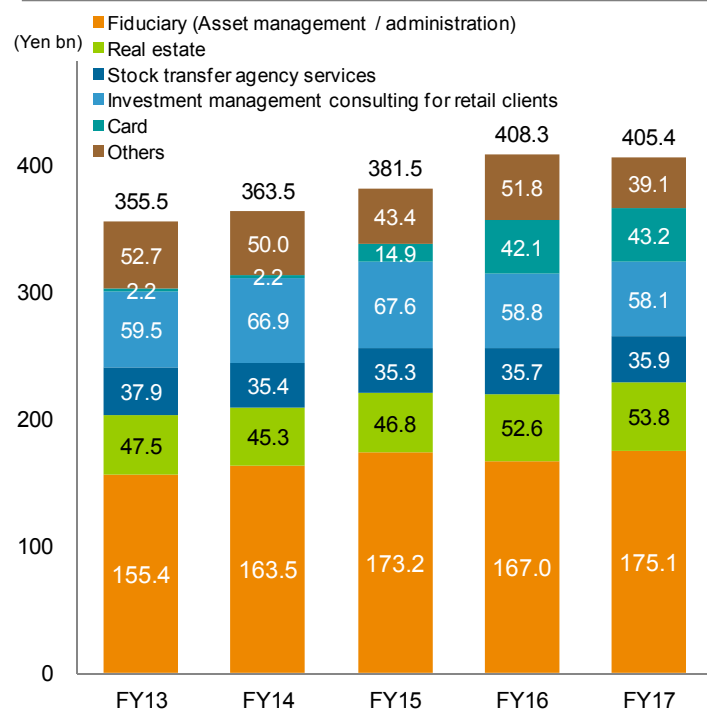
### Preparation for future risk

- ◆ From this page, I would like to discuss the direction of our business for FY2018 in 5 areas, centered on fee businesses, profitability improvement of loan/investment business, acceleration of digitalization strategy, improvement of OHR, and preparation for future risk.
- ◆ By going over these 5 initiatives I would like to convey our thoughts on how, we, as a domestic business-oriented institution, intend to grow centered on fee businesses, and on our unique competitive advantage.
- ◆ Please turn over to P7

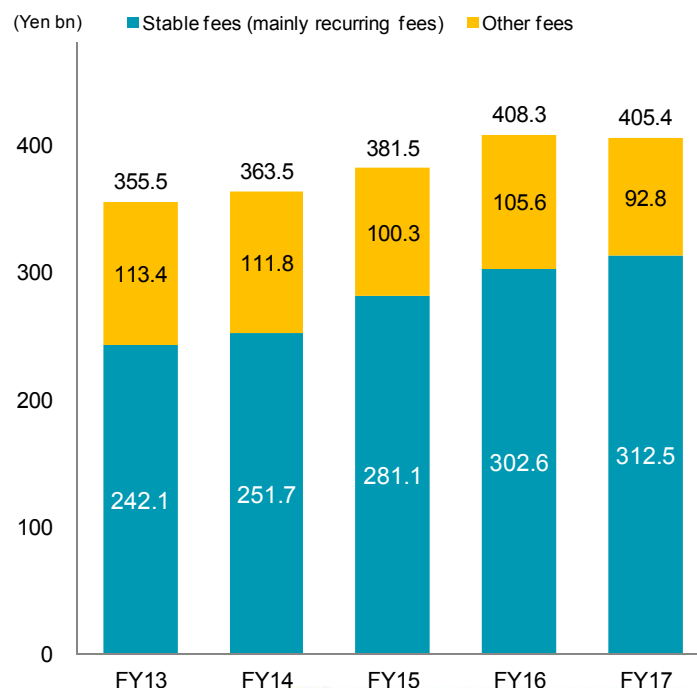
## Fee business: Status of fee business

- ✓ Fee income has increased steadily, creating a capital efficient profit structure
- ✓ Growth lead by businesses where stable, recurring fee income can be expected

Transition of fee income



Efforts to stabilize income stream





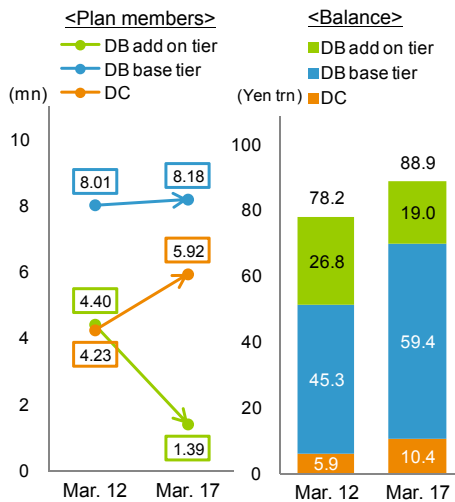
## Fee business: Asset management business (environment)

- ✓ Upsurge of asset management needs from individuals such as DC and financial institutions, room to expand asset management business
- ✓ As No.1 institution in asset management and administration, we have huge potential to expand our business

Social/economic tailwind to accelerate growth of this business

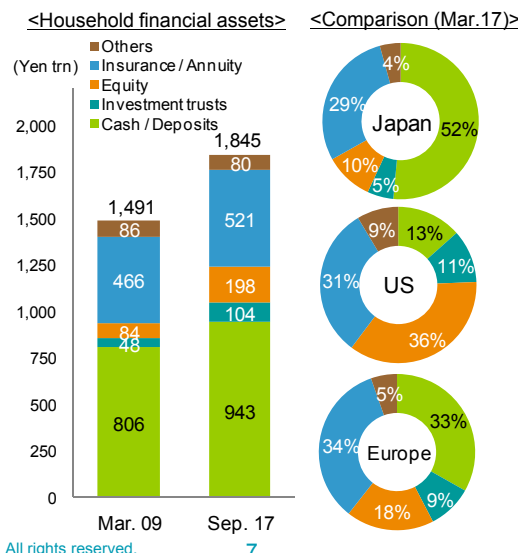
### Corporate Pensions

Substantial increase of DC plan members, AUM increase



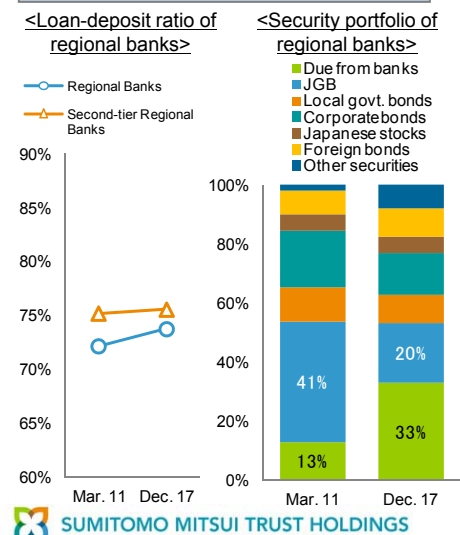
### Individuals

Household financial assets exceed ¥1,800trn  
Investment trust holdings have exceeded ¥100trn  
Room for growth when compared to US/Europe



### Financial Institutions

Loan-to-deposit ratio of regional banks have stagnated  
Due to fall in JGB yields, asset management needs have surged/diversified



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- ◆ Amongst our fee businesses, I would like to discuss the environment surrounding our asset management business.
- ◆ I believe that this area has an opportunity to grow steadily.
- ◆ Firstly, in the corporate pensions arena, expansion of DC plan offerings is prevalent.
- ◆ Next, individuals have ample untapped investment capacity, and there is a definite near-term trend towards asset accumulation through investments.
- ◆ As for financial institutions, loan demand has been weak, and an extended period of low interest rates has raised the demand for asset management in many forms.
- ◆ In conclusion, we are confident that the need for asset management services is definitely going to increase in all areas.
- ◆ Please turn over to P8

## Fee business: SuMi TRUST's asset management business

- ✓ To develop asset management business from three angles as “investment management”, “asset administration”, and “consultation marketing”
- ✓ Each function to enhance its expertise and leverage the mounting need for asset management as a growth driver



- ◆ Our group is offering many functions and services in the asset management space, and we have access to a wide variety of business opportunities.
- ◆ Our services and functions can be broadly grouped into three categories, “investment management,” “asset administration,” and “consultation marketing,” to offer an optimal arrangement for asset management and administration.
- ◆ I would like to explain these three areas.
- ◆ Please turn over to P9

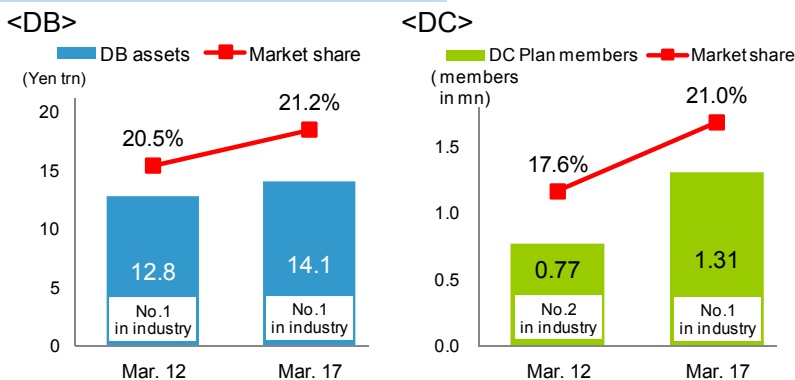
- ✓ Our competitive advantage is our consultation marketing taking the clients' overall asset and liability into account
- ✓ Utilize knowhow nurtured through our pension business to other areas in conjunction with our trust functionalities

### To establish firm business foundation for corporate pension client business

#### High quality service

- ✓ Comprehensive consultation encompassing scheme, asset management and administration
- ✓ To offer optimal management solution for each client embracing open platform (including third party products) concept

#### Robust business foundations



To extend our consulting knowhow to corporate and retail clients

#### Retail Clients

To recommend long term diversified investment based on "Core & Satellite" strategy

Provide consultation marketing that captures each generation's B/S characteristics

#### Corporate Clients

#### Financial Institution Clients

Investment support for both management and administration

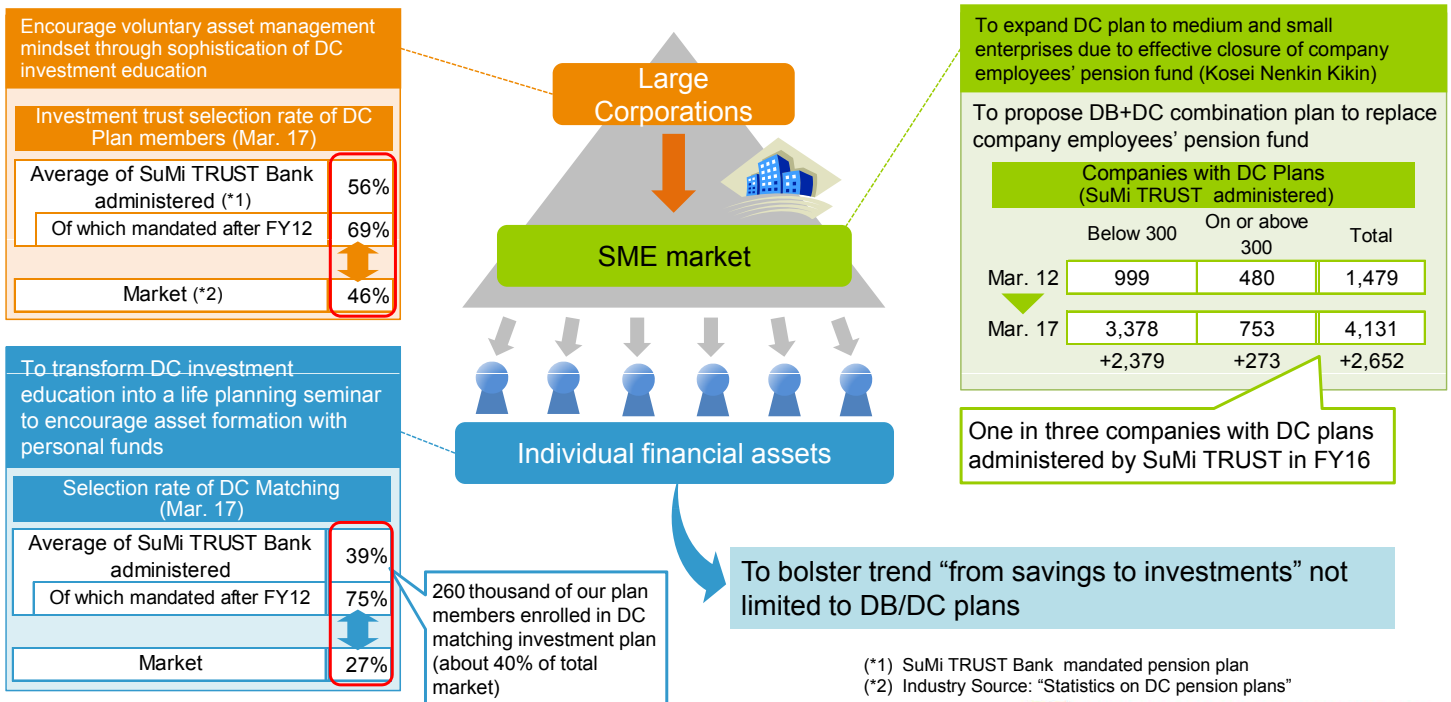
Appropriate product lineup based on specific needs

- ◆ Firstly, I would like to discuss about our consultation marketing as point-of-entry.
- ◆ I believe that our strength lies in our ability to offer consultation services that takes the clients' overall asset and liabilities into consideration.
- ◆ For example, in the case of pensions, corporate pension plans and asset management recommendations are made based upon client company's future cashflow projections from employee contributions and benefits as well as the companies' pension liability structure.
- ◆ Especially in area of asset management, we are expanding our business in retail and corporate markets utilizing our expertise nurtured through our pension business.
- ◆ I will now explain our endeavors for each of these markets.
- ◆ Please turn to P10

## Fee business: Asset management (Consultation marketing/Corporate pensions)

- ✓ Utilizing our corporate pension client base, to expand coverage from corporate pensions to individual's financial assets
- ✓ Pension scheme consulting and investment education as point-of-entry, expand DC client base and encourage voluntary asset formation

### To expand coverage of Pension Client Platform to boost profit opportunities



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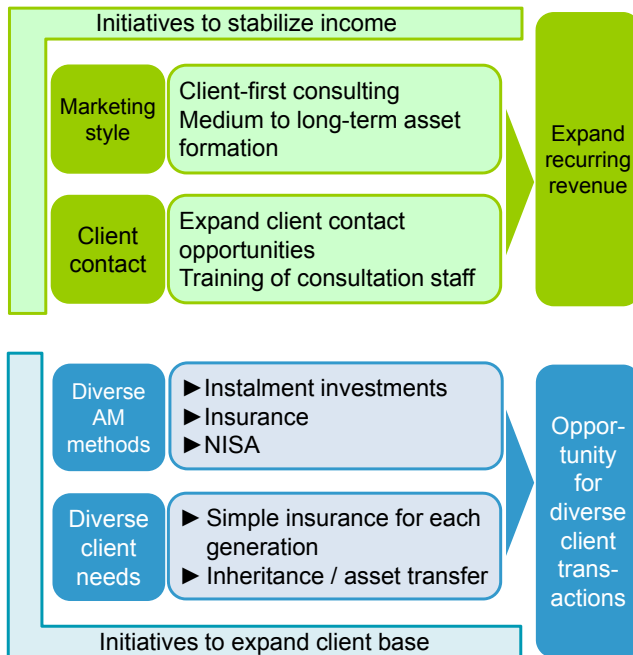
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- ◆ Let me discuss about corporate pension markets.
  - ◆ I believe that the key for growth is to capture the steady development of DC pension market.
  - ◆ We possess a strong relationship with our pension clients nurtured through our full lineup of services regarding corporate pensions.
  - ◆ Leveraging this robust base, we have been offering value-added services to our client companies' employees such as high-quality investment education.
  - ◆ As a result of this effort, employees of our corporate pension clients have selected investment trusts in 70% of cases, which is a substantial ratio.
- Also, as shown on bottom-left, the ratio of employees currently enrolled in DC matching investment plan is around 75%, which is three times the industry average.
- ◆ The above numbers demonstrate that we are building a broad robust client base in the DC market, by becoming actively involved in each employee's investment activity.
  - ◆ Please turn over to P11

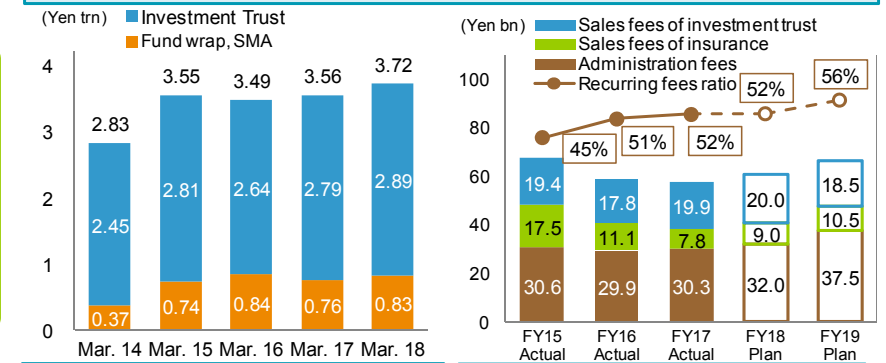
## Fee business: Asset management (Consultation marketing/Individuals)

- ✓ To support clients' medium/long-term asset formation, enhance recurring revenue
- ✓ Catering to diverse needs arising from clients' life-stage, to acquire transactions from a broad age group

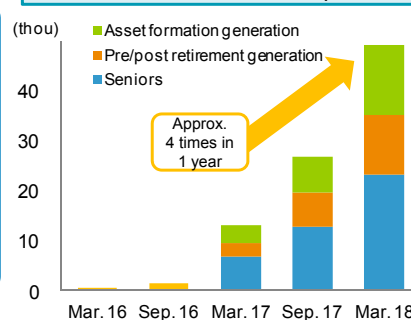
### Aim of strategy



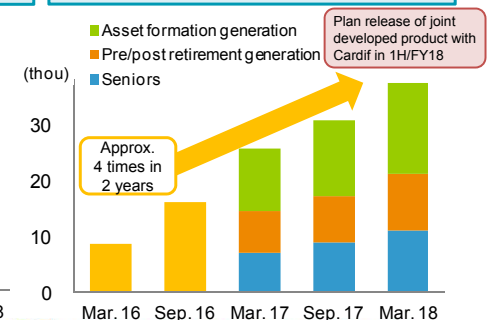
### Transition of balance and revenue



### Instalment investment plans



### Level premium insurance policies



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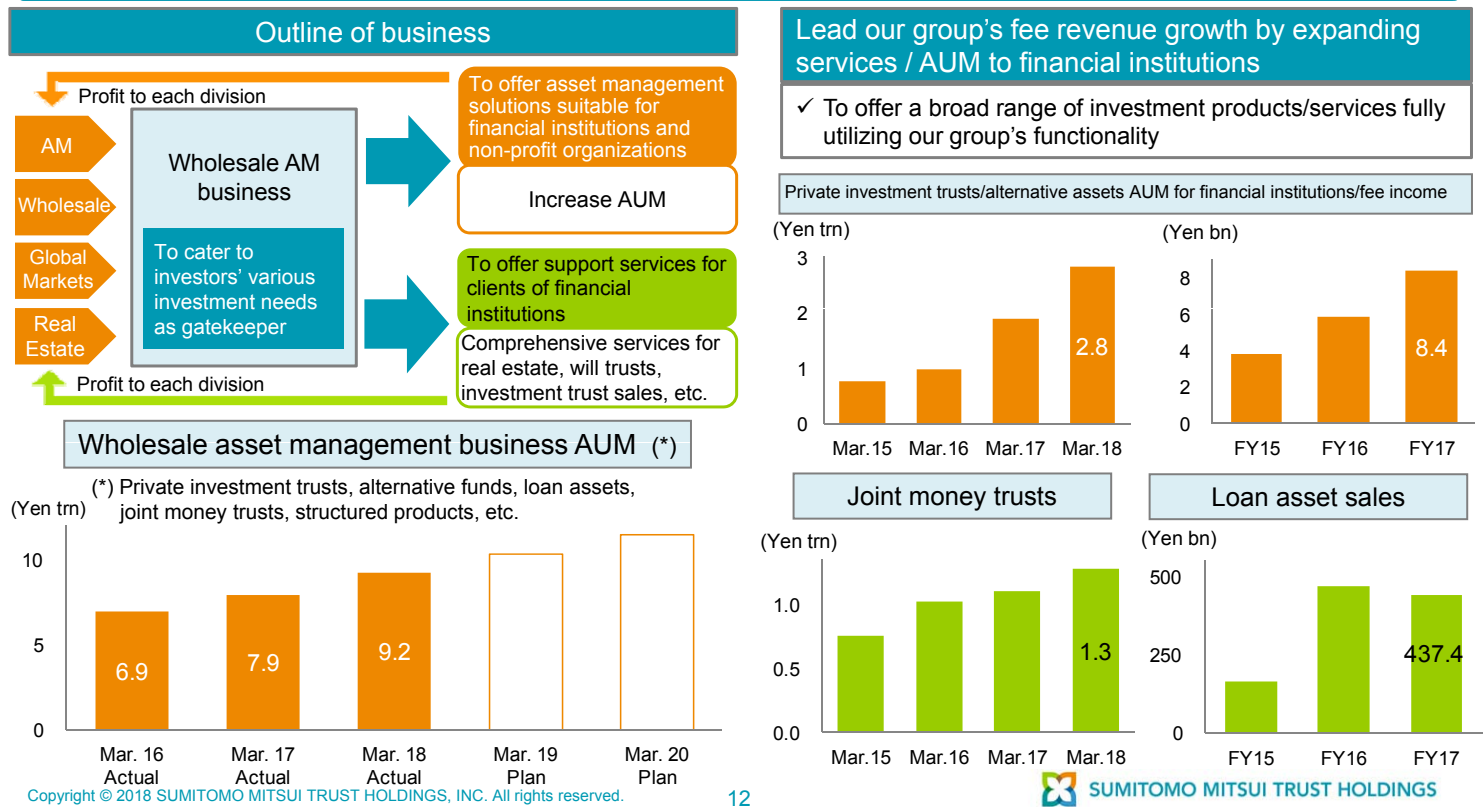
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- ◆ Next, I would like to touch up on the retail market.
- ◆ Our strengths have been our consultation services with emphasis on medium/long-term asset formation, and we intend to enhance our profitability by increasing our recurring revenue.
- ◆ In addition, you can see from the 2 graphs on the bottom right that the asset formation generation has been actively investing in instalment type products as well. Instalment investment plan has increased 4-fold in one year, and level premium insurance has increased 4-fold in two years.
- ◆ We will further introduce insurance products from our Cardif joint-venture in the first half.
- ◆ We intend to market not only existing products, but by involving ourselves in product development that suits clients' needs, we plan to further expand our level premium insurance sales.
- ◆ We believe that Cardif could contribute to around ¥2bn in gross profit per annum.
- ◆ Please refer to P12

