SuMi TRUST
SUMITOMO MITSUI TRUST GROUP

Investor Meeting on Financial Results for FY2018

May 21, 2019

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SUMITOMO MITSUI TRUST HOLDINGS

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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)

Net income (on consolidated basis) : “Net income attributable to owners of the parent”

NPL (Non performing loans): “Problem assets based on the Financial Reconstruction Act”

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.

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Executive summary of FY2018

Net business profit and net income for FY2018 increased YoY
Progress in stabilizing and diversifying our fee income base and profitability improvement of our loan/investment business

Responding to changes in society's needs, to maintain sustainable growth by offering added-value unique to a trust bank

Further efforts to enhance efficiency and forward-looking investments in areas of emphasis

Robust preparation for share price/interest rate/credit downside risks

To raise total shareholder return to 40% in FY2019. Efforts to further strengthen shareholder return for the medium term

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Summary of results for FY2018

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Summary of results for FY2018

- ✓ Net business profit exceeded forecast and increased from FY17; measures taken to realize US Treasury related loss of ¥12bn at year end. Net income increased YoY; steps were taken to mitigate future financial burden such as recognizing impairment loss of goodwill of subsidiary
- ✓ Total fee income ratio maintained high level on par with last year. OHR decreased due to increase of gross profit. Shareholder ROE increased to 7.95%
- ✓ Both Net business profit and Net income for FY19, the final FY of the current Midterm Management Plan, to be increased YoY. In line with our shareholder return policy, ordinary share dividend to be increased by 10 yen per share to 150 yen, and total payout ratio to be raised to approx. 40% due to repurchase of own shares

<Major KPIs>

	(Yen bn)	FY17 Actual	Plan	FY18 Acutal	Change from FY17	Against Plan	FY19 Plan	Change from FY18	FY19 Plan of Midterm Plan (as of May 2017)
1	Net business profit before credit costs	270.5	280.0	282.2	11.6	2.2	290.0	7.7	300.0
2	Gross business profit before credit costs	705.7	720.0	722.6	16.9	2.6	740.0	17.3	730.0
3	Subtantial G&A expenses	(435.1)	(440.0)	(440.4)	(5.2)	(0.4)	(450.0)	(9.5)	(430.0)
4	Net income	153.9	175.0	173.8	19.9	(1.1)	180.0	6.1	180.0
5	Fee income ratio	57.4%		57.1%	(0.3%)				55-60%
6	Overhead ratio	61.7%	61.1%	60.9%	(0.8%)	(0.2%)	60.8%	(0.1%)	55-60%
7	Return on shareholders' equity	7.40%		7.95%	+ 0.55%		Approx. 8%		Approx. 8%
8	Common Equity Tier 1 capital ratio	11.33%		12.18%	+ 0.85% (*2)				Approx. 10% (*1)

(*1) Finalized Basel III reforms basis (*2) Pro-forma figures on Finalized Basel III reforms basis at low 9% range

<Per share information>

	(Yen)	FY17 Actual	FY18 Actual	Change from FY17	FY19 Forecast	Change from FY18
9	Earnings per share (EPS)	403	458	＋54	475	＋16
10	Dividend per share (DPS)	130	140	＋10	150	＋10

	(Yen)	Mar. 18	Mar. 19	Change
11	Net assets per share (BPS)	6,897	7,008	＋111

<Shareholder returns>

		FY18 Actual	FY19 Forecast
12	Dividend payout	30.5%	31.5%
13	Total payout ratio	35.7%	Approx. 40%

(Reference: Shareholder Return Policy)
While maintaining a consolidated dividend payout ratio of around 30%, we shall aim to gradually raise the total payout ratio to around 40% to enhance shareholder returns over the medium term.