## Fee business: Asset management (Consultation marketing/Corporations)

- ✓ As gatekeeper with investment experience in a wide range of asset classes, to support clients' overall investment process such as providing optimal solution for clients' investment needs and sophistication of risk management

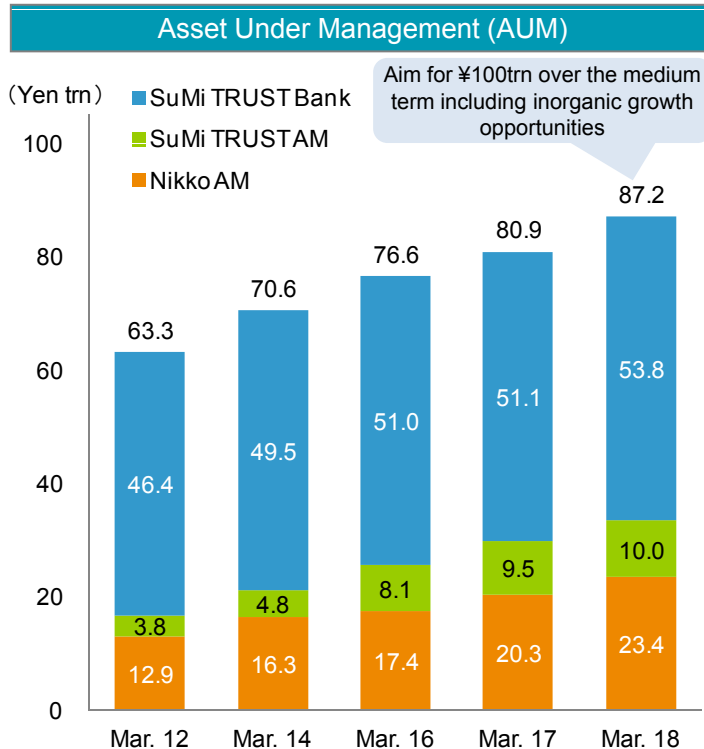


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- ◆ I would like to explain about our consultation marketing for corporate clients.
- ◆ Due to low loan demand and prolonged low interest rate environment, financial institutions are in need of new investment opportunities, both in volume and product variety.
- ◆ The client liaison for this business is Wholesale Asset Management business and assumes the role of gatekeeper.
- ◆ In this model, various divisions offer their investment expertise using trust functionalities to tailor the product to the clients' needs if necessary and provide solutions for financial institutions including risk management knowhow after the investment.
- ◆ This is a unique service utilizing our functionality as a trust bank group that is different from a simple sell-side model, and as you can see from the graph, AUM is steadily increasing.
- ◆ We have been discussing our strengths and characteristics of our consultation marketing till now.
- ◆ Next, please turn to P13.

## Fee business: Asset management (Investment management)

- ✓ Asset management business is expanding from the combined effort of the trust bank and group companies each leveraging on their unique features
- ✓ With the aim to enhance investment and product development capability, to split SuMi TRUST Bank's asset management business to integrate with SuMi TRUST AM in October 2018



Business strategy leveraging each AM's strength	
<b>SuMi TRUST Bank</b> <b>Corporate pension #1 market share (*1)</b> Robust foundations in domestic market, wide coverage from traditional to alternative assets. Short term strategy to expand alternative asset mandate in Japan, for overseas markets, to target Japanese and international equities mandates	<b>SuMi TRUST AM</b> <b>DC pension I/T #1 market share (*2)</b> Investment trust sales to branch retail network, DC plans and mandates from financial institutions expanding. Short term strategy to emphasize balance funds such as Core-Wrap and introduction of specialty fund such as "THE 5G"
<b>Nikko AM</b> <b>Unique product development capability</b> Unique product development capability by utilizing knowhow of overseas asset managers, operates independent retail network that does not rely on group. "Global Robotics Equities" series surpassed the ¥1trn mark. No.1 net sales for domestic investment trusts in 2017 (*3)	

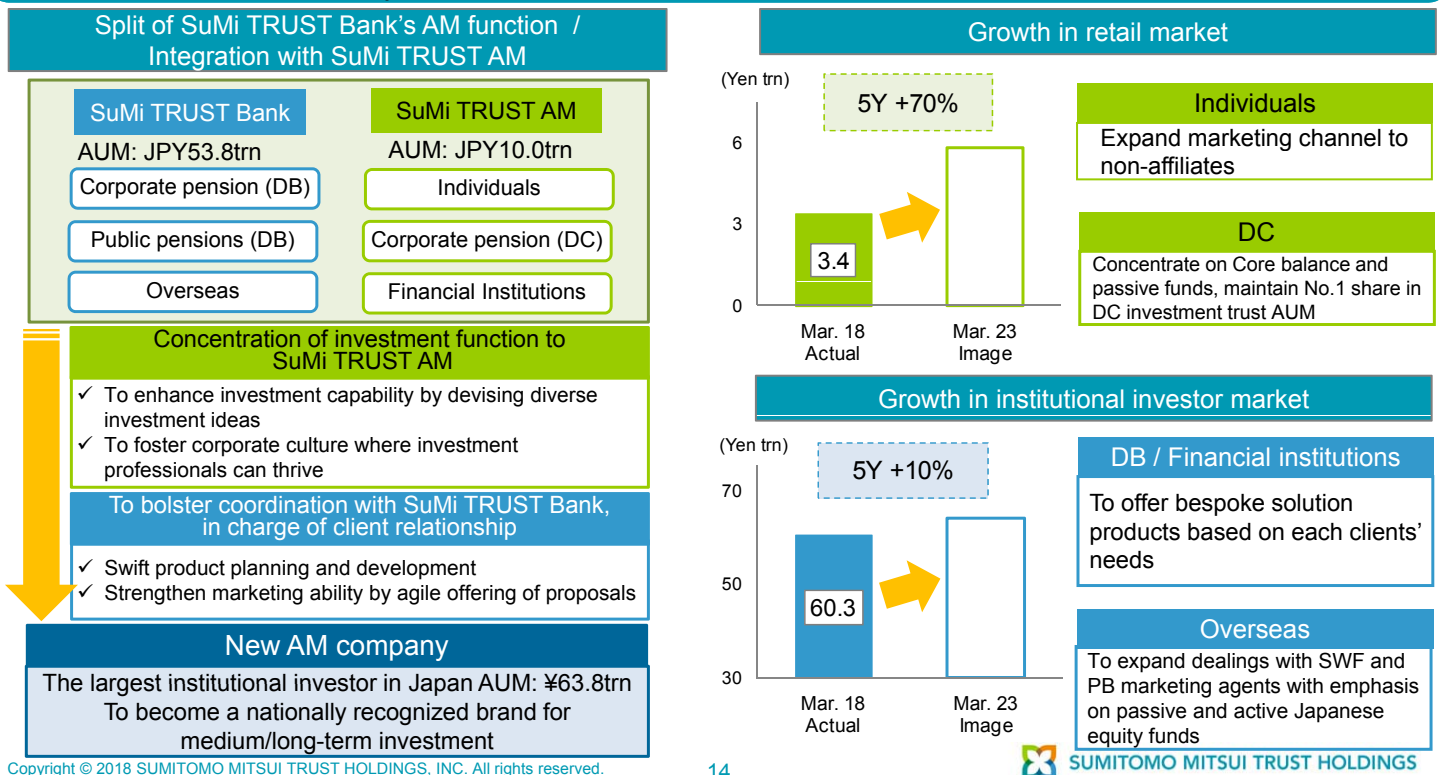
(\*1) As of Mar. 2018 (\*2) As of Dec. 2017 (\*3) Excluding ETFs (estimated using statistics of JITA (The Investment Trust Association, Japan))

- ◆ I would like to discuss about the largest asset management functionality in Japan.
- ◆ There are two points to mention.
- ◆ First, as described on the right, the three entities each have their own unique characteristics.
- ◆ Second, while appreciating this uniqueness, to strengthen and expand asset management functionality as a group, we have decided to reorganize and integrate the two companies that have affinity in terms of human talent and corporate culture in October of this year.
- ◆ I would like to explain a little more about the integration of asset management functions on P14.



## Fee business: Asset management (Split and integration of asset management function)

- ✓ Aim to become a nationally recognized AM brand for medium/long-term investment
- ✓ To strengthen AM and product development capability by concentrating human resources and knowhow, and to target growth opportunity from the expansion of the market by applying investment knowhow acquired from institutional investor market to the retail market



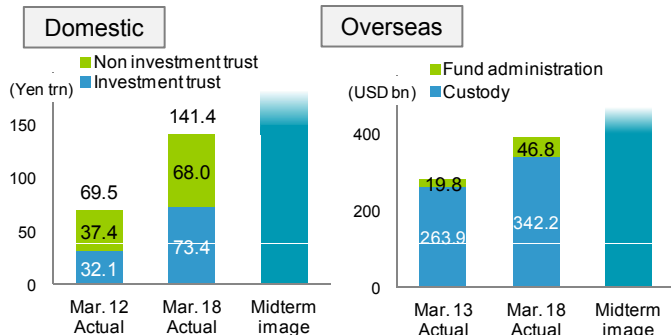
- ◆ As shown on left, SuMi TRUST Bank has strengths in the institutional investor market and SuMi TRUST AM has strengths in the retail segment.
- ◆ After the merger, AUM will be around ¥64trn, and as shown on right, expected growth driver is the retail market.
- ◆ While maintaining the AUM from the institutional investors by continuing to offer sophisticated services matching our clients' needs, we intend to extend these services to the retail sector.
- ◆ Also, while enhancing our product development and investment capability, we intend to strengthen our marketing capability to outside channels.
- ◆ Please turn over to P15.



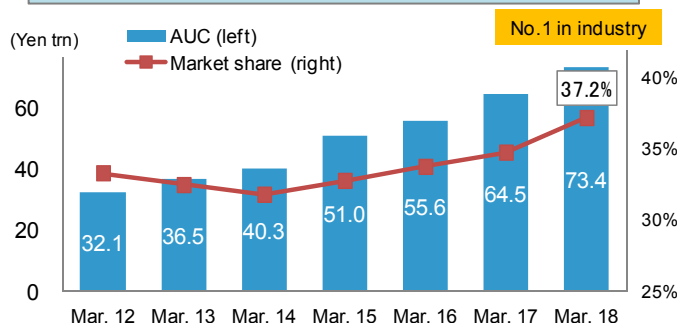
## Fee business: Asset management (Administration)

- ✓ To cater to sophistication/outsourcing needs of asset administration
- ✓ To pursue rationalization/sophistication of services through economies of scale to enhance our competitiveness

### Growth trajectory of group AUC



### Balance of investment trust under custody



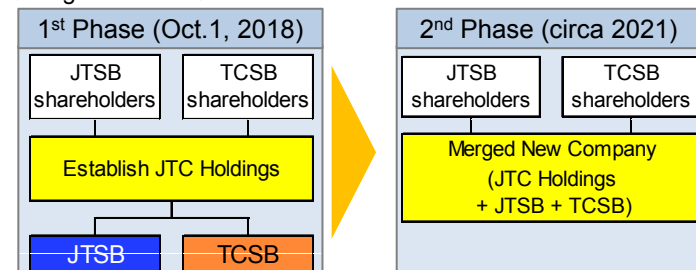
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### Pursue economies of scale

In-principle agreement between the major shareholders of JTSC and TCSB (\*1) to merge the two prominent asset custodian services companies

To leverage the economies of scale to rationalize/enhance service level

#### <Merger structure>



#### <Company profile> (\*2)

JTSC		TCSB		JTC Holdings	
JPY309 trn		AUC		JPY384 trn	
JPY276 trn		Trust assets		JPY141 trn	
JPY33 trn		Trustee services		JPY243 trn	
SuMi TRUST	66.6%	Major shareholders		Mizuho FG	54%
Resona	33.3%			Life insurers	46%

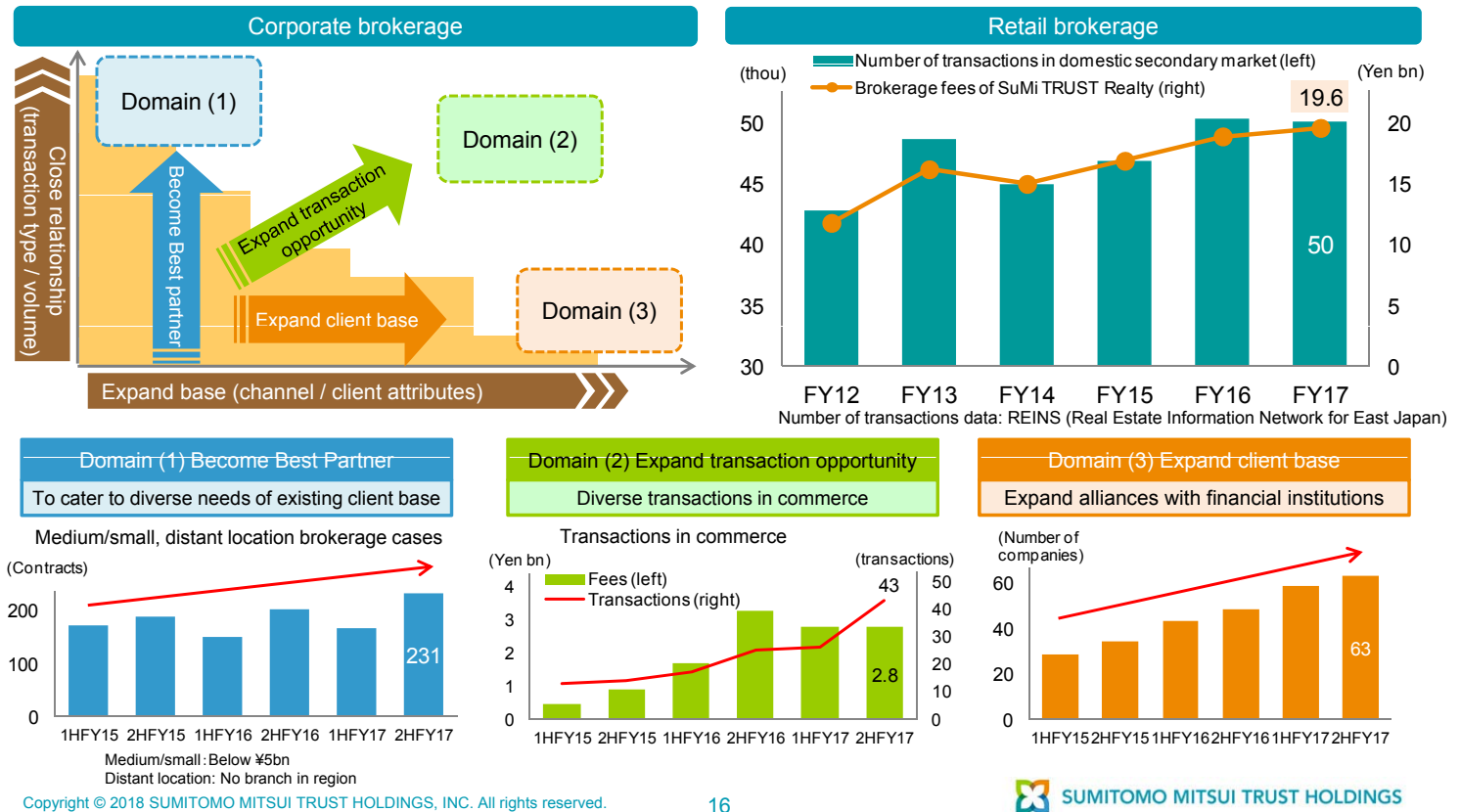
(\*1) JTSC: Japan Trustee Services Bank, TCSB: Trust & Custody Services Bank

(\*2) As of Dec. 2017

- ◆ Next, I would like to discuss our planned reorganization of asset administration functions.
- ◆ Our AUC has been steadily increasing in both domestic and international markets due to expansion of our asset management services.
- ◆ Our group already has advantages in terms of scale, but we would like to boost our IT development, cost competitiveness and service quality by merging JTSC, our consolidated subsidiary, with TCSB, a subsidiary of the Mizuho Financial Group.
- ◆ Please turn to P16

## Fee business: Real estate

- ✓ To expand brokerage for corporate clients by increasing transactions with existing clients, grasping the needs of potential transaction opportunity and cultivating new clients
- ✓ Retail brokerage to enhance revenue through group-wide collaboration to expand coverage

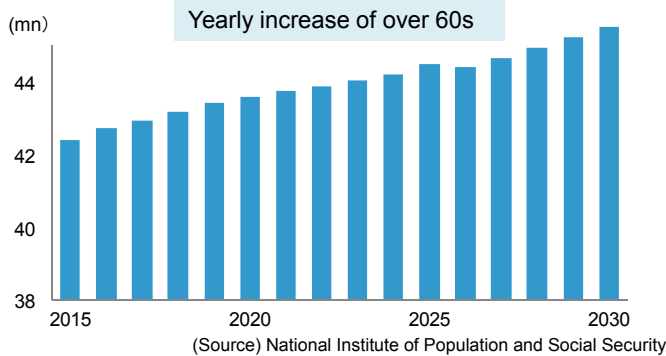


- ◆ From this page, I would like to discuss fee businesses other than asset management, starting with real estate.
  - ◆ As you can see from the top right graph, retail brokerage has been increasing steadily.
  - ◆ On the other hand, as for brokerage for corporate clients, number of transactions has been decreasing due to elevated high prices. I envisage three strategies.
  - ◆ Firstly, to strengthen our adaptability to cope with diverse needs of clients regardless of transaction size or land use designation.
  - ◆ Second, to prioritize allocation of our resources to sectors that is expected to have higher transaction volume for both purchases and divestments. Namely, we have seen increases in brokerage fees from our focus on commercial and retail properties.
  - ◆ Third, to expand our client base. In the near term, we have seen tangible results from our alliances with regional financial institutions.
- This is a good example of our business model to forge a win-win relationship with regional financial institutions demonstrating encouraging results.
- ◆ Please turn over to P17