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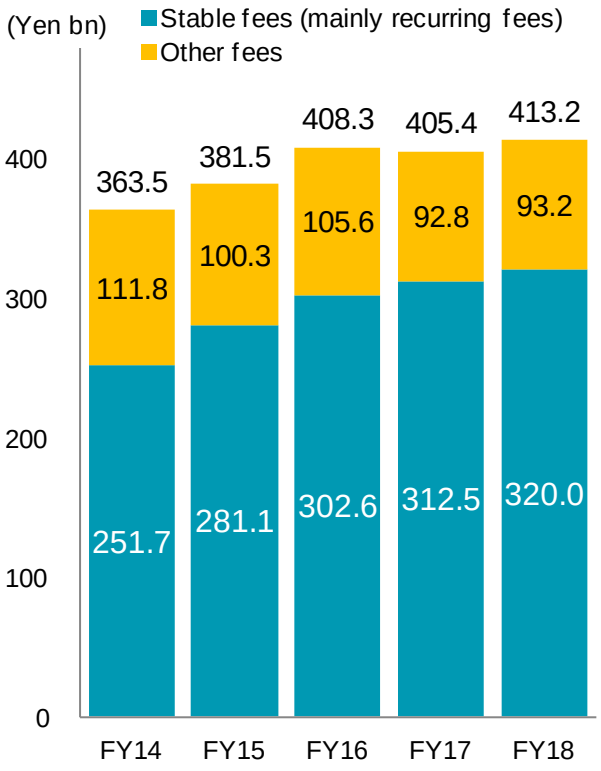
Overall summary of FY2018 (Progress on Midterm Management Plan)

✓Both fee business and loans/investment business progressed in line with our Midterm Management Plan