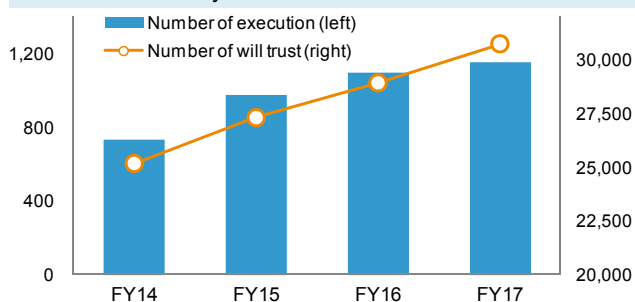
## Fee business: Will / Inheritance

- ✓ Will trusts have business opportunity both before and after occurrence of inheritance event
- ✓ To encourage transfer of assets to the next generation as a unique business of a trust bank

### Social and economic conditions

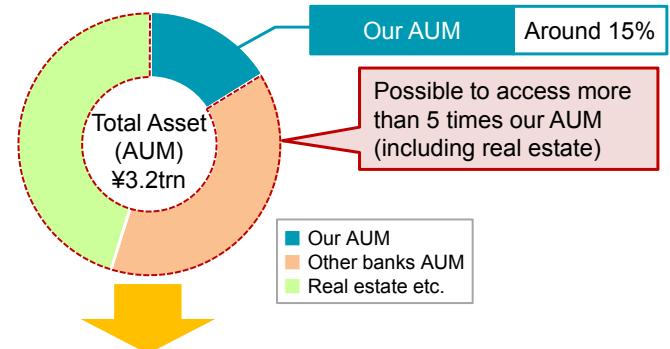


### Execution of Will Trust increasing in proportion to number of wills under custody

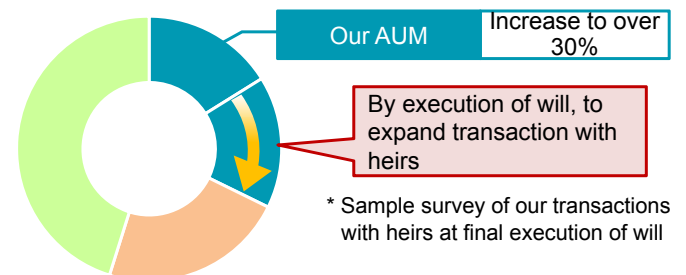


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### AUM of Will Trusts



### At timing of will execution



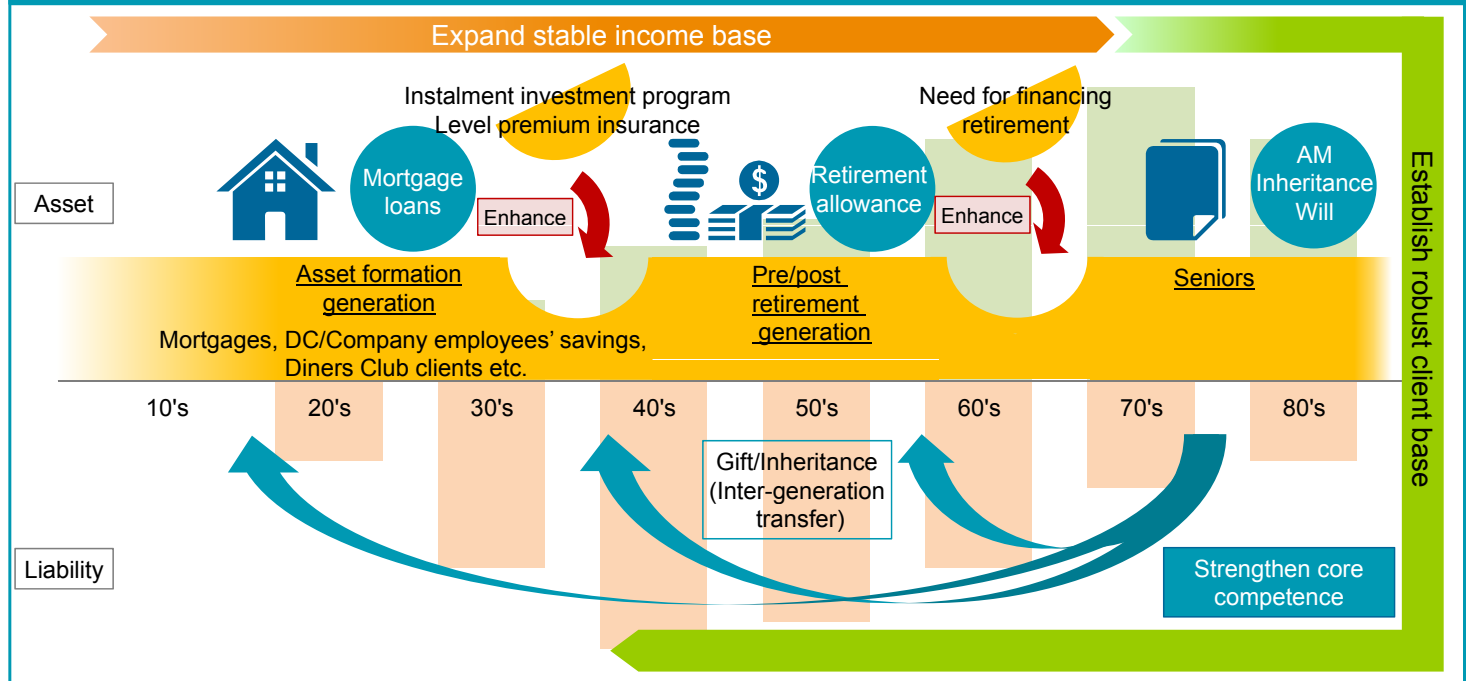
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- ◆ Due to demographic outlook, inheritance related services are certain to grow.
- ◆ We have established brand recognition in the sense that the trust bank is recognized as the place to go for inheritance solutions.
- ◆ Inheritance related fee income from will trusts and will execution has increased 1.6 times from ¥2.9bn in FY2015 to last year's ¥4.6bn. In addition, will execution often lead to other business opportunities.
- ◆ We will enhance our broad consulting and asset transfer ability as one of the key growth drivers.
- ◆ Please turn over to P20

## (Reference) Fee Business (Obtain client base and promote generational cycle)

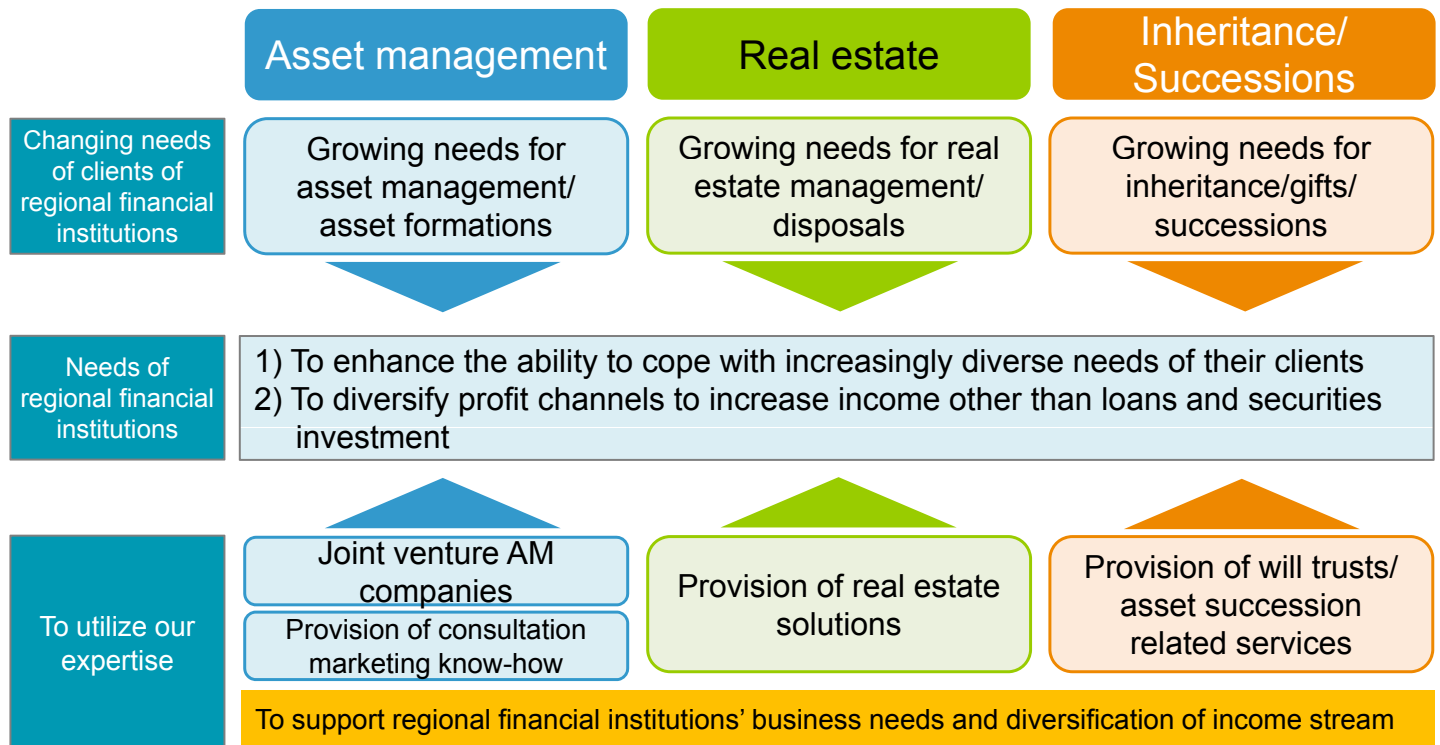
- ✓ Client base: Expand client base centering on Seniors and Pre/post retirement generation to asset formation generation
- ✓ Inter-generation transfer: Utilizing inheritance related products as a point-of-entry, promote inter-generation shift of our client base to achieve sustainable growth

### Total solution marketing model for retail clients



## Fee business: Alliances with regional financial institutions

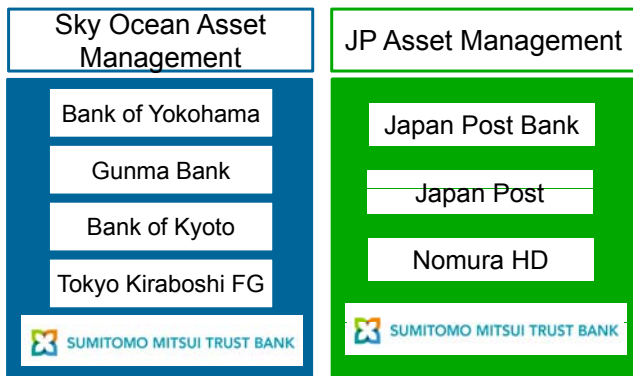
✓To establish a win-win relationship with regional financial institutions by offering our expertise in areas such as asset management, real estate and inheritance



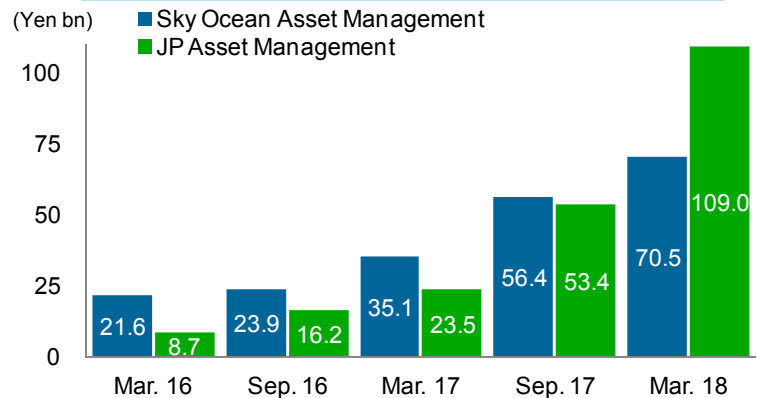
## Fee business: Alliance with regional financial institutions

### Asset management

#### Management of Joint venture AM companies

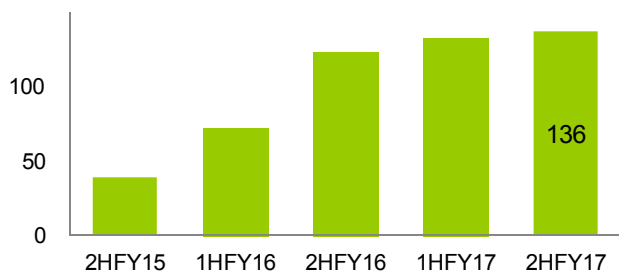


#### AUM of joint venture AM companies



### Real estate

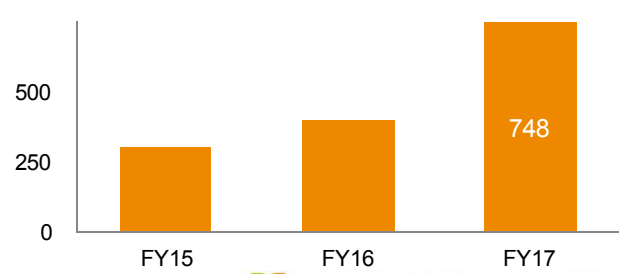
#### Real estate solutions (cases)



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### Inheritance

#### Inheritance related (cases)



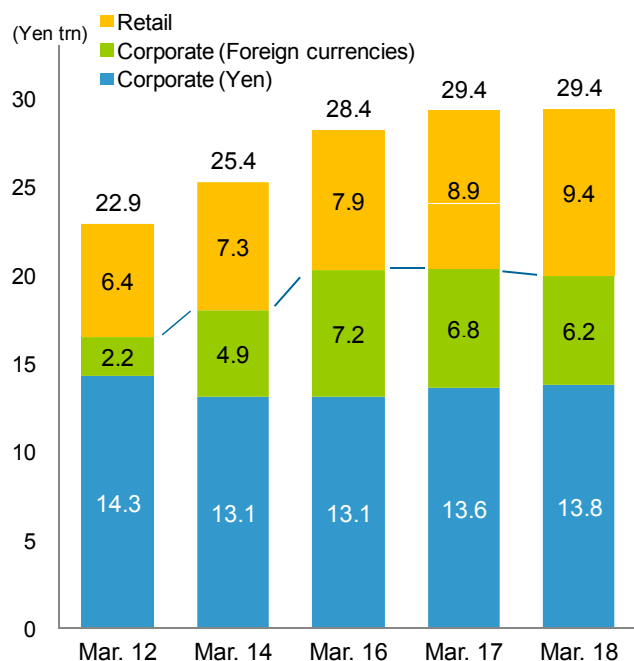
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- ◆ Here, I would like to briefly discuss our alliances with regional financial institutions.
- ◆ By our group offering specialized services that can be beneficial to the clients of regional financial institutions, we have established a win-win relationship.
- ◆ JP Asset Management established together with Japan Post and Japan Post Bank, and Sky Ocean Asset Management established together with prominent regional financial institutions, are both steadily increasing their AUM.
- ◆ Further, they are offering specialized services such as real estate and inheritance on top of conventional asset management and shows promise in many areas.
- ◆ Please turn to P22

## Loan/investment business: Domestic Credit portfolio (SuMi TRUST Bank)

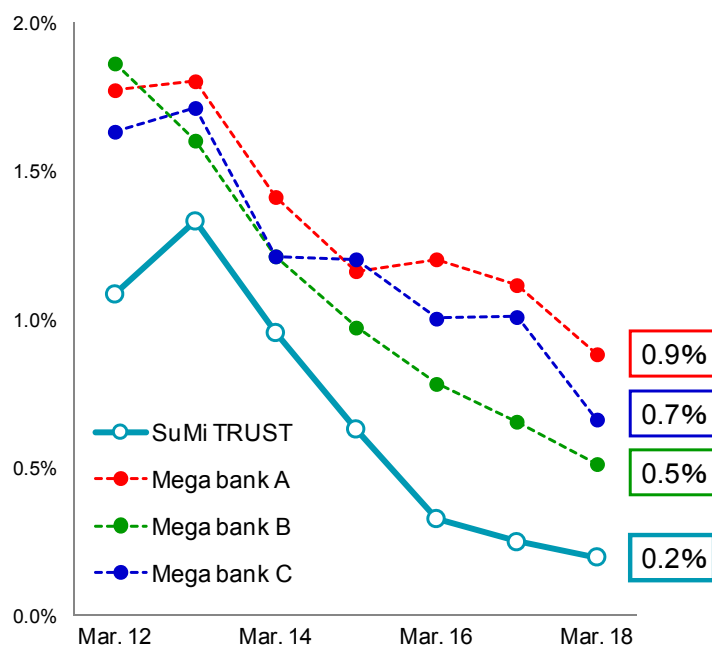
- ✓Retail: Steady increase centered on residential mortgages
- ✓Corporate: Yen loans are mainly for large domestic corporations, foreign currency (Non-Japanese) portfolio is centered on high quality product-based assets

Credit portfolio balance



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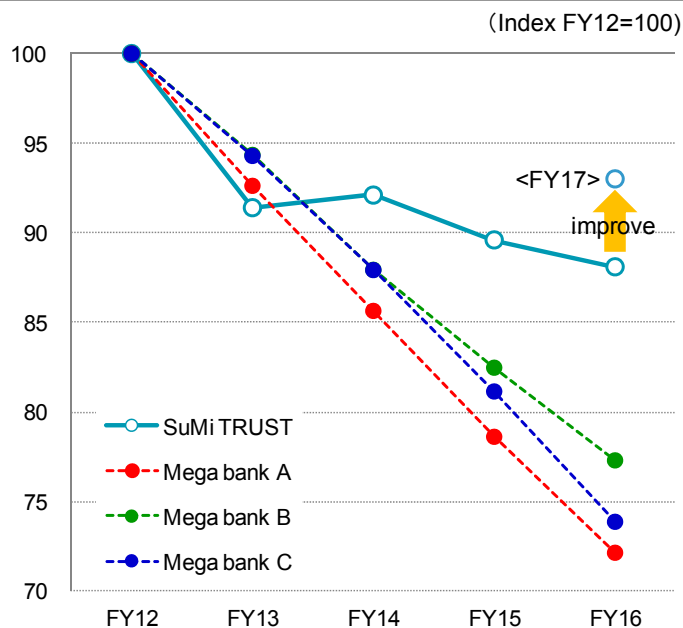
Problem loan ratio % of major banks



## Loan/investment business: Domestic loan-deposit margin (SuMi TRUST Bank)

✓ Domestic loan-deposit margin has been bottoming out due to restraint of funding cost and relentless efforts to improve lending margin

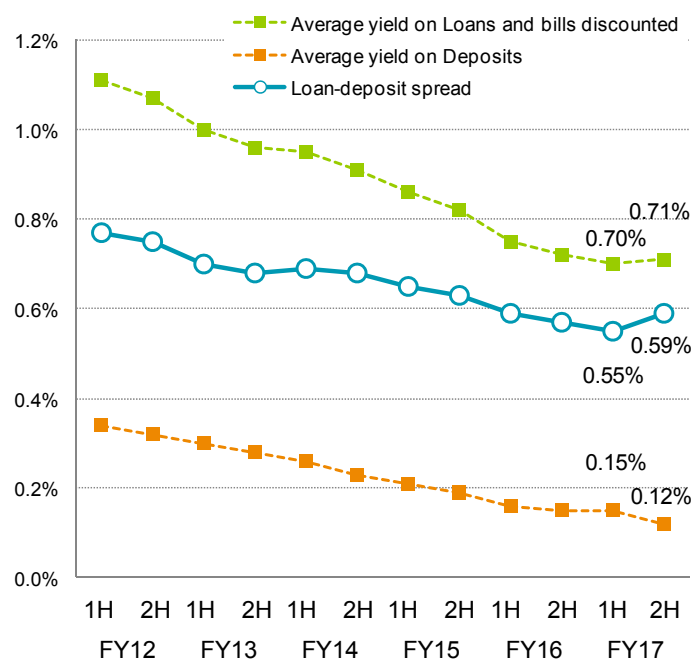
Income from domestic loan-deposit business (\*1, \*2)



(\*1) Income in domestic business =  
Loan interest income – deposit interest – interest from NCD  
(\*2) Mega banks: sum of bank subsidiaries

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Domestic loan-deposit gross margin



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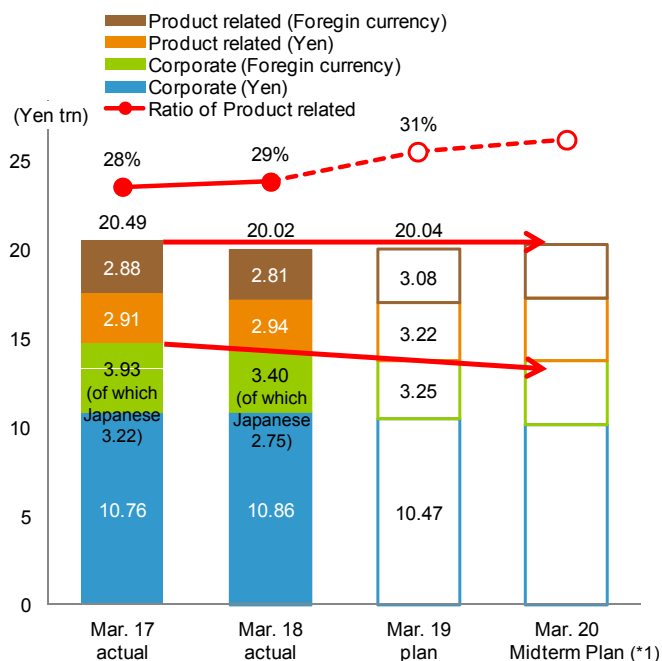
- ◆ I would like to discuss our loan/investment business from here on.
- ◆ As you can observe from the left graph, our income from domestic loan-deposit business has been bottoming out in FY2017.
- ◆ Competitive environment in the loan market is still intense, but we have implemented policies to reduce funding cost and shrink the volume of low margin lending, as a result of which we recognize that domestic loan-deposit gross margin has finally turned a corner.
- ◆ Please turn to P23



## Loan/investment business: Corporate lending/investment (SuMi TRUST Bank)

- ✓ Reformation of credit portfolio in progress, through reduction of low profitability assets centered on corporate loans (foreign currency) and margin improvement of foreign currency portfolio
- ✓ Regarding product related assets in focus, selective investments with emphasis on quality (recovery rate, tenor)

### Corporate credit portfolio plan



(\*1) Foreign currency balance of Mar. 20 assumes same FX rate as Mar. 17

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### Profitability improvement of credit portfolio

#### Strengthen product lending

Active investment in areas where we have expertise → Plan to market these products to clients

Aircraft

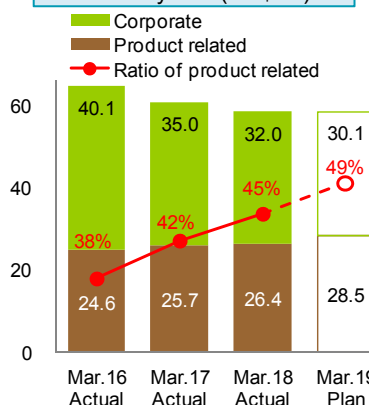
Shipping

Real Estate NRL

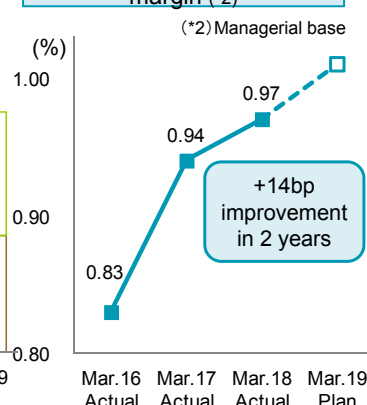
Project Finance

Trade/Commodity Finance

#### Management of foreign currency B/S (US\$Bn)



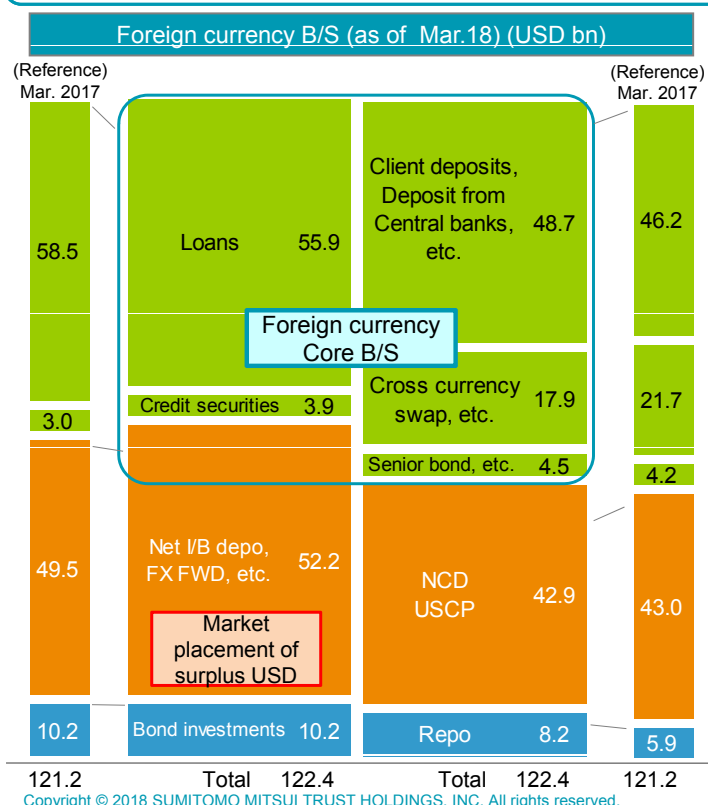
#### Foreign currency portfolio margin (\*2)



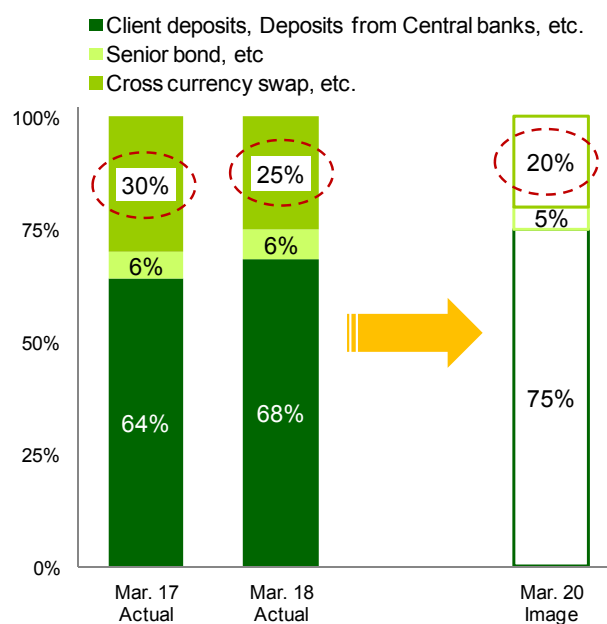
- ◆ Our corporate credit portfolio strategy has been to shift to higher profitability product related lending from plain vanilla corporate loans without increasing the overall portfolio.
- ◆ As you can see from the graph on bottom right, efforts to increase margin has resulted in improvement of the foreign currency portfolio.
- ◆ However, we note that the competition is fierce for both domestic and overseas product related lending. As we continue to manage our portfolio with profitability and safety in mind, portfolio growth has been slower than planned.
- ◆ Please turn to P26

## Loan/investment business: Status of foreign currency B/S (SuMi TRUST Bank)

- ✓ Liquidity risk and funding cost of foreign currency core B/S is managed carefully, while reducing funding via CCS
- ✓ Short term funds sourced through NCD/USCP markets are categorized as contingent funding buffer, and the funds are utilized as short-term funds in the inter-bank or foreign exchange market



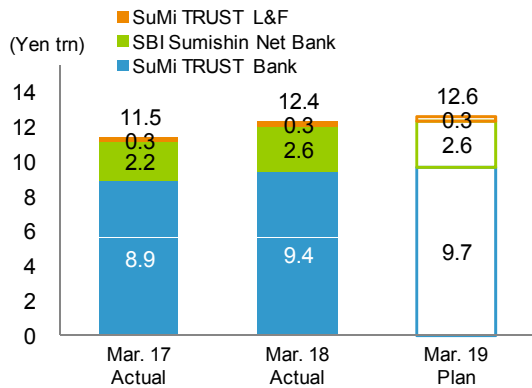
### Funding structure of Foreign currency core B/S



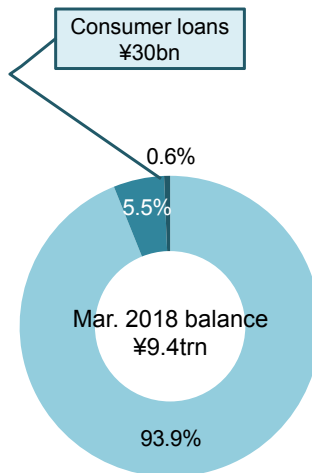
## Loan/investment business: Personal loans

- ✓ Construct high quality client portfolio by competitive pricing and efficient marketing channels
- ✓ Using mortgages as point-of-entry, to cross-market other products to clients based on their requirements during various stages of their lives

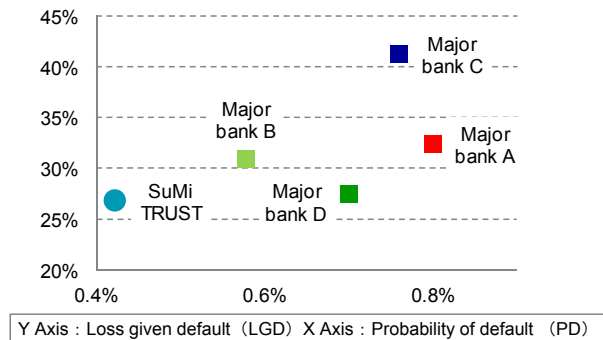
### Balance of loans to individuals



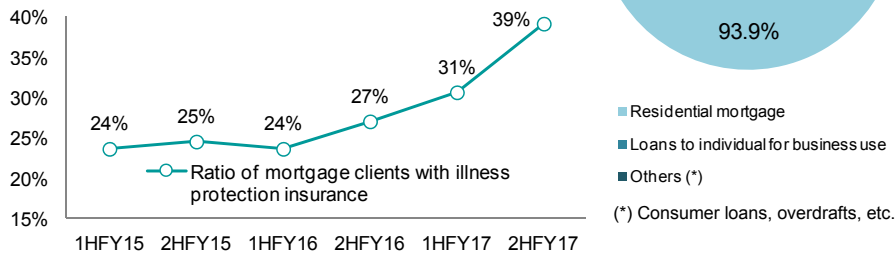
### By product (Non-consolidated)



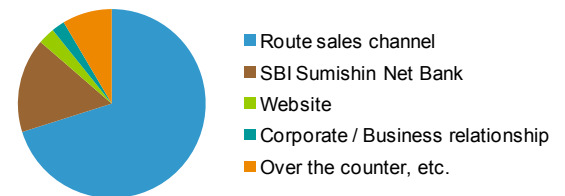
### High quality mortgage borrowers



### Expand services with mortgage as entry point

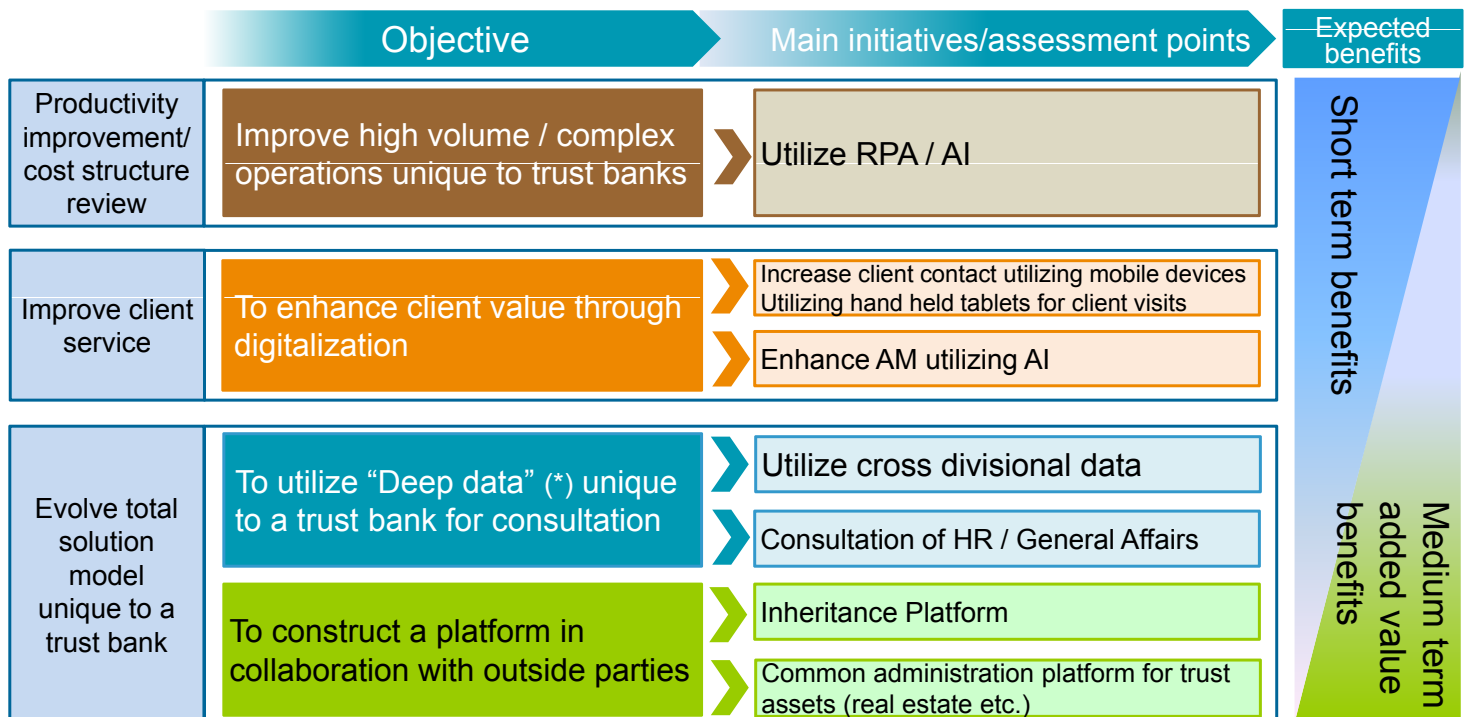


### Efficient marketing channels (Mortgages)



## Digitalization strategy

- ✓ To strengthen and rationalize existing workflow such as productivity, OHR, and improvement of client services
- ✓ Add value to clients by utilizing data and knowhow unique to a trust bank



(\*) Detailed data for specific segments such as trust related businesses

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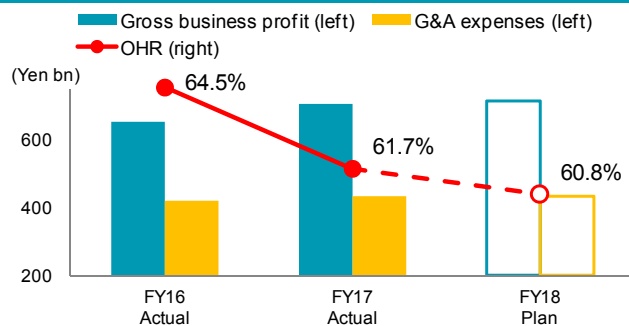
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- ◆ I would like to explain our direction for digitalization strategy.
- ◆ In the short run, we intend to utilize RPA, AI and host-DB linked tablets to enhance productivity and improve client services.
- ◆ RPA is suited to streamline back office work of trust business that are specialized, unique and high volume. We have already commenced bank-wide introduction and expect to save 150 thousand work hours this year, and half million work hours in three years' time.
- ◆ In the medium term we intend to evolve our total solution model unique to a trust bank.
- ◆ We plan to utilize big data for areas such as pensions, real estate and stock transfer agency, and also consider constructing a platform for trust related businesses.
- ◆ Things are still fluid at this moment, and some experimentation through trial-and-error is unavoidable. However, we do recognize that digitalization opportunities are substantial in trust businesses so we would like to sustain our endeavors.
- ◆ Please turn to P27

✓ While aiming for reduction in expenses and improved efficiency, to pursue improvement in OHR in conjunction with gross profit improvement

### Expenses forecast



### Efforts to reduce expenses

#### RPA

- RPA/AI to reduce workload for hi-mix/low-volume trust transactions
- FY2018 to aim for 150 thousand hours reduction

#### Office relocation

- To divest 2 office buildings in FY2017
- To reallocate AM functions to optimize office allocation and release leased space in FY2018

#### Group governance

- To reduce duplicate functionalities, strengthen cross-group latitudinal controls

### Branch Strategy

#### < Phase 1 >

10% reduction in backoffice work and 10% increase in client marketing time achieved by introduction of host-DB linked client visit tablet

Accomplished

#### < Phase 2 >

To reduce backoffice work by 50% by expanding tablet functionality

Development on-going

#### < Phase 3 >

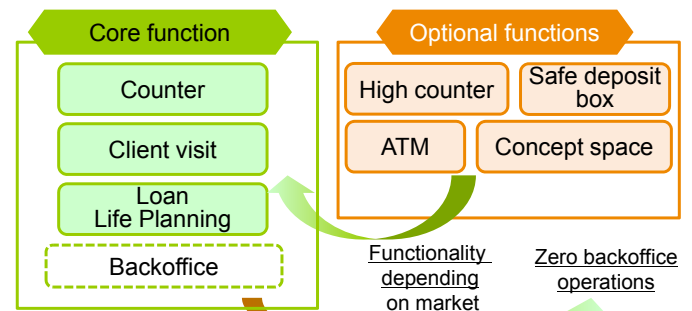
Further digitalization to reduce backoffice work to zero

Method for 70% reduction in sight (Create around 1,600 staff equivalent in 5 years)

#### Topline growth

$$\text{Topline growth} = \# \text{ contacts} \times \text{Success Rate} \times \text{Transaction Value}$$

### Next generation type branch



- ◆ I would like to comment about our expenses.
- ◆ While it is important to recognize our relentless cost reduction efforts, I believe it is important to focus on OHR improvement through growth and gross profit margin expansion.
- ◆ For example, regarding our branch strategy, we are on track to reduce 70% of back office operations in 5 years' time by upgrading of terminal functionalities, which is equivalent to creating around 1600 staff in terms of headcount.
- ◆ By reallocation of these staff to face-to-face marketing roles and strengthening client contact which is our core competence, we envisage expansion of gross profit.
- ◆ Please turn to P28

## Preparation for future risk

- ✓ Mitigation of risk from US interest rate rise by utilizing bear-type bond investment trust and derivatives
- ✓ To implement hedging operations to reduce equity risk and control economic value of stock holdings
- ✓ Credit portfolio to restrain concentration risk to maintain a high quality, downside resilient portfolio

### US interest rate rise

Restrained management of US treasury positions  
Hedge transactions (bear-type bond investment trusts, bond futures)

Utilize bear-type bond investment trusts and derivatives to tactically control risk

Portfolio management mindful of interest rate rise

US interest rate (10BPV) risk transition (Non-consolidated)

### Stock market correction

Reduction of cross shareholdings  
Hedge transactions (bear-type investment trusts)

To implement hedging operations to reduce equity risk and control economic value of stock holdings

Hedge ratio of around 70% as of Mar. 2018

Strategic shareholdings / CET1 ratio <sup>(\*)</sup>

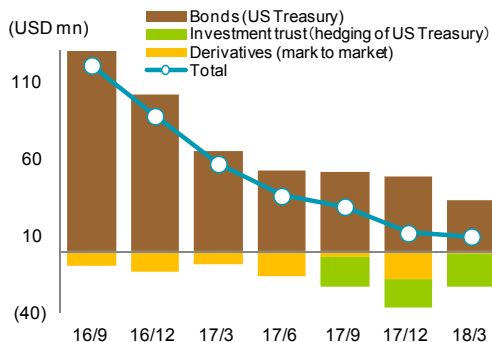
### Economy slowdown/recession

To restrain concentration risk  
Portfolio management taking overheating of some markets into account