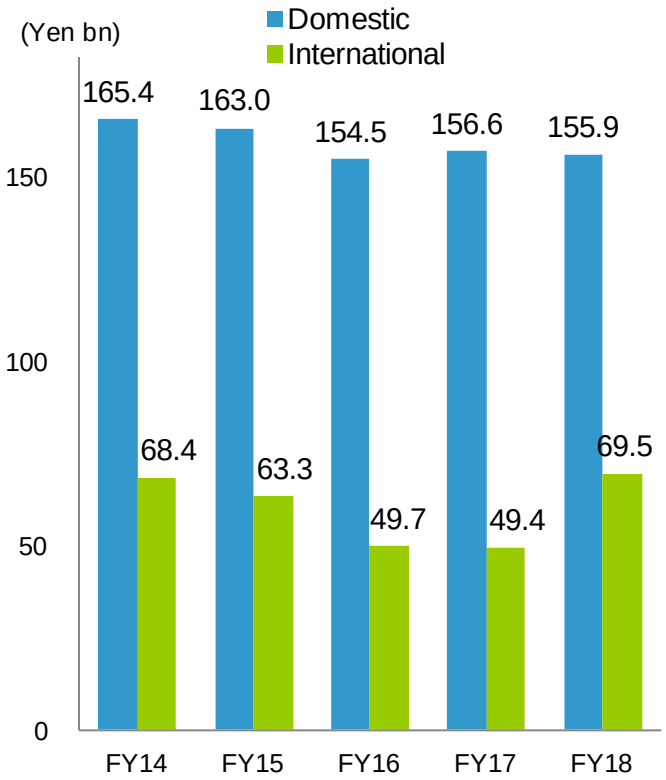
Fee business

Total fee income increased, recurring fee revenue also expanded



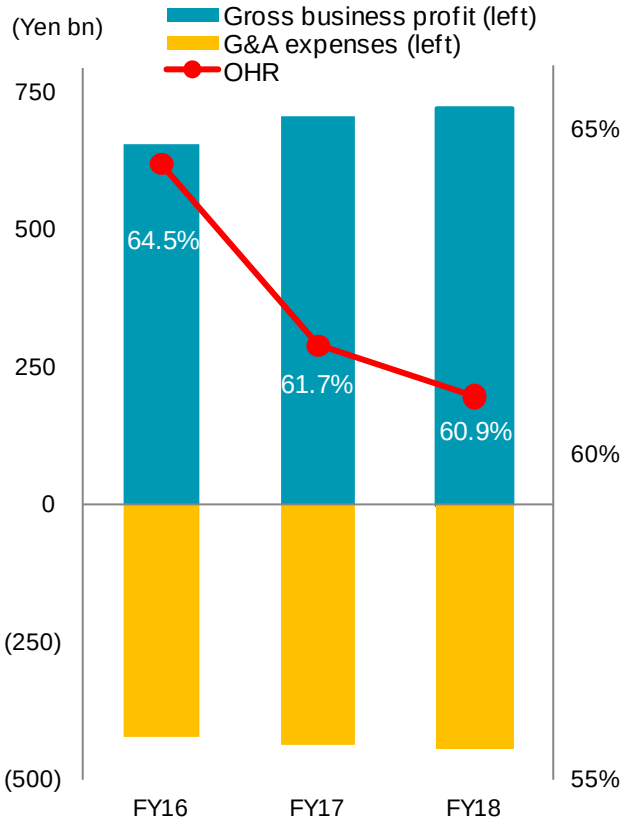
Loan/investment business

SuMi TRUST Bank's non-consolidated effective interest related earnings increased primarily due to improvement of international businesses' loan-deposit income



Expenses

Expenses have increased, but due to higher growth of gross business profit, OHR has improved



(*) Includes adjustments to Net interest income and related profit in SuMi TRUST Bank, such as adding profit attributable to deployment of surplus foreign currency funds. Please refer to P.45 line 22.

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Initiatives to improve ROE and actual progress made in FY2018

ROE Improvement initiatives

Achieve efficient return

- Expand fee businesses
  - Increase non-capital intensive profit
- Improve profitability of loan/investment business
  - Improve profit per asset balance
- Improve OHR
  - Improve profit per unit of expenses

ROE Improvement

Long term target 10%

Efficient use of equity

- Credit portfolio reformation
  - Improve return on regulatory capital
- Reduction of strategic shareholdings
- Reduce stock price volatility by hedging
  - Reduce stress buffer

Actual progress made in FY2018

Shareholder ROE	7.40%→7.95% (FY17) (FY18)

Achieve efficient return

Total fee income	JPY405.4bn→JPY413.2bn (FY17) (FY18)
Foreign currency loan spread	0.97%→1.04% (Mar. 2018) (Mar. 2019)
Dometic loan-deposit spread (*)	0.56%→0.60% (Avg. of FY17) (Avg. of FY18)
OHR (Consolidated)	61.7%→60.9% (FY17) (FY18)

Efficient use of equity

Improve return on regulatory capital

Ratio of Product related	29% (Mar. 2019)

Reduce stress buffer

Reduction of strategic shareholdings	JPY28.7bn (FY18)
Hedge ratio of strategic shareholdings	Approx.70%→80% (Mar.2018) (Mar.2019)

(*) Based on average balance for each quarter end

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Business Initiatives for FY2019

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Responding to changes in society's needs, to maintain sustainable growth by offering added-value unique to a trust bank / Individual clients

✓In the age of "100-year life", to offer various services suited to each generation/individual
✓To achieve sustainable growth by offering solutions to society-level issues

To grow, utilize

To assist the asset formation generation to build-up assets for the future, to cater to asset management needs of seniors in light of extended healthy lifespan

- DC pension plan instalment investment
- Total consultation for financial assets
- Real estate property utilization

To cherish

Due to extended healthy lifespan, needs to enjoy life in a rewarding way

- Diners Club
- Host silver college
- Support for senior generations' relocation

100-year Life

To prepare, protect

Insurance needs that changes according to our clients' life-stage of each individual

- Level premium insurance policies
- Development of insurance products
- Consultation for insurance products

To bequest

Wish to leave legacy, inter-generational asset transfer

- Will trust, will execution
- Tuition Fund Endowment Trust
- Annual Donation Support Trust

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Responding to changes in society's needs, to maintain sustainable growth by offering added-value unique to a trust bank / Corporate clients

✓Increased needs in areas where we have competitive edge such as non-financial related services
✓To offer various solutions demanded by our corporate clients as their partner in management to achieve sustainable growth

Corporate governance

- ■Strengthen governance
- ■Dialogue with shareholders/investors
- ■Improve ROE

→

- IR/SR consulting
- Corporate Governance Survey
- Real estate utilization/divestment

Work style reform

- ■Devise pension plan with delayed retirement in mind
- ■Strengthen welfare support for employees
- ■Support asset formation of employees

→

- Pension plan consulting
- Investment education through DC pension plan
- Life plan consultation for employees

Prolonged super low interest rate

- ■Investment needs
- ■Portfolio optimization
- ■Expand fee businesses to complement loan/ investment business

→

- Various investment opportunities and products
- Consulting for risk management and ALM
- Offer specialized trust services

ESG

- ■Sustainability improvement
- ■Fusion of business and ESG activity

→

- Environmentally friendly real estate
- ESG consulting
- Positive impact finance

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Policies for FY2019: 5 initiatives

1 Sustainable growth of fee business

2 Profit improvement of Loans/investment business

3 Advance digitalization strategy

4 Expenses strategy/improvement of OHR

5 Preparation for future risk

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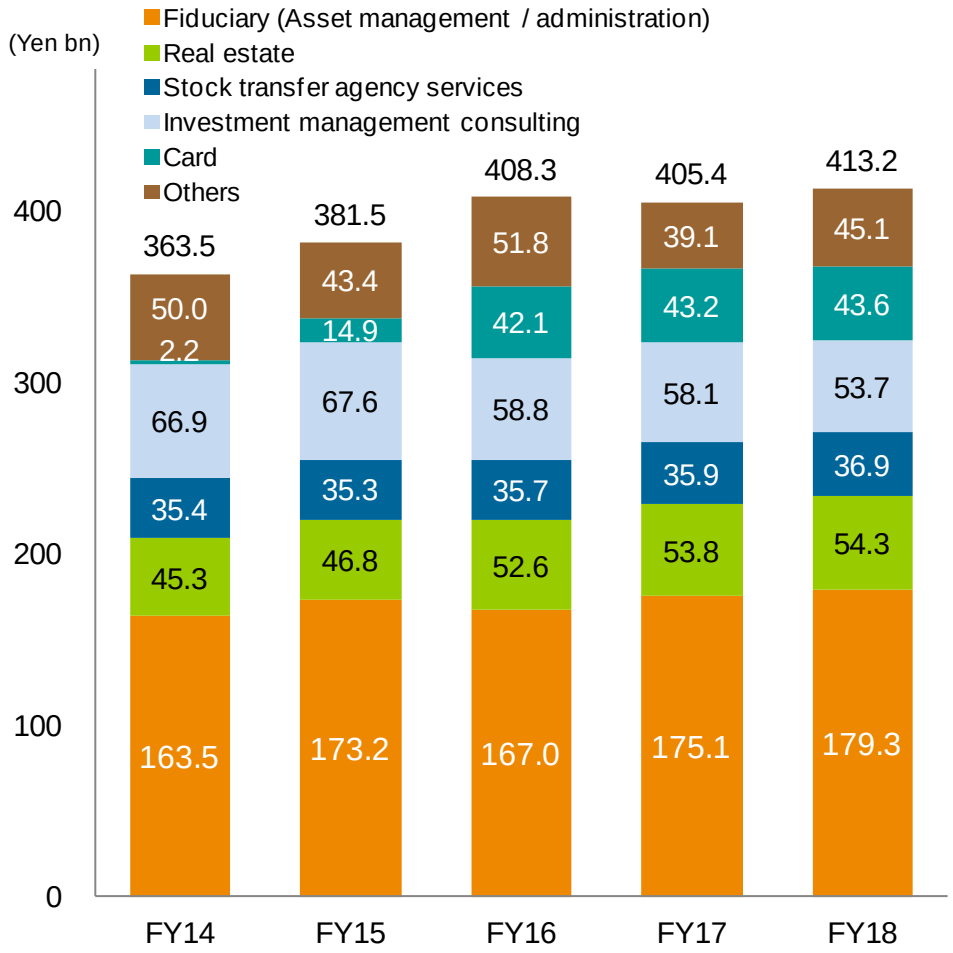
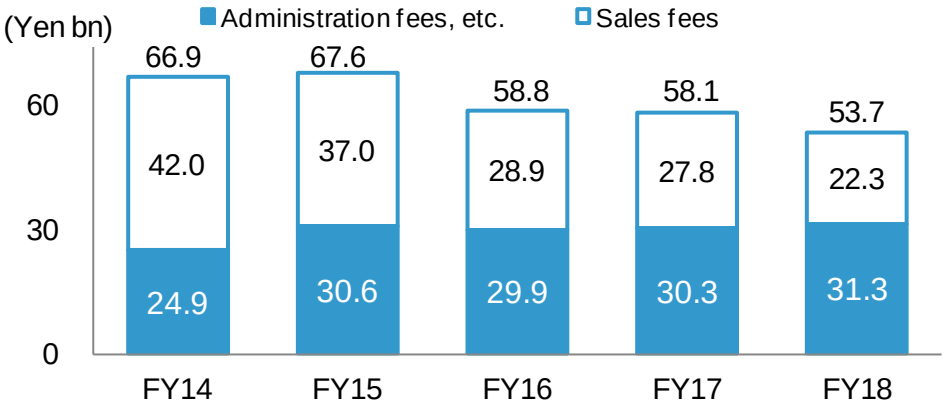
Fee business: Overview