Mitigate concentration of region, risk profile and timing  
Asset selection with focus on safety (recovery, tenor)

High quality portfolio mindful of downside risk

Regional diversification of non-Japanese credit <sup>(\*)</sup>

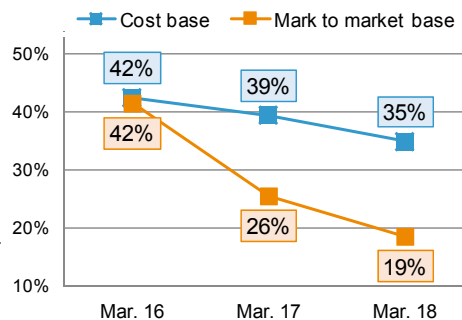


(\*) Cost base: Japanese stocks (cost) / CET1 capital (excluding valuation differences on AFS securities)

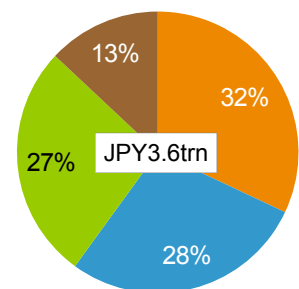
Mark to market base: [Japanese Stocks (fair value) – hedging effect equivalent] / CET1 capital

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North America Europe  
Asia and Oceania Others



(\*) Based on final exposure (as of Mar. 18)

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- ◆ Here, I would like to explain our preparation for future risk.
- ◆ We recognize that due to changes in monetary policy among major nations, there is heightened risk of market volatility, and also, geopolitical risk is on the rise.
- ◆ Regarding our exposure to US interest rate, we had substantially reduced our exposure before rates started to rise earlier this year.
- ◆ For strategic shareholdings, we have reduced our market risk exposure to 19% of CET1 capital by utilizing hedge transactions.
- ◆ For our non-Japanese credit portfolio, we have constructed a portfolio mindful of regional and risk profile diversification, and we are managing the portfolio even more cautiously in the near term.
- ◆ Please turn to P30

## Financial / Capital Policy



✓ In accordance with our Midterm Management Plan and current Shareholder Return Policy, while upholding profit growth and capital efficiency, to enhance shareholder returns over the medium term

Self-assessment														
Target for sufficiency	<ul style="list-style-type: none"> <li>✓ Regulatory requirement 7.5%, financial / management buffer 2.5% (*1)</li> <li>✓ To maintain certain level of comparative advantage due to long-term nature of services offered as trust business</li> </ul>	CET1 ratio of around 10% (Finalized Basel III reforms basis)												
Current status	<ul style="list-style-type: none"> <li>✓ Current regulatory requirement basis 11.3%, finalized Basel III reforms basis around 9% (*2)</li> </ul>	Capital accumulation stage to meet requirement for finalized Basel III reforms basis												
Near-term capital policy	<ul style="list-style-type: none"> <li>✓ ROE improvement through steady implementation of the Midterm Management Plan (To pursue profit growth and capital-efficient business model)</li> <li>✓ While accumulating capital, to manage it with both pursuit of growth opportunities and strengthening of shareholder return in accordance with profitability taken into consideration</li> </ul>	<p>While accumulating capital, consider balance between profit growth, capital efficiency and shareholder return</p> <table> <tr> <th>【KPI】 (*3)</th><th>FY17 Actual</th><th>FY19 Midterm Plan</th></tr> <tr> <td>Profit growth</td><td>JPY153.9bn</td><td>JPY180bn</td></tr> <tr> <td>Capital efficiency</td><td>7.4%</td><td>Approx. 8%</td></tr> <tr> <td>Shareholder return</td><td>37.4%</td><td>Approx. 40%</td></tr> </table>	【KPI】 (*3)	FY17 Actual	FY19 Midterm Plan	Profit growth	JPY153.9bn	JPY180bn	Capital efficiency	7.4%	Approx. 8%	Shareholder return	37.4%	Approx. 40%
【KPI】 (*3)	FY17 Actual	FY19 Midterm Plan												
Profit growth	JPY153.9bn	JPY180bn												
Capital efficiency	7.4%	Approx. 8%												
Shareholder return	37.4%	Approx. 40%												
Our medium / long-term view	<ul style="list-style-type: none"> <li>✓ In the future, after capital accumulation has reached a level that is prudently sufficient, we will review our growth prospects and stock valuation, and consider the appropriate capital policy / shareholder return</li> <li>✓ On top of shareholder distribution commensurate with earnings, share repurchases to improve capital efficiency to be considered as well</li> </ul>													

(\*1) Required ratio of CET1 capital required against risk weighted assets (\*2) CET1 ratio (As of Mar. 2018) Current regulatory requirement basis is preliminary, Finalized basis is pro forma  
(\*3) Profit growth: Net income, Capital efficiency: Shareholder ROE, Shareholder return: Total payout ratio

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- ◆ Lastly, please allow me to comment on our capital and shareholder return policy.
- ◆ Our CET1 ratio assuming Basel III finalization would be around 9%.
- ◆ Therefore, we believe that we are still in the capital accumulation stage until we reach a prudently sufficient CET1 ratio target of 10%.
- ◆ However, during this Midterm Plan, while achieving ROE improvement through steady execution of our plan, we intend to implement shareholder return policy commensurate with our earnings, while taking into consideration of the necessary investment for future growth.
- ◆ This May, we have decided on a share repurchase of up to ¥9bn, taking the steady progress of our Midterm Plan and increased profit forecast into consideration.
- ◆ In the future, once we have achieved a capital ratio that is prudently sufficient, we shall consider share repurchases to enhance capital efficiency on top of shareholder return commensurate with our earnings.
- ◆ This concludes my presentation.
- ◆ Thank you for your attention.

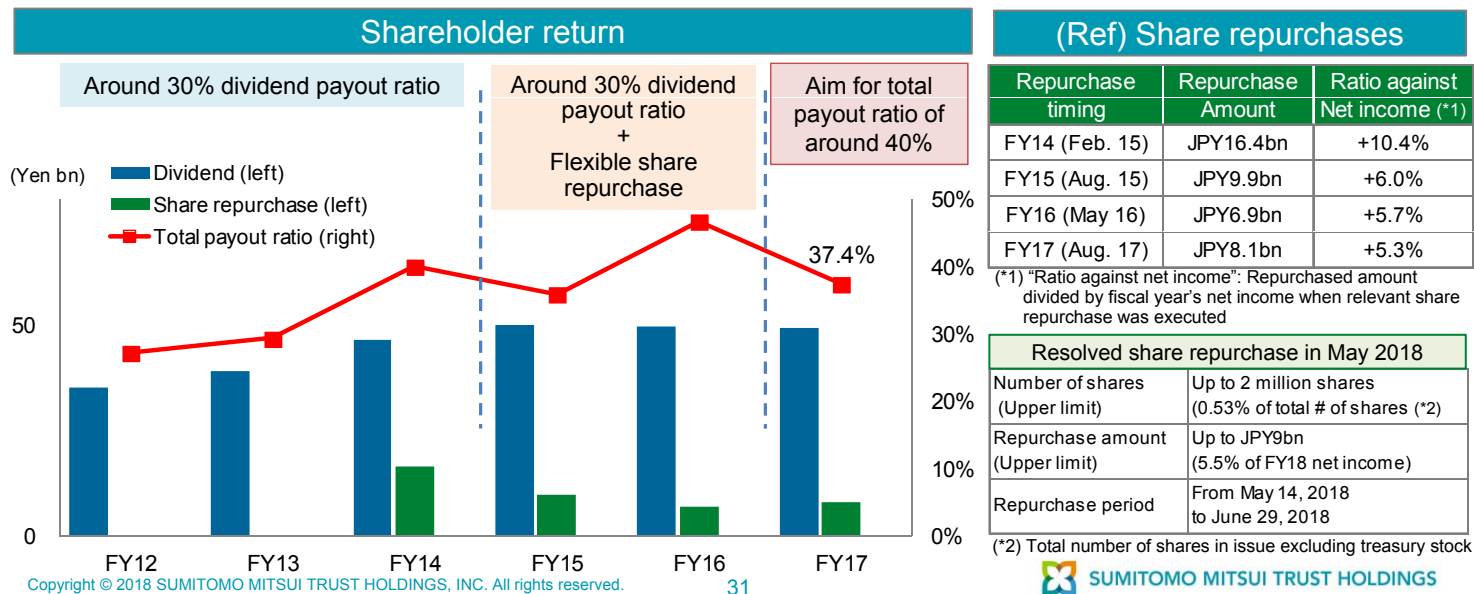


## Financial and capital policies: Shareholder return policy

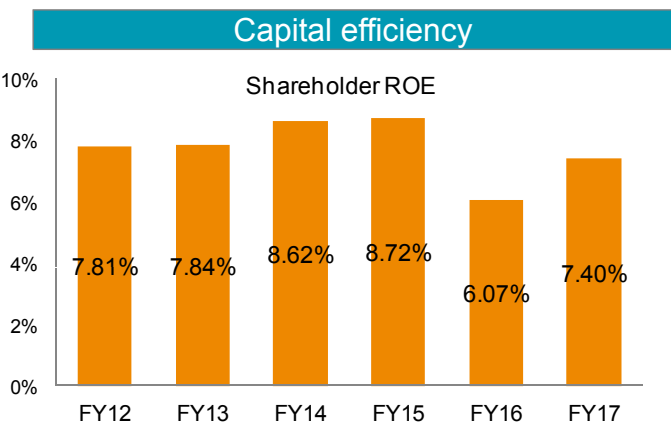
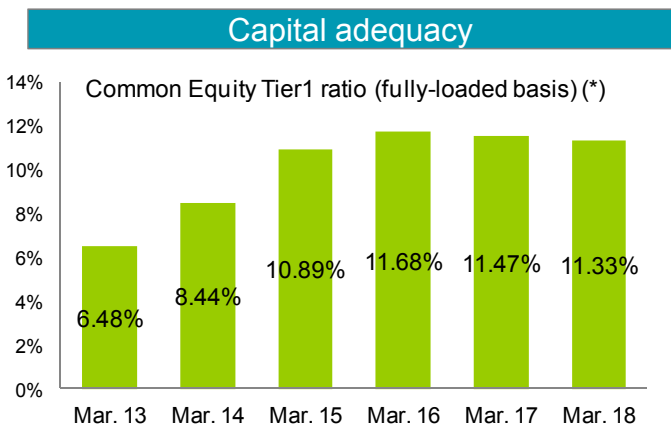
By maintaining dividend payout commensurate with earnings and share repurchases, we shall aim to enhance total payout ratio to around 40% over the medium term

### <Shareholder Return Policy>

As a means of returning shareholders' profits commensurate with earnings, we will maintain a dividend payout ratio of around 30% with respect to ordinary shares, while considering share repurchases based on the balance between profit growth opportunities and improvement in capital efficiency. In the medium term, we shall aim to gradually raise the total payout ratio to around 40% to enhance shareholder returns



## (Reference) Status of KPIs



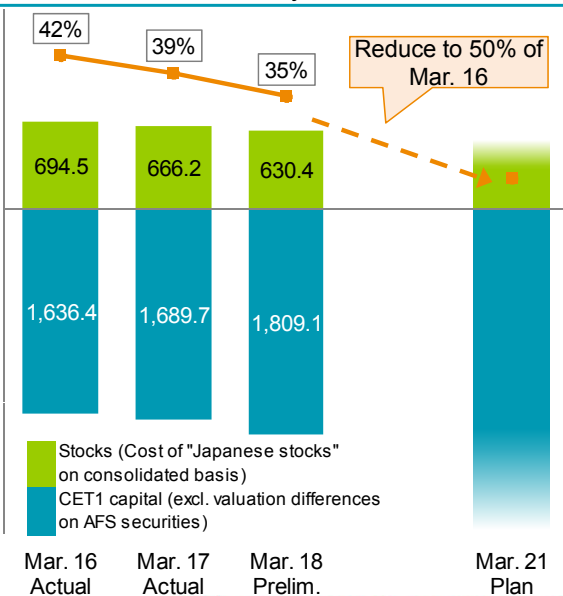
(\*) Provisional calculation without considering current regulatory requirement basis for adjustment items

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### Reduction of strategic shareholdings

#### Initiatives for strategic shareholdings

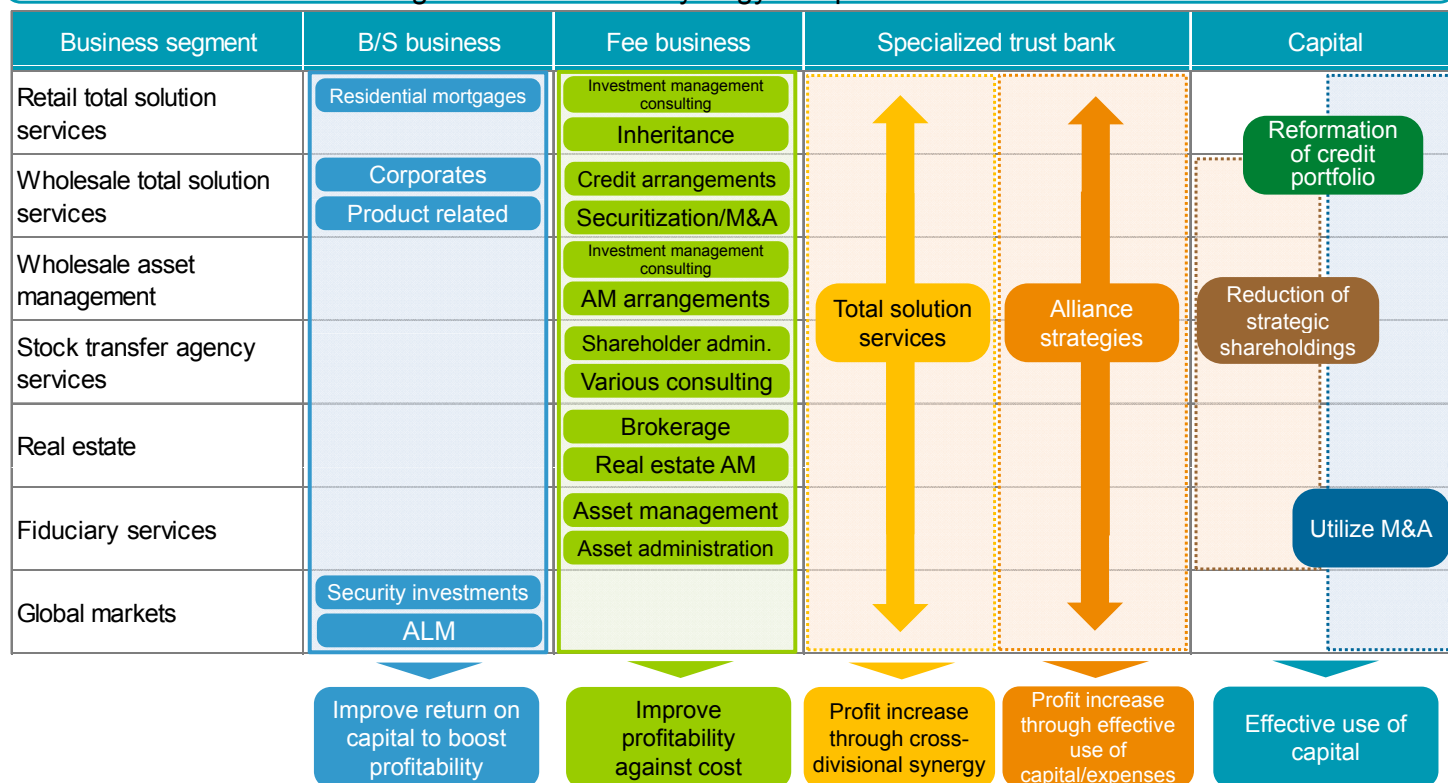
- ✓ Commencing from FY16, to reduce ratio of strategic shareholdings to Common Equity Tier1 capital (excluding valuation differences on AFS securities) by 50% in approx. 5 years
- ✓ Amount would be worth sales of approx. ¥150bn to ¥200bn on cost base by end of FY20



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## (Reference) Initiatives of each business segment to improve ROE

- ✓ Implementation of Midterm Management Plan to bolster ROE
- ✓ Strengthen fee businesses, improve B/S efficiency and profitability through portfolio realignment, offer total solution services through cross divisional synergy and promote alliances



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## Financial Results for FY2017



## Overview of profit

	(Yen bn)	FY16	FY17	Change
1 Net business profit before credit costs (*1)		232.3	270.5	38.1
2 Substantial gross business profit (*1)		654.5	705.7	51.1
3 Net interest income and related profit		246.8	208.2	(38.6)
4 Net fees and commissions and related profit		408.3	405.4	(2.8)
5 Other profit		(0.6)	92.1	92.7
6 Substantial G&A expenses (*1)		(422.2)	(435.1)	(12.9)
7 Total credit costs		(28.5)	2.9	31.5
8 Net gains on stocks		36.4	6.3	(30.1)
9 Other net non-recurring profit		(43.9)	(47.2)	(3.3)
10 Ordinary profit		196.3	232.6	36.2
11 Extraordinary profit		(5.2)	6.1	11.4
12 Income before income taxes		191.1	238.8	47.6
13 Total income taxes		(56.9)	(73.0)	(16.1)
14 Income attributable to non-controlling interests		(12.7)	(11.7)	0.9
15 Net income		121.4	153.9	32.5
16 Return on shareholders' equity		6.07%	7.40%	1.33%
17 Dividend per share (DPS) (Yen)		130	130	-
18 Earnings per share (EPS) (Yen)		317	403	86
19 Number of shares issued (mn shares) (*2)		382.8	381.2	(1.5)

(\*1) "Net business profit before credit costs", "Substantial gross business profit" and "Substantial G&A expenses" are based on managerial accounting, taking gross income and expenses from affiliates into consideration.

(\*2) Average number of common shares outstanding (excluding treasury stocks) during the period.

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### Net business profit before credit costs

- Increase of ¥38.1bn YoY, primarily due to non-recurrence of last year's fall in market related profit
- Effective loans/investments earnings improved due primarily to improvement of domestic loan-deposit margin (UP ¥1.8bn YoY, P39)
- Steady increase of fee income from asset management/administration and real estate businesses  
Effective net fees and commissions and related profit increased, excluding decrease from inheritance related fees which was temporarily boosted last year (DOWN ¥4.7bn YoY, P39)

### Total credit costs

- Limited instance of new bad loans
- Net profit of ¥2.9bn recorded from reversal of loan-loss reserves due to decrease in balances of problem loans from repayment by certain borrowers

### Net gains on stocks

- Progress made in reduction of strategic-shareholdings (reduction of ¥35.2bn, profit of ¥36.4bn from disposal), loss of ¥34.8bn recorded due to divestment and reinvestment of hedge investment trust positions with aim to improve average holding cost

### Other net non-recurring profit / Extraordinary profit

- Divestiture of office building (¥15.0bn profit) to optimize office utilization
- One-time write down of IT related expenses

### Net income

- Increase of ¥32.5bn YoY
- Steady progress for first year of Mid-Term plan (Planned ¥150bn, achievement ratio 103%)



## Overview of balance sheet

	(Yen bn)	Mar. 2017	Mar. 2018	Change
1 Assets		65,453.7	68,356.7	2,903.0
2 Cash and due from banks		26,944.4	28,841.3	1,896.8
3 Securities		5,127.7	5,537.6	409.9
4 Loans and bills discounted		28,040.4	28,190.5	150.1
5 Other assets		5,341.0	5,787.2	446.1
6 Liabilities		62,662.0	65,484.4	2,822.4
7 Deposits and NCD		43,327.4	43,915.1	587.7
8 Borrowed money from trust account		10,274.1	11,070.7	796.5
9 Other liabilities		9,060.4	10,498.5	1,438.1
10 Total net assets		2,791.6	2,872.3	80.6
11 Total shareholders' equity		2,031.6	2,127.8	96.1
12 Total accumulated OCI		430.9	496.8	65.8
13 Minority interests, etc.		329.0	247.6	(81.4)
14 Net assets per share (BPS) (Yen)		6,437	6,897	459
15 Number of shares issued (mn shares) (*1)		382.5	380.5	(2.0)

(Reference)

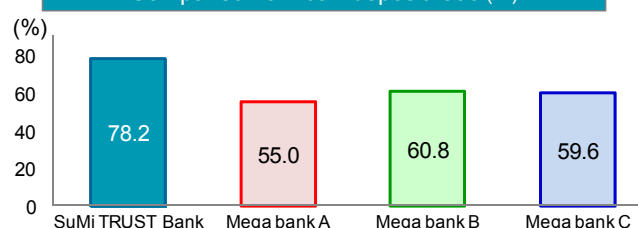
16 Loan-deposit ratio (SuMi TRUST Bank)	77.1%	78.2%	1.1%
17 NPL ratio (SuMi TRUST Bank)	0.2%	0.2%	(0.0%)

(\*1) Number of common shares issued (excluding treasury stocks) as of the date above

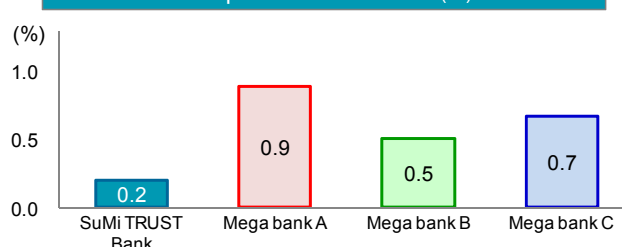
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### Comparison of Loan-deposit ratio (\*2)

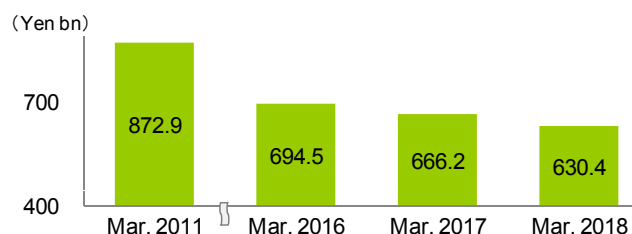


### Comparison of NPL ratio (\*2)



(\*2) As of Mar. 2018 Other Mega banks: Sum of bank subsidiaries

### Balance of strategic shareholdings (Cost base)



## Profit by group company

	(Yen bn)	FY16	FY17	Change
1 Net business profit before credit costs (*1)		232.3	270.5	38.1
2 o/w SuMi TRUST Bank		150.5	189.7	39.2
3 SuMi TRUST AM		6.2	5.5	(0.7)
4 Nikko AM (*2)		9.1	13.3	4.1
5 SuMi TRUST Realty		4.8	5.8	0.9
6 SuMi TRUST Panasonic Finance (*2)		11.6	12.8	1.1
7 SuMi TRUST Loan & Finance		9.9	10.2	0.3
8 SBI Sumishin Net Bank (*2)		7.5	7.9	0.4
9 SuMi TRUST Guarantee (*2)		12.0	11.9	(0.1)
10 SuMi TRUST Club		5.6	2.9	(2.6)
11 Effect of purchase accounting method		(2.7)	(2.7)	(0.0)
12 Net income (*1)		121.4	153.9	32.5
13 o/w SuMi TRUST Bank		77.6	117.9	40.3
14 SuMi TRUST AM		4.3	3.7	(0.5)
15 Nikko AM (*2)		4.7	7.5	2.7
16 SuMi TRUST Realty		3.5	4.1	0.6
17 SuMi TRUST Panasonic Finance (*2)		5.8	5.1	(0.6)
18 SuMi TRUST Loan & Finance		6.8	6.9	0.0
19 SBI Sumishin Net Bank (*2)		4.9	5.2	0.2
20 SuMi TRUST Guarantee (*2)		7.9	8.3	0.3
21 SuMi TRUST Club		2.5	(0.2)	(2.7)
22 Effect of purchase accounting method		7.9	(0.4)	(8.3)

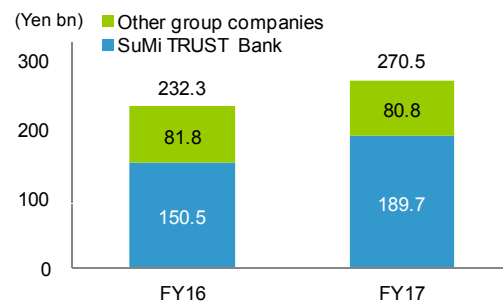
(\*1) Figures on the table above are contribution of group companies, which are substantive amount excluding consolidation adjustment that do not relate directly to the group companies' business results.

(\*2) Consolidated basis

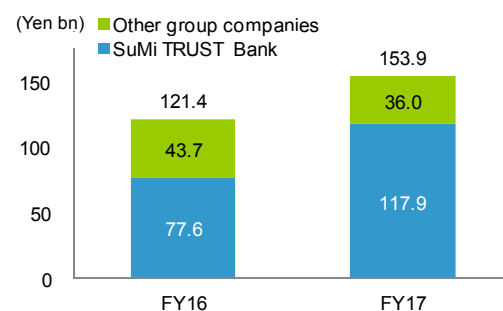
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Breakdown of Net business profit before credit cost



Breakdown of Net income



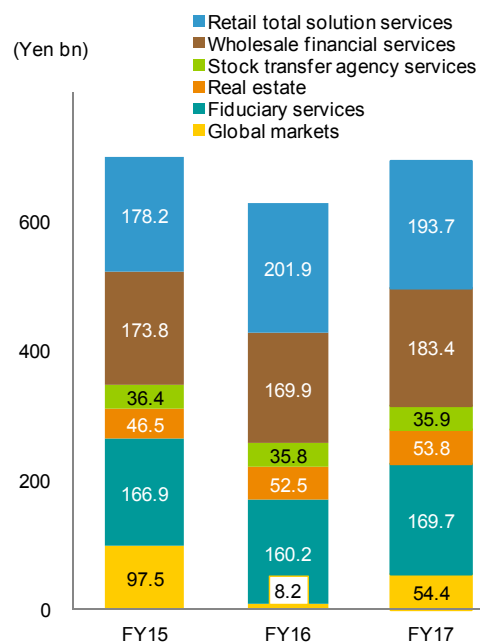
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## Profit by business segment

	(Yen bn)	FY16	FY17	Change
1 Net business profit before credit costs		232.3	270.5	38.1
2 Substantial gross business profit		654.5	705.7	51.1
3 Retail total solution services		201.9	193.7	(8.2)
4 SuMi TRUST Bank		140.2	132.8	(7.4)
5 Other group companies		61.7	60.8	(0.8)
6 Wholesale financial services (*)		169.9	183.4	13.4
7 SuMi TRUST Bank		118.5	128.6	10.0
8 Other group companies		51.3	54.7	3.4
9 Stock transfer agency services		35.8	35.9	0.1
10 SuMi TRUST Bank		19.6	20.1	0.5
11 Other group companies		16.1	15.8	(0.3)
12 Real estate		52.5	53.8	1.3
13 SuMi TRUST Bank		32.0	32.1	0.1
14 Other group companies		20.4	21.6	1.1
15 Fiduciary services		160.2	169.7	9.5
16 SuMi TRUST Bank		61.2	62.7	1.4
17 Other group companies		98.9	107.0	8.0
18 Global markets		8.2	54.4	46.1
19 Substantial G&A Expenses		(422.2)	(435.1)	(12.9)
20 SuMi TRUST Bank		(232.7)	(237.0)	(4.3)
21 Other group companies		(189.4)	(198.0)	(8.6)

(\*) Combined total of Wholesale total solution services and Wholesale asset management

Breakdown by business segment



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## Overview of profit (SuMi TRUST Bank)

	(Yen bn)	FY16	FY17	Change
1 Net business profit before credit costs		150.5	189.7	39.2
2 Gross business profit		383.3	426.8	43.5
3 Net interest income and related profit		216.7	176.5	(40.1)
4 Net fees and commissions and related profit		196.9	190.2	(6.6)
5 Net trading profit		17.0	10.4	(6.6)
6 Net other operating profit		(47.3)	49.5	96.9
7 o/w Net gains on foreign exchange transactions		28.6	45.3	16.7
8 Net gains on bonds		(96.9)	(5.7)	91.2
9 Net gains from derivatives (*1)		21.1	9.4	(11.7)
10 General and administrative expenses		(232.7)	(237.0)	(4.3)
11 Total credit costs		(24.9)	7.0	31.9
12 Other non-recurring profit		(8.2)	(23.8)	(15.5)
13 o/w Net gains on stocks		31.3	5.9	(25.3)
14 Amortization of net actuarial losses		(28.5)	(16.3)	12.2
15 Ordinary profit		117.3	172.9	55.6
16 Extraordinary profit		(5.9)	(8.3)	(2.3)
17 Income before income taxes		111.3	164.6	53.3
18 Total income taxes		(33.6)	(46.6)	(13.0)
19 Net income		77.6	117.9	40.3

(\*1) Net gains from derivatives other than for trading or hedging

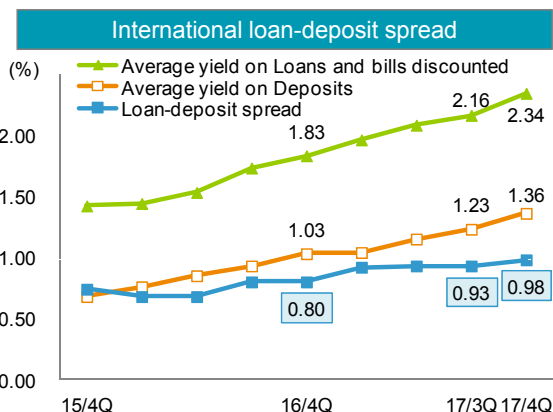
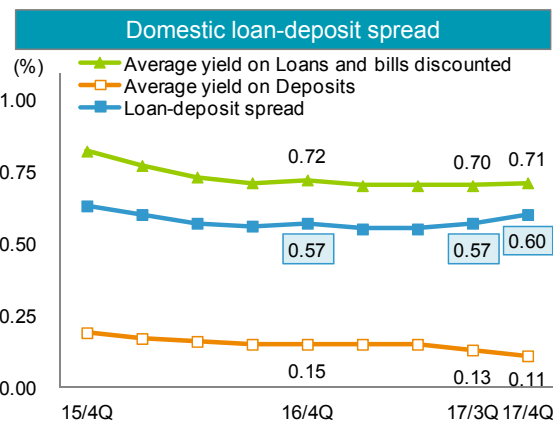
	FY16	FY17	Change
20 Net interest income and related profit	216.7	176.5	(40.1)
21 Net interest income	203.2	163.3	(39.9)
22 Domestic business	141.0	143.4	2.3
23 International business	62.1	19.8	(42.2)
24 o/w Profit from unwinding of asset swaps (hedge accounting)	28.6	-	(28.6)
25 Trust fees (*2)	13.4	13.2	(0.2)
26 o/w Profit attributable to deployment of surplus foreign currency funds	16.2	29.5	13.3
27 (Ref.) Effective interest related earnings (*3)	204.2	206.1	1.8
28 Net fees and commissions and related profit	196.9	190.2	(6.6)
29 o/w Investment management consulting	58.8	58.1	(0.6)
30 Asset management/administration	61.2	62.7	1.4
31 Real estate brokerage	25.4	26.1	0.6
32 Stock transfer agency services	19.6	20.1	0.5
33 Inheritance related services	9.4	4.6	(4.7)
34 Wholesale credit related	36.0	34.4	(1.5)
35 Net gains on bonds	(96.9)	(5.7)	91.2
36 Domestic bonds	1.6	0.0	(1.5)
37 Foreign bonds	(98.5)	(5.8)	92.7

(\*2) Trust fees from principal guaranteed trust a/c

(\*3) Net interest income and related profit - Profit from unwinding of asset swaps (hedge accounting) + Profit attributable to deployment of surplus foreign currency funds

## Net interest income (SuMi TRUST Bank)

	(Average balance: Yen trn)	(Income/Expenses: Yen bn)	Average Balance	Change from FY16	Average Yield	Change from FY16	Income/Expenses	Change from FY16
1 Net interest income							163.3	(39.9)
2 Domestic business					0.40%	0.00%	143.4	2.3
3 Interest-earning assets			35.68	2.58	0.57%	(0.05%)	204.4	(2.3)
4 o/w Loans and bills discounted			21.10	1.05	0.70%	(0.03%)	149.2	1.4
5 Securities			3.20	0.12	1.45%	(0.07%)	46.5	(0.5)
6 Income on swaps			---	---	---	---	2.7	(2.1)
7 Interest-bearing liabilities			35.10	2.68	0.17%	(0.03%)	(61.0)	4.7
8 o/w Deposits			23.12	0.25	0.14%	(0.02%)	(32.4)	4.5
9 Borrowings from trust a/c			2.67	-	0.49%	0.00%	(13.1)	0.1
10 International business					0.15%	(0.37%)	19.8	(42.2)
11 Interest-earning assets			11.95	(0.03)	1.74%	0.32%	208.3	37.4
12 o/w Loans and bills discounted			6.68	(0.54)	2.12%	0.48%	142.3	23.6
13 Securities			1.87	(0.17)	2.13%	0.41%	40.1	4.6
14 Interest-bearing liabilities			11.79	(0.22)	1.59%	0.69%	(188.4)	(79.7)
15 o/w Deposits			5.09	0.53	1.20%	0.30%	(61.2)	(19.8)
16 NCD / USCP			4.04	0.03	1.15%	0.35%	(46.5)	(14.1)
17 Repo			1.35	0.04	1.22%	0.60%	(16.6)	(8.3)
18 Expenses on swaps			---	---	---	---	(35.8)	(29.9)
19 (+) Trust fees from principal guaranteed trust a/c							13.2	(0.2)
20 (+) Profit attributable to deployment of surplus foreign currency funds							29.5	13.3
21 (-) Profit from unwinding of asset swaps (hedge accounting)							-	(28.6)
22 Effective interest related earnings							206.1	1.8
23 (Ref.) Loan-deposit spread / income in domestic business					0.56%	(0.01%)	116.7	6.0





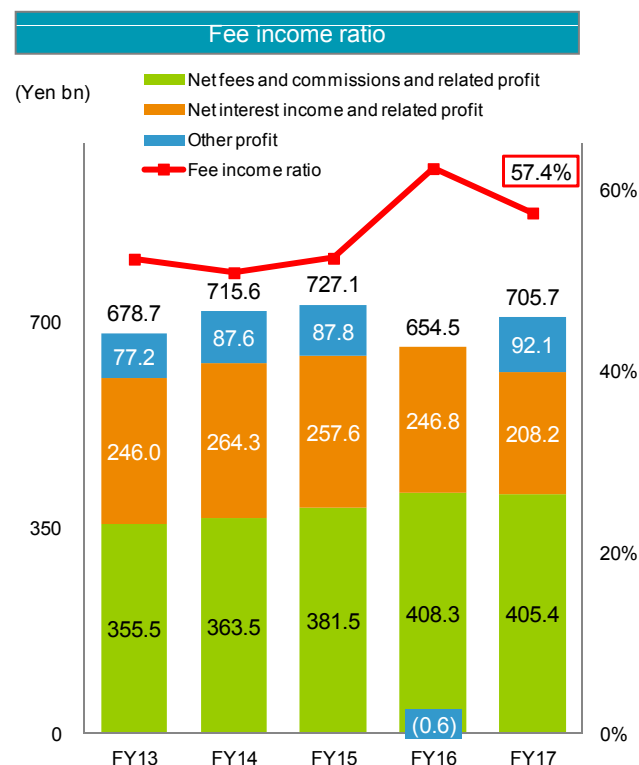
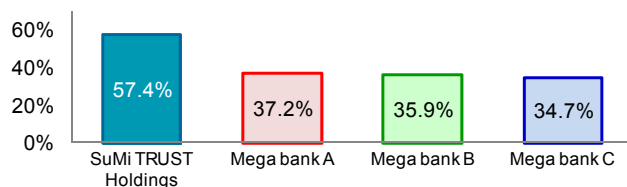
## Net fees and commissions and related profit

	(Yen bn)	SuMi TRUST Bank		SuMi TRUST Group (*1)	
		FY17	Change from FY16	FY17	Change from FY16
1 Net fees and commissions and related profit		190.2	(6.6)	405.4	(2.8)
2 Investment trust and insurance sales		58.1	(0.6)	58.1	(0.6)
3 Card		-	-	43.2	1.1
4 Asset management / administration		62.7	1.4	175.1	8.0
5 Profit		93.1	2.3	185.0	7.9
6 Fees paid out for outsourcing		(30.3)	(0.9)	(9.9)	0.0
7 Stock transfer agency services		20.1	0.5	35.9	0.1
8 Profit		30.0	0.3	35.9	0.1
9 Fees paid out for outsourcing		(9.9)	0.1	0.0	0.0
10 Real estate		32.1	0.1	53.8	1.1
11 Others (Loan arrangement fees, etc.)		17.1	(8.0)	39.1	(12.6)
12 Fee income ratio (*2)		44.5%	(6.8%)	57.4%	(4.9%)

(\*1) Figures are after eliminations of intra-group transactions

(\*2) Net fees and commissions and related profit / Gross business profit

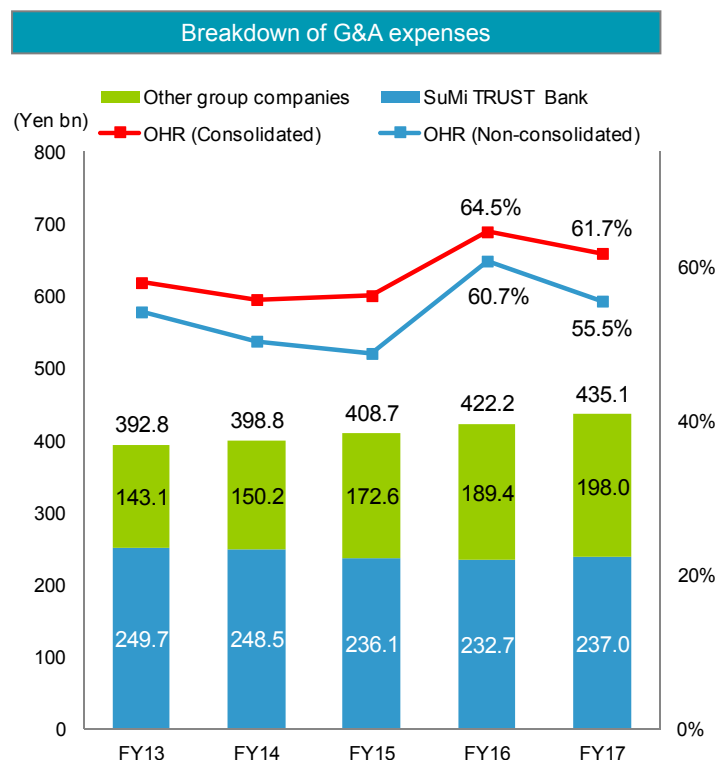
### Comparison of fee income ratio between major banks



## Expenses

[SuMi TRUST Group]		FY16	FY17	Change
(Yen bn)				
1 Personnel expenses		(194.2)	(202.7)	(8.4)
2 Non-personnel expenses excluding taxes		(210.2)	(214.4)	(4.2)
3 Taxes other than income taxes		(17.7)	(17.9)	(0.2)
4 Substantial G&A expenses		(422.2)	(435.1)	(12.9)
5 Overhead ratio		64.5%	61.7%	(2.8%)

[SuMi TRUST Bank]		FY16	FY17	Change
(Yen bn)				
6 Personnel expenses		(106.7)	(109.5)	(2.8)
7 Salaries etc.		(101.5)	(102.4)	(0.8)
8 Retirement benefit expenses		12.0	10.0	(1.9)
9 Others		(17.1)	(17.2)	(0.1)
10 Non-personnel expenses excluding taxes		(112.5)	(114.8)	(2.2)
11 IT system related costs		(34.0)	(38.8)	(4.7)
12 Others		(78.4)	(75.9)	2.4
13 Taxes other than income taxes		(13.5)	(12.6)	0.8
14 G&A expenses		(232.7)	(237.0)	(4.3)
15 Overhead ratio		60.7%	55.5%	(5.2%)