- ✓ Fees from real estate and stock transfer agency business increased, recurring fee income supporting baseline despite uncertain market outlook
- ✓ To pursue sustainable increase of asset management and administration related fees such as investment management consulting

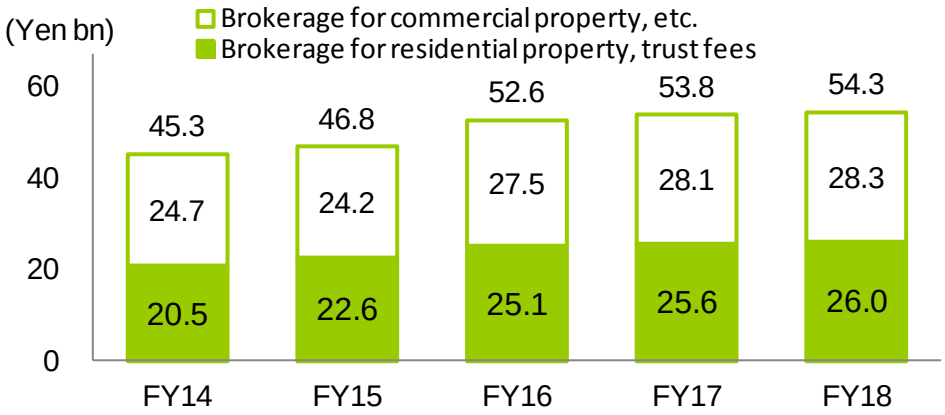
Breakdown of fee related income



Investment management consulting



Real Estate



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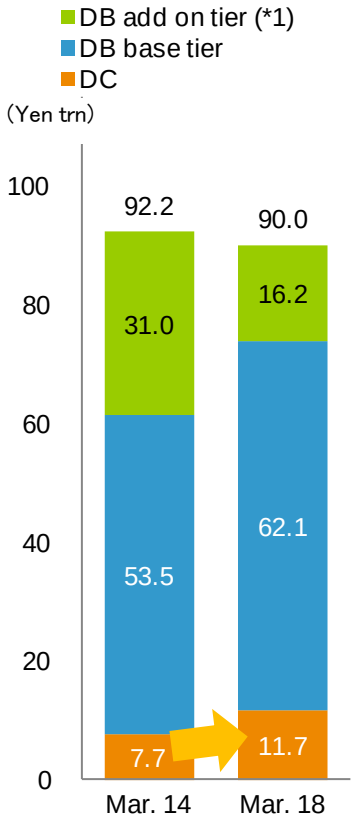
Fee business: Pension

✓DC plan members enrolled in our plans growing faster than overall market. Has become stable source of fee income
✓Contribution to asset formation and investment literacy through investment awareness education