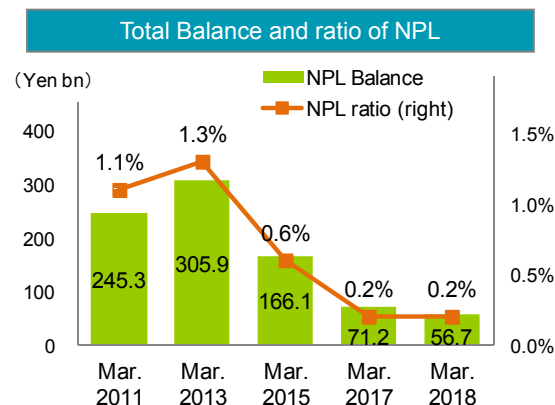
## Total credit costs and problem assets

[Total credit costs]		FY16 (Yen bn)	FY16		FY17	Major factors (FY17)
			1H	2H		
1	SuMi TRUST Bank	(24.9)	5.3	1.7	7.0	<div><div></div><div>Downgraded: Approx. (8.0) Upgraded: Approx. +4.0 Decrease in loan balance, etc. (including recoveries): Approx. +11.0</div></div>
2	General allowance for loan losses	(27.9)	6.1	4.5	10.6	
3	Specific allowance for loan losses	1.9	0.1	(2.9)	(2.8)	
4	Recoveries of written-off claims	1.7	0.2	0.5	0.8	
5	Losses on sales of claims, written-off	(0.6)	(1.2)	(0.3)	(1.6)	
6	Other group companies, etc.	(3.5)	(0.7)	(3.3)	(4.0)	SuMi TRUST Panasonic Finance (2.1), SuMi TRUST Club (1.3)
7	Total	(28.5)	4.6	(1.6)	2.9	

[NPL (SuMi TRUST Bank)]		Mar. 2018	Coverage ratio (*1)	Allowance ratio (*2)	Change from Mar. 2017
(Yen bn)					
8	NPL	56.7	95.8%	78.4%	(14.5)
9	NPL ratio (ratio to Total loan balance)	0.2%	---	---	(0.0%)
10	Bankrupt and practically bankrupt	12.0	100.0%	100.0%	4.1
11	Doubtful	27.0	92.9%	74.6%	(8.4)
12	Substandard	17.7	97.4%	34.7%	(10.2)
13	Other special mention debtors	548.5	---	---	(7.1)
14	Ordinary assets	28,213.3	---	---	104.9
15	Total loan balance	28,818.4	---	---	83.3

(\*1) (Collateral value + allowance for loan losses) / Loan balance

(\*2) Allowance for loan losses / (Loan balance - Collateral value after considering haircuts)



## Securities portfolio

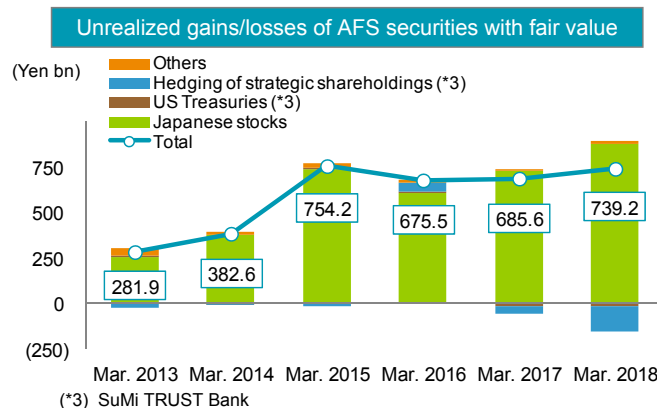
[Securities with fair value]		Costs		Unrealized gains/losses (*1)	
(Yen bn)		Mar. 2018	Change from Mar. 2017	Mar. 2018	Change from Mar. 2017
1	Available-for-sale securities	4,362.1	392.7	739.2	53.6
2	Japanese stocks	630.4	(35.8)	876.2	145.7
3	Japanese bonds	815.8	(29.9)	2.2	0.5
4	Others	2,915.7	458.5	(139.2)	(92.6)
5	Held-to-maturity debt securities	264.9	(79.7)	21.9	(4.9)

[Securities with fair value (SuMi TRUST Bank)]		Costs	Unrealized gains/losses (*1)
(Yen bn)		Mar. 2018	Change from Mar. 2017
6	Available-for-sale securities	4,361.3	440.0
7	Japanese stocks	606.4	(33.3)
8	Japanese bonds	887.7	8.1
9	o/w Government bonds	241.3	70.8
10	Others	2,867.2	465.2
11	Domestic investment	82.1	(11.5)
12	International investment	1,254.0	(75.8)
13	o/w US Treasury	496.1	(285.9)
14	Others (Investment trust, etc.)	1,530.9	552.6
15	o/w for hedging of strategic shareholdings (*2)	1,346.6	469.5

(\*1) Figures for "Japanese stocks" are based on average daily prices in the month which the record date belongs to.

(\*2) Of which hedging effect under capital regulation is recognized: Costs JPY882.1bn, Unrealized gains/losses JPY(110.6)bn

16	Held-to-maturity debt securities	193.5	(69.8)	21.8	(5.0)
17	o/w Government bonds	119.1	(20.8)	19.8	(0.2)
18	International investment	35.7	(46.2)	1.4	(5.1)



(\*) SuMi TRUST Bank

(\*) SuMi TRUST Bank

Reduction of strategic shareholdings (*4)		FY16	1H	2H	FY17
(Yen bn)					
19	Reduction amount	32.2	13.3	21.9	35.2

(Ref.) Cumulative reduction since merger (from FY11 to FY17): ¥281.4bn

Cumulative reduction based on current plan (from FY16 to FY20): ¥67.4bn

(\*4) Purchase cost of listed shares

Securities portfolio of Global markets (*5)		10BPV (*6)		Duration (years) (*6)	
(Yen bn)		Mar. 2018	Change from Mar. 2017	Mar. 2018	Change from Mar. 2017
20	JPY	2.6	0.6	6.8	0.8
21	Others	2.9	(4.8)	4.0	(4.0)

(\*5) Managerial reporting basis; "HTM debt securities" and "AFS securities" are combined

(\*6) In the calculation of 10BPV and duration, investment balance hedged by derivatives transactions, etc. were excluded and hedging effect utilizing investment trust taken into consideration

## Capital

- ✓ Common Equity Tier 1 capital ratio: UP 0.29 percentage points from Mar. 2017 to 11.33%, though risk assets increased, increase in retained earnings contributed to accumulation of common equity. 0.14 percentage point increase YoY on a fully loaded basis
- ✓ Leverage ratio and liquidity coverage ratio both improved from Mar. 2017. We have maintained levels well in excess of regulatory requirements

<Capital and total risk-weighted assets>		Mar. 2017	Mar. 2018	
(Yen bn)		Actual	Preliminary	Change
1	Total capital ratio	16.42%	16.31%	(0.11%)
2	Tier 1 capital ratio	13.54%	13.74%	0.20%
3	Common Equity Tier 1 capital ratio	11.04%	11.33%	0.29%
4	Total capital	3,185.8	3,348.1	162.3
5	Tier 1 capital	2,625.7	2,821.4	195.6
6	Common Equity Tier 1 capital	2,141.8	2,325.8	183.9
7	Instruments and reserves	2,360.8	2,602.7	241.9
8	Regulatory adjustments	(218.9)	(276.9)	(57.9)
9	Additional Tier 1 capital	483.8	495.5	11.7
10	Tier 2 capital	560.1	526.7	(33.3)
11	Total risk-weighted assets	19,391.9	20,522.9	1,131.0
12	Credit risk	17,855.8	18,352.1	496.3
13	Market risk	551.4	1,163.8	612.4
14	Operational risk	984.6	1,006.8	22.2

< Reference > Fully-loaded basis (\*1)

15	Common Equity Tier 1 capital ratio	11.19%	11.33%	0.14%
16	Common Equity Tier 1 capital	2,166.5	2,325.8	159.2
17	Accumulated other comprehensive income (*2)	430.9	496.8	65.8
18	Total risk-weighted assets	19,352.6	20,522.9	1,170.3

(\*1) Fully-loaded basis: Pro forma figures without considering transitional arrangements concerning "Regulatory adjustments", etc.

(\*2) Valuation differences on Available-for-Sale Securities (Mar. 2018): ¥516.6bn

< Major factors of change in capital >

(1) Common Equity Tier 1 capital: +¥183.9bn

- Net income: +¥153.9bn
- Dividends and repurchase of own shares: ¥(57.6)bn
- Accumulated other comprehensive income: +¥135.1bn

< Major factors of change in total risk-weighted assets >

(2) Credit risk: +¥0.5trn

- Increase in investment trusts holdings (including temporary position to be closed)

(3) Market risk: +¥0.6trn

- Due to modification of risk measurement model, etc.

< Other ratios required in prudential regulations >

(Yen bn)		Mar. 2018 Preliminary	Chg. from Mar. 2017
19	Leverage ratio	3.98%	0.11%
20	SuMi TRUST Bank (Consolidated) (*3)	4.59%	0.14%
21	Tier 1 capital	2,821.4	195.6
22	Total exposure	70,807.8	2,964.4
23	Liquidity coverage ratio (*4)	131.9%	(4.8%)
24	SuMi TRUST Bank (Consolidated) (*3)	163.6%	(25.6%)
25	Total high-quality liquid assets	27,250.0	3,270.9
26	Net cash outflows (*5)	20,657.1	3,121.3

(\*3) Excluding the impact of funds inflow into the banking account from trust account at JTSE

(\*4) Average figures in 4QFY17. "Change from Mar. 2017" represents the comparison to figure for 4QFY16 calculated in the same manner

(\*5) As for figure of Mar. 2018 Preliminary, Month-end data used for some items instead of daily data to calculate figures

## Fee business: Investment management consulting

- ✓ Total sales amount increased by ¥368.3bn from previous year to ¥1,736.9bn due to increased investment appetite of clients due to favorable equity market conditions
- ✓ Revenues were in line with previous year at ¥58.1bn, decrease in revenue from insurance related products were offset by increase in investment trust marketing commissions

### Income for distributor of investment products

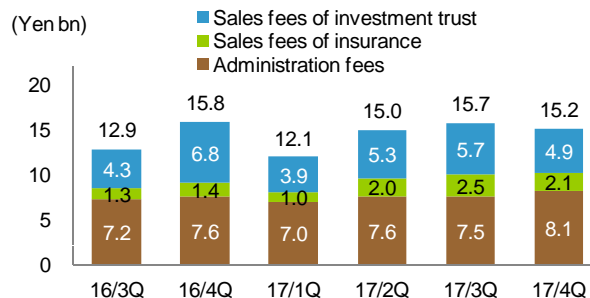
(Yen bn)		FY17 Actual	vs FY16	FY18 Plan
1	Income total	58.1	(0.6)	61.0
2	Sales fees of investment trust	19.9	2.1	20.0
3	Sales fees of insurance	7.8	(3.3)	9.0
4	Administration fees	30.3	0.4	32.0

### Sales volume / balance

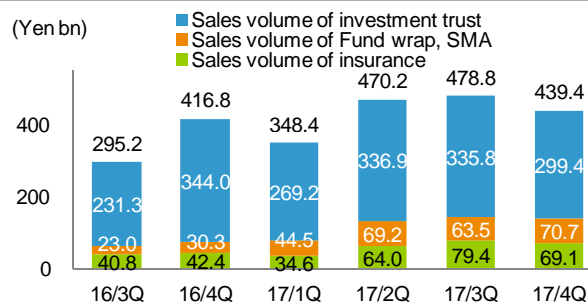
(Yen bn)		FY17 Actual	vs FY16	FY18 Plan
5	Sales volume total	1,736.9	368.3	1,785.0
6	Investment trust	1,241.5	242.4	1,255.0
7	Fund wrap, SMA	248.0	132.0	240.0
8	Insurance	247.3	(6.1)	290.0

(Yen bn)		Mar. 2018 Actual	vs Mar. 17	Mar. 2019 Plan
9	Balance total	6,158.9	170.7	6,380.0
10	Investment trust	2,891.5	94.9	3,020.0
11	Fund wrap, SMA	830.9	65.4	870.0
12	Insurance	2,436.3	10.3	2,490.0
13	Wrap Selection	1,669.4	69.6	1,730.0

### Income for distributor (quarterly)



### Sales volume (quarterly)

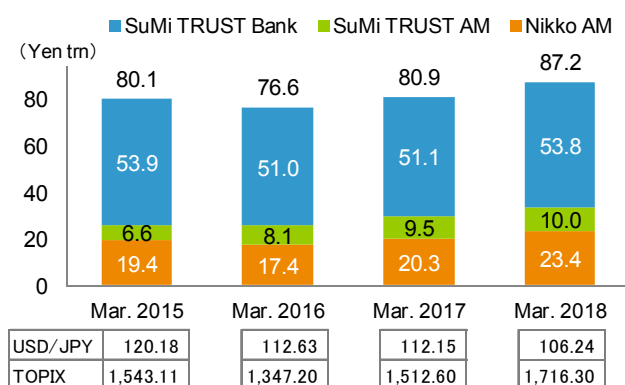




## Fee business: Asset management/administration (Fiduciary services)

- ✓ AUM: increased by ¥6.3trn from Mar. 2017 to ¥87.2trn due to increase in market value, though pension trust balance decreased due to dissolution of company pension plans
- ✓ AUC: increased for both domestic and overseas assets compared to Mar. 2017

Assets under management (AUM)			
	(Yen trn)	Mar. 2017	Mar. 2018
			Change
1 Assets under management		80.9	87.2 6.3
2 SuMi TRUST Bank		51.1	53.8 2.6
3 Corporate pension trust		15.0	13.6 (1.3)
4 Public pension trust		10.7	11.8 1.1
5 Discretionary investment		25.4	28.2 2.8
6 Subsidiaries		29.8	33.4 3.6
7 SuMi TRUST AM		9.5	10.0 0.5
8 Nikko AM		20.3	23.4 3.0

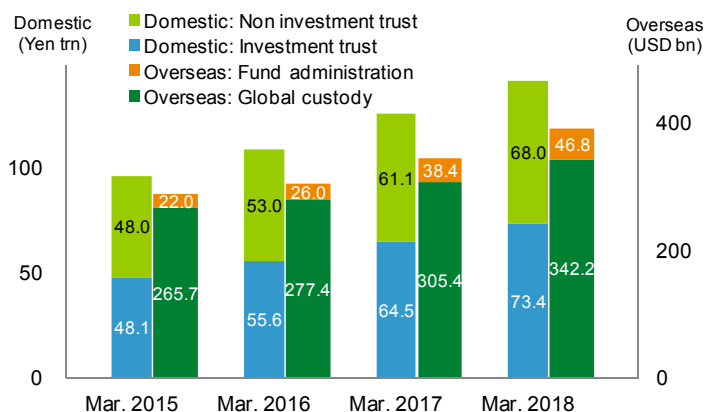


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Assets under custody/administration			
	(Yen trn)	Mar. 2017	Mar. 2018
			Change
[Domestic]			
9 Investment trust (*1)		64.5	73.4 8.8
10 Non investment trust (*1)		61.1	68.0 6.8
[Overseas] (USD bn)			
11 Global custody (*2)		305.4	342.2 36.7
12 Fund administration		38.4	46.8 8.3

(\*1) Entrusted balance of SuMi TRUST Bank  
(\*2) Combined figures of SuMi TRUST Bank (U.S.A.), SuMi TRUST (UK) and SuMi TRUST Bank (Lux.)



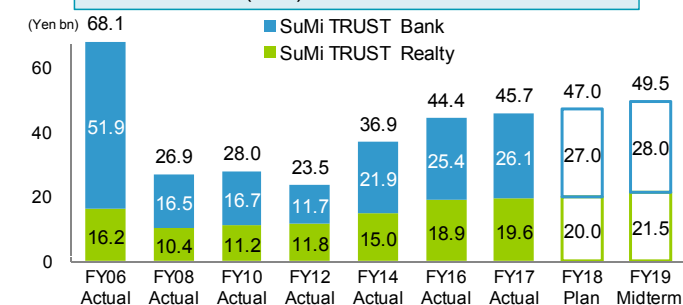
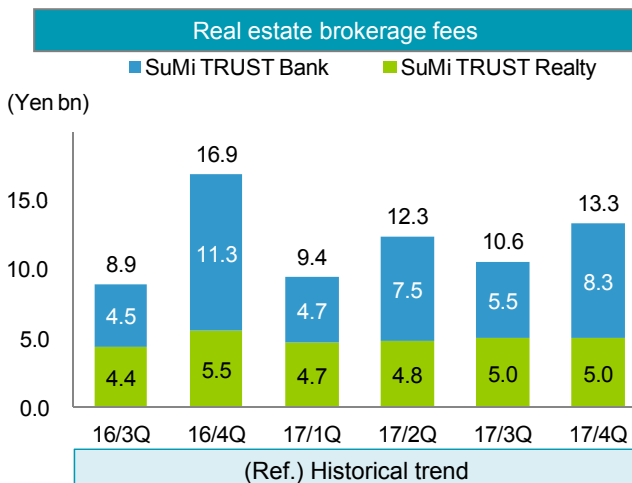
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## Fee business: Real estate

- ✓ Real estate brokerage fees from corporate clients (SuMi TRUST Bank): UP ¥0.6bn YoY to ¥26.1bn due to contribution from large-size transactions
- ✓ Real estate brokerage fees from retail clients (SuMi TRUST Realty): UP ¥0.7bn YoY to ¥19.6bn due to robust demand for housing

Income			
	(Yen bn)	FY17 Actual	vs FY16
1 Real estate brokerage fees		45.7	1.3
2 SuMi TRUST Bank		26.1	0.6
3 SuMi TRUST Realty		19.6	0.7
4 Real estate trust fees, etc.		6.0	(0.1)
5 Net other real estate profit		1.9	0.0
6 SuMi TRUST Bank		(0.0)	(0.3)
7 Group companies		2.0	0.4
8 Total		53.8	1.3
9 o/w SuMi TRUST Bank		32.1	0.1

Assets under management / administration		
	(Yen bn)	Mar. 2018 Actual vs Mar. 17
10 Securitized real estate		15,320.0 1,177.2
11 Assets under custody from J-REITs		13,397.9 966.8
12 Assets under management		709.1 58.5
13 Private placement funds		438.2 25.9
14 J-REITs		270.8 32.5



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## Loan/investment business: Credit portfolio (SuMi TRUST Bank)

- ✓ Credit portfolio balance: ¥29.47trn, almost the same level as the end of March 2017
- ✓ Residential mortgages increased, while balance of credit to corporates decreased due to restrained management of foreign currency assets balance

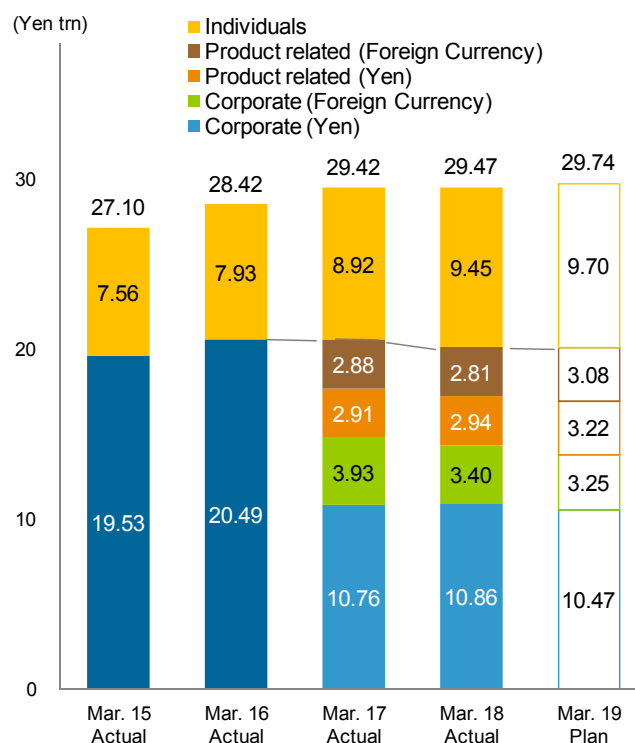
### Advanced amount and balance to individuals

	(Yen bn)	FY17		FY18 Plan
		Actual	vs FY16	
1	Advanced amount of loans to individuals	1,316.8	(552.5)	1,150.0
2	o/w Residential mortgage loans	1,214.5	(534.5)	1,050.0

	(Yen bn)	Mar. 2018		Mar. 2019 Plan
		Actual	vs Mar. 17	
3	Balance of loans to individuals	9,450.4	523.5	9,700.0
4	o/w Residential mortgage loans	8,874.7	496.1	9,100.0

### Balance of credit to corporates

	(Yen bn)	Mar. 2018		Mar. 2019 Plan
		Actual	vs Mar. 17	
5	Corporate (Yen)	10,866.8	98.7	10,470.0
6	Corporate (Foreign Currency)	3,401.9	(530.6)	3,250.0
7	Product related (Yen)	2,946.5	33.4	3,220.0
8	Product related (Foreign Currency)	2,813.5	(68.8)	3,080.0
9	Total balance of credit for corporates	20,029.0	(467.2)	20,040.0
10	o/w Product related	5,760.1	(35.3)	6,300.0
	USD/JPY	106.24	(5.91)	



Forecast for FY2018

## Forecast for FY2018

- ✓ Net business profit before credit costs and Net income both expected to exceed FY17 results
- ✓ Dividend on ordinary share forecast to be 130 yen per share, in line with the policy of consolidated dividend payout ratio of 30%

(Yen bn)		FY17 Actual	1H	FY18 Forecast	Change from FY17	
						Substantial (*)
1	Net business profit before credit costs	270.5	130.0	280.0	9.4	9.4 (1)
2	SuMi TRUST Bank	189.7	125.0	235.0	45.2	(*) 10.2
3	Substantial gross business profit	705.7	345.0	715.0	9.2	9.2
4	SuMi TRUST Bank	426.8	245.0	475.0	48.1	(*) 13.1
5	Other group companies	278.8	100.0	240.0	(38.8)	(*) (3.8)
6	Substantial G&A Expenses	(435.1)	(215.0)	(435.0)	0.1	0.1
7	SuMi TRUST Bank	(237.0)	(120.0)	(240.0)	(2.9)	(2.9)
8	Other group companies	(198.0)	(95.0)	(195.0)	3.0	3.0
9	Total credit costs	2.9	(10.0)	(20.0)	(22.9)	(22.9) (2)
10	SuMi TRUST Bank	7.0	(10.0)	(20.0)	(27.0)	(27.0)
11	Other group companies	(4.0)	0.0	0.0	4.0	4.0
11	Net gains on stocks	6.3	15.0	30.0	23.6	23.6 (3)
12	Other non-recurring profit	(47.2)	(10.0)	(35.0)	12.2	12.2 (4)
13	Ordinary profit	232.6	125.0	255.0	22.3	22.3
14	o/w SuMi TRUST Bank	172.9	130.0	230.0	57.0	(*) 22.0
15	Net income	153.9	80.0	165.0	11.0	11.0
16	o/w SuMi TRUST Bank	117.9	100.0	170.0	52.0	(*) 17.0
17	Dividend per common share (Yen)	130	65	130	±0	
18	Consolidated dividend payout ratio	32.1%	---	30.0%	(2.1%)	

(\*) Excluding dividend from group companies, which are planned to be paid in FY18 to improve their capital efficiency.