Corporate pension market

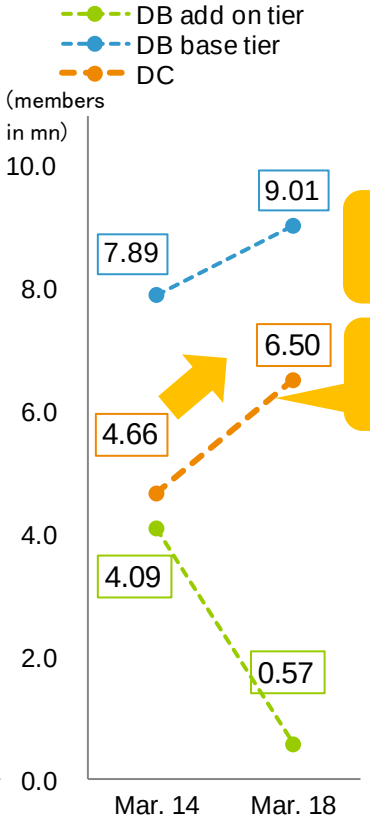
DC plan AUM and membership both increased

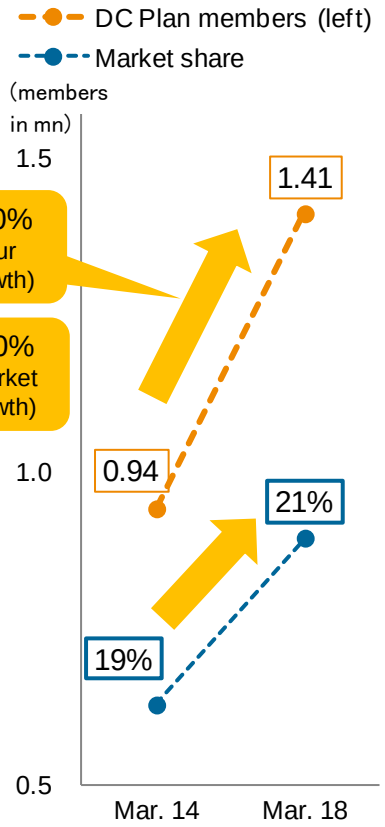


(*1) Include Pension Fund Association

DC Plan members

Our share of market has risen to 21% as our growth faster than overall market





Investment trust selection rate of DC Plan Members

Selection rate of DC Matching

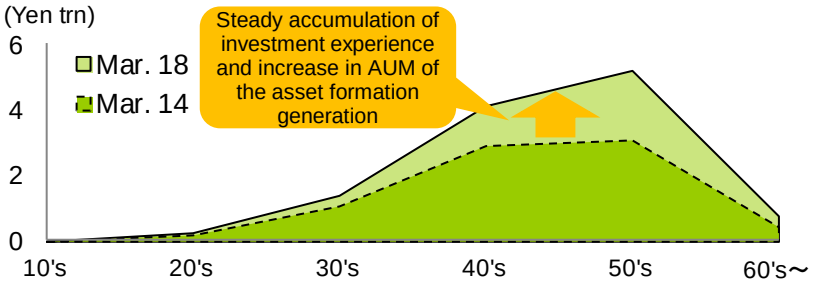
Supporting asset formation through high quality investment awareness education

Avg. of SuMi TRUST Bank administrered (*2)	58%	Avg. of SuMi TRUST Bank administered (*2)	40%
Of which mandated after FY12	69%	Of which mandated after FY12	73%
Market (*3)	48%	Market (*3)	29%

(*2) SuMi TRUST Bank mandated pension plan, as of Mar. 2018
(*3) as of Mar. 2018

DC market：Asset balance by generation

Investment literacy of the asset formation generation has improved though their involvement in DC plan
DC plan members are relatively comfortable about investments even after retirement