### 【Assumptions】

- (1) Net business profit before credit costs: +¥9.4bn YoY  
 • Substantial gross business profit assumes increase, whereas substantial G&A expenses forecasted to remain in line with previous year
- (2) Total credit costs: forecast ¥(20.0)bn  
 • Estimated to be around 7bp of total credit portfolio of ¥30trn
- (3) Net gains on stocks: forecast ¥30.0 bn  
 • Assumes reduction of strategic shareholdings in accordance with current plan
- (4) Other non-recurring profit: forecast ¥(35.0)bn  
 • Non-recurrence of one-time depreciation related to IT system in FY17

## (Reference) Breakdown by business segment

(Yen bn)		FY17 Actual	1H	FY18 Forecast	Change from FY17	FY19 Midterm Plan
1	Net business profit before credit costs	270.5	130.0	280.0	9.4	300.0
2	Substantial gross business profit	705.7	345.0	715.0	9.2	730.0
3	Retail total solution services	193.7	100.0	200.0	6.2	206.0
4	SuMi TRUST Bank	132.8	68.0	137.0	4.1	145.0
5	Other group companies	60.8	32.0	63.0	2.1	61.0
6	Wholesale financial services	183.4	90.0	186.0	2.5	191.0
7	SuMi TRUST Bank	128.6	63.0	130.0	1.3	128.0
8	Other group companies	54.7	27.0	56.0	1.2	63.0
9	Stock transfer agency services	35.9	19.0	37.0	1.0	37.0
10	SuMi TRUST Bank	20.1	11.0	21.0	0.8	21.0
11	Other group companies	15.8	8.0	16.0	0.1	16.0
12	Real estate	53.8	25.0	55.0	1.1	57.0
13	SuMi TRUST Bank	32.1	14.0	33.0	0.8	34.0
14	Other group companies	21.6	11.0	22.0	0.3	23.0
15	Fiduciary services	169.7	82.0	171.0	1.2	169.0
16	SuMi TRUST Bank	62.7	29.0	63.0	0.2	63.0
17	Other group companies	107.0	53.0	108.0	0.9	106.0
18	Global markets	54.4	27.0	55.0	0.5	52.0
19	Substantial G&A expenses	(435.1)	(215.0)	(435.0)	0.1	(430.0)
20	SuMi TRUST Bank	(237.0)	(120.0)	(240.0)	(2.9)	(232.0)
21	Other group companies	(198.0)	(95.0)	(195.0)	3.0	(198.0)
22	Ordinary profit	232.6	125.0	255.0	22.3	275.0
23	Net income	153.9	80.0	165.0	11.0	180.0



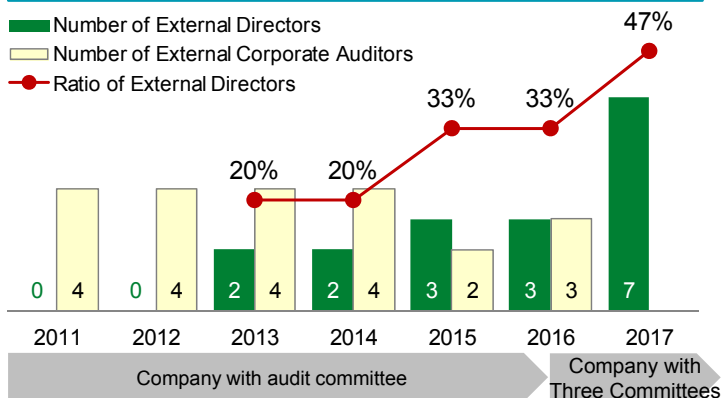
## ► Strengthen corporate governance through proactive involvement of external directors and enhancement of operations of Meeting of the Board

### Composition of Board of Directors



External directors: 7	Internal directors: 8
Non-executive directors: 11	Executive directors: 4
External director %	47%
Non-executive director %	73%

### Transition of external directors



### Examples of external directors' involvement in corporate governance issues

Introduction of External Directors' Meeting	A new forum created exclusively for external directors to discuss and evaluate governance issues
Communication between the Chairmen	Shared evaluation results of effectiveness of Meeting of the Board and discussed the countermeasures at Meeting of the Board
Strengthen monitoring of trust bank	In addition to quarterly update on status of the overall group, commenced supplementary reporting regarding trust bank, the group's core operation

### Streamlining of discussion agenda

Delegation to executive officers	All decision-making delegated to executive officers unless specific legal requirement exists	More focus on agenda specific to supervision
Report from executive officers	Individual cases reported by category by executive officers in charge	Efficient proceeding of Meeting of the Board
"Management theme" discussions	Have commenced discussions regarding important management themes and issues for the medium / long-term	Utilizing knowledge of external directors

## Fiduciary duties / Conflicts of interest

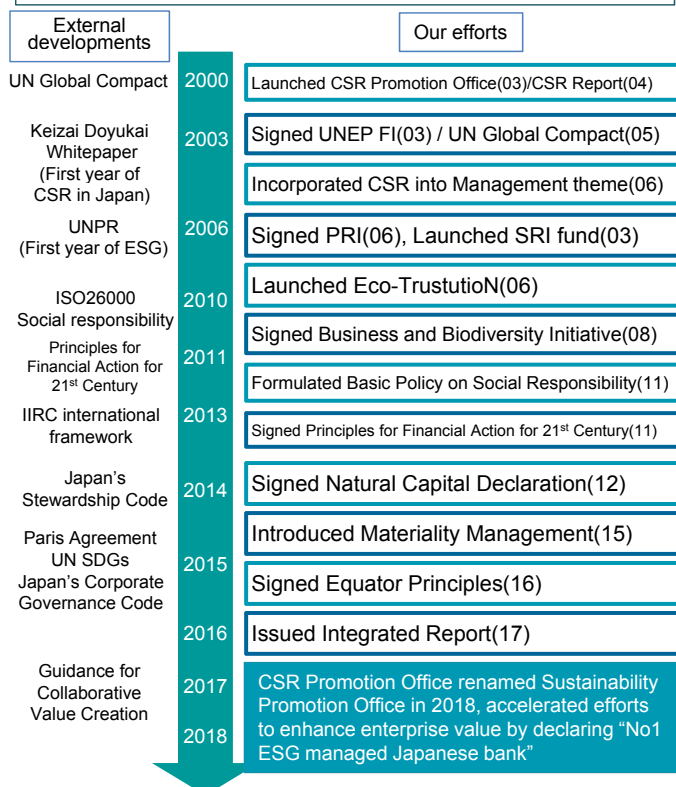
- ✓ Continuous efforts to provide easy to understand materials to clients have been recognized, entering a virtuous circle of self-improvement
- ✓ To raise the effectiveness of conflict of interest management, to refine rules and improve the actual workings of committee

		Ongoing Initiatives	Future Refinements
FD	Client Explanation	<ul style="list-style-type: none"> <li>► Provide easy to understand documents reflecting comments from clients</li> <li>► Strengthen training for client explanation</li> </ul>	<ul style="list-style-type: none"> <li>► Revision of brochures for sophisticated products such as fund-wrap to make them easier to understand</li> <li>► Feedback from staff training and discussion reflected to improve policy</li> </ul>
	Strengthen Control	<ul style="list-style-type: none"> <li>► External evaluation institution for investment trust and insurance established and commenced operations</li> <li>► Training and discussion session to further understanding of FD</li> </ul>	<ul style="list-style-type: none"> <li>► To offer superior products based on evaluation of external institutions</li> <li>► Further penetration of "Client First" philosophy</li> </ul>
	Enhance value for client	<ul style="list-style-type: none"> <li>► Steady progress to improve KPI</li> <li>► To extend holiday/office opening hours (to increase client contact)</li> <li>► Service improvement reflecting comments from clients</li> </ul>	<ul style="list-style-type: none"> <li>► Review of KPI parameters, action plan to enhance client value</li> <li>► To analyze comments from clients to reflect them to our products &amp; services, to create virtuous cycle of symbiosis</li> </ul>
Conflicts of Interest	Organizational Changes	<ul style="list-style-type: none"> <li>► To strengthen control based on discussions held in Conflicts of Interest Management Committee</li> <li>► To disclose summary minutes of the Committee to enhance transparency</li> </ul>	<ul style="list-style-type: none"> <li>► Smooth proceeding of the Conflicts of Interest Committee and discussion of forward looking agenda over the medium/long term</li> <li>► Organizational acceptance of enhanced conflict of interest management</li> </ul>
	Strengthen Control	<ul style="list-style-type: none"> <li>► Organizational acceptance of conflict of interest management in AM divisions</li> <li>► Real-time review by enhancing product approval process</li> </ul>	<ul style="list-style-type: none"> <li>► Conflict of interest management framework to cope with split of AM function</li> <li>► Review of conflict of interest management rules for M&amp;A transactions</li> <li>► First line of defense as conflict of interest management managers to acclimatize to their roles</li> </ul>



# Sustainability initiatives: ESG management/Top rating among Japanese banks for product lineup

- ✓ First-mover among Japanese banks. Incorporated original style materiality management into ESG
- ✓ Top class lineup of products resolving social issues among Japanese banks



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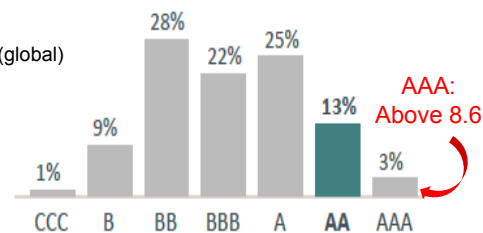
## Top class rating for ESG among Japanese banks

### 【MSCI evaluation】

Rating distribution of banking sector (global)

Score 8.5 Rating AA

No.1 Japanese Bank  
(Ranked highest among Japanese financial institutions)



### 【Evaluation by NPO】

Rating by Fair Finance Guide(NPO)

Score 3.1

No.1 Japanese Bank



## Focused on key issues to offer lineup of social issue solving products

Devised product lineup based on market-in (demand based) approach, rather than product-out (supply based) approach

As a result of this approach, product offering has affinity with SGD targets



## Examples of social issues solving type products

### ESG investments

#### Our endeavors as pioneer of ESG investment

- Investment performance improvement utilizing non-financial metrics evaluation tool MBIS
- Stock transfer agency consulting incorporating our knowhow of ESG/CSR implementation and investor perspective

AUM of ¥25trn is one of the largest in Japan

### Climate Change

#### Renewable energy assistance program

- 2015: Establishment of renewable energy fund
- 2016: Leasing of micro-hydro power generation units for closed water conduits
- 2018: Establishment of domestic renewable energy fund for institutional investors

### Natural Capital

#### Leadership in the field of natural capital

- 2010: Commenced sales of Biodiversity Fund for Supporting Companies
- 2013: Natural capital evaluation type lending with environmental rating assigned
- 2017: Development of forestry trusts

### Environmentally Friendly Property

#### Leadership in creating a new market

- Consultation for environmentally friendly building construction
- CASBEE Consulting for environmentally efficient building certification
- Assistance for designing of "smart" cities and visualization of its benefits

### Issues for super-aged society

#### 3 projects for the individual market

- Nationwide hosting of silver college for senior clients by first-class lecturers
- Marketing assistance based on clients' preferred choice of residence
- Dementia prevention in collaboration with Kyoto Prefectural University of Medicine

### Community Assistance

#### 3 projects we are involved as a group

- 2004: Support for national trusts commenced
- 2012: ESD (Environmental education) project commenced
- 2013: Foster parent for ISAK summer school students

## ESG related activities



UNEP Finance Initiative  
(UNEP FI)



UN Principles for Responsible Investment (PRI)



Equator Principles



Natural Capital Finance Alliance



The United Nations Global Compact



Principles for Financial Action for 21<sup>st</sup> Century

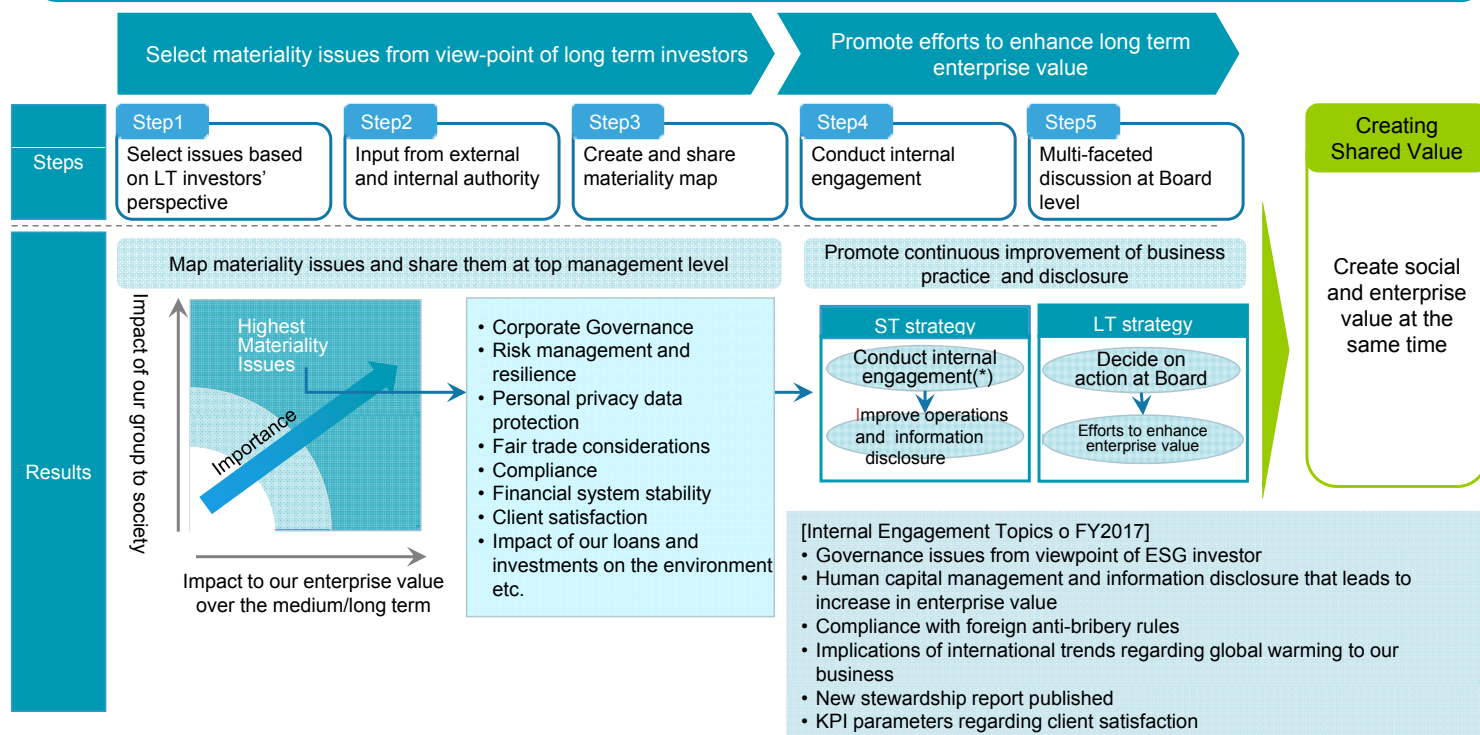
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# Sustainability initiatives : Materiality management and Internal engagement

- ✓ Create a "common value" that simultaneously enhances social value and enterprise value by implementing materiality (important issues) management incorporating the viewpoint of long-term investors who value ESG as the foundation of corporate value creation
- ✓ Based on feedback from ESG investors (research institutions), internal engagement with division headquarters has been held continuously since 2015. Check and balance function effective in contributing to enhancement of enterprise value and preventing organizational groupthink



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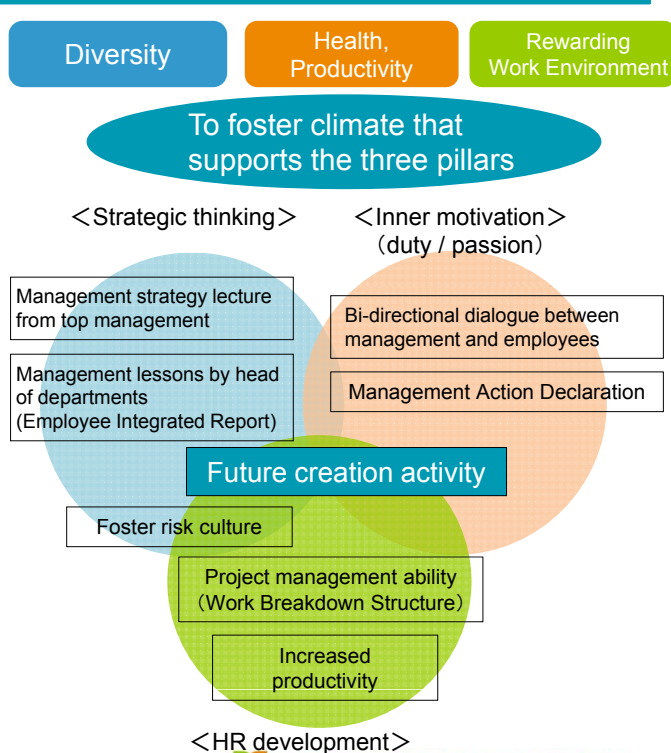
## Human resource policy

- ✓ In addition to promotion of policies to advance three pillars of work style reform, "diversity", "health, productivity" and "rewarding work environment", to foster a workplace culture where each individual could be motivated to devise their own value creative activity for their future

### Actual results for 1H/FY17



### New initiatives to foster workplace climate in FY18



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