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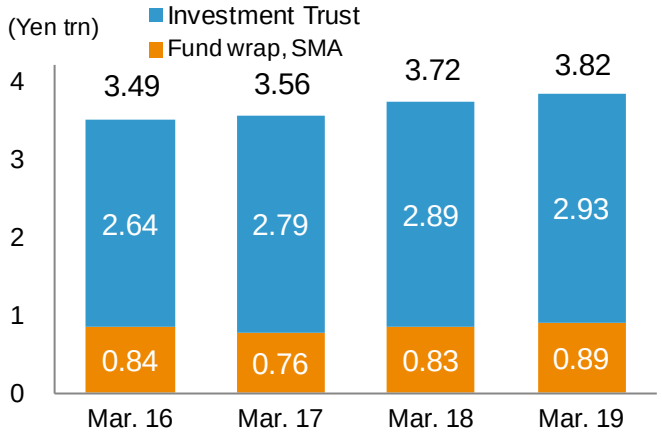
Fee business: Investment management consulting/Individuals

- ✓Encourage medium/long term asset formation, though sales of investment trusts decreased, recurring revenue contributed to stabilization of earnings
- ✓To strengthen insurance business to cater for needs to cope with extension of healthy lifespan

Direction of Strategy

Support Medium/long term asset formation	Strengthen recurring fee
	Instalment investments
Offer protection for each generation and individual	Strengthen insurance business
	Level premium insurance policies

Investment trusts/SMA balance

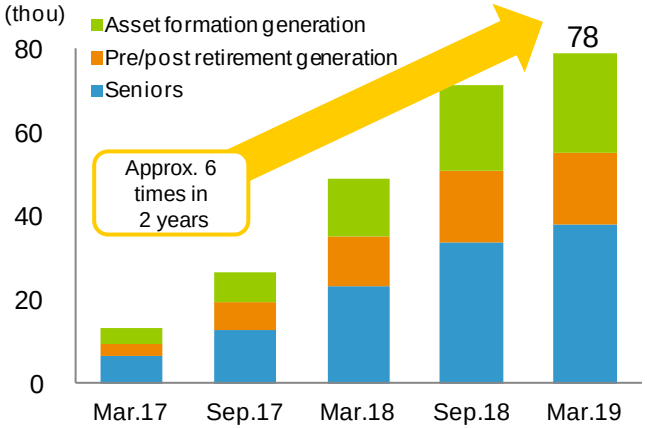


Strengthen insurance business

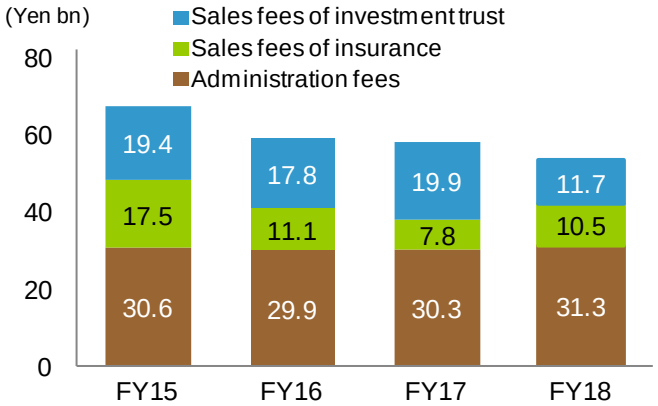
Product development	Investment in Cardif Life Insurance
Consulting	Simple insurance products for each generation
Follow up	Follow up after contract, to review when necessary

(Cooperation of SuMi TRUST Life Partners and SuMi TRUST Bank)

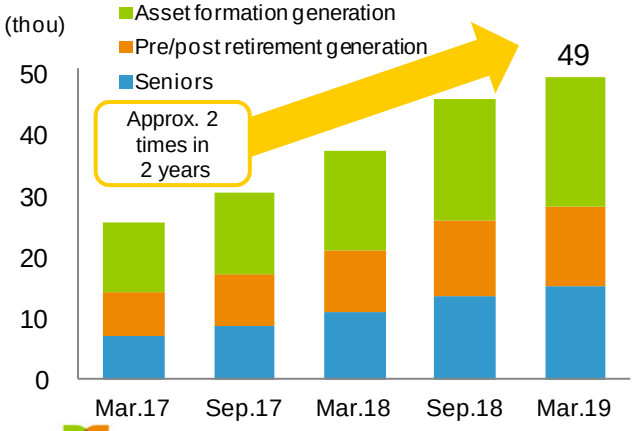
Instalment investment plans



Income



Level premium insurance policies



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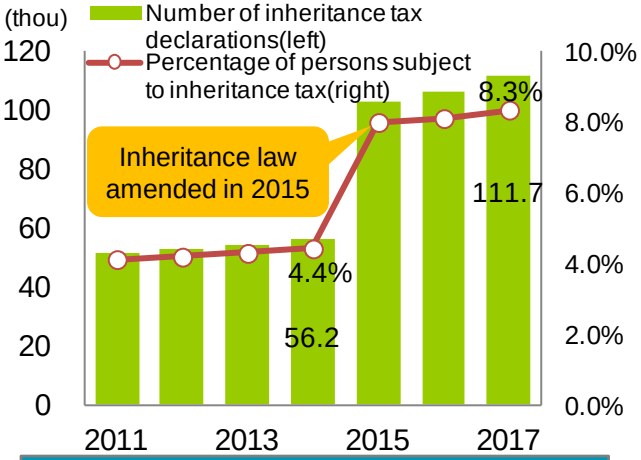
Fee business: Inheritance related business

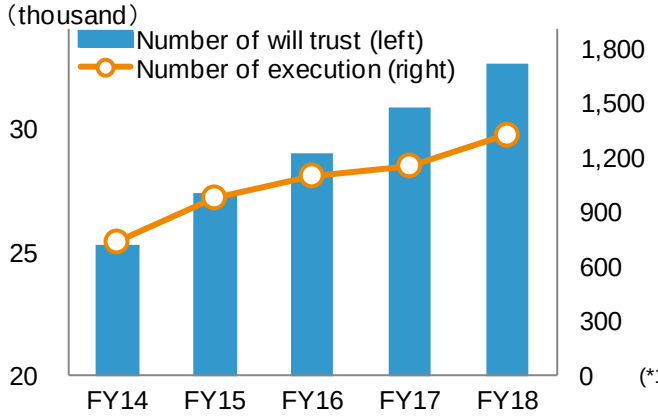
- ✓Due to aging of the population and broadening of estate taxation base, number of Will Trusts and their execution has increased
- ✓Offer total solution services optimized for clients' entire assets

Broadening of estate duty taxable individuals



Number of Will Trusts, wills executed

Yearly increase due to aging of the population

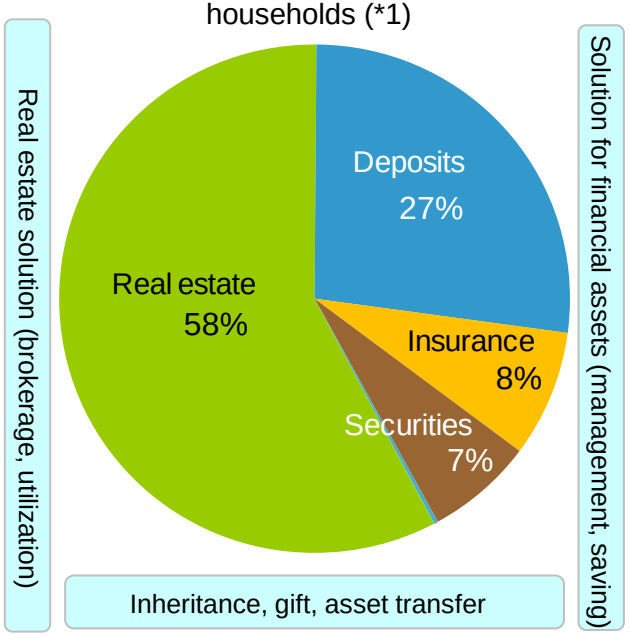


Transaction opportunities created through inheritance/gift related services

Strengths in offering total asset solutions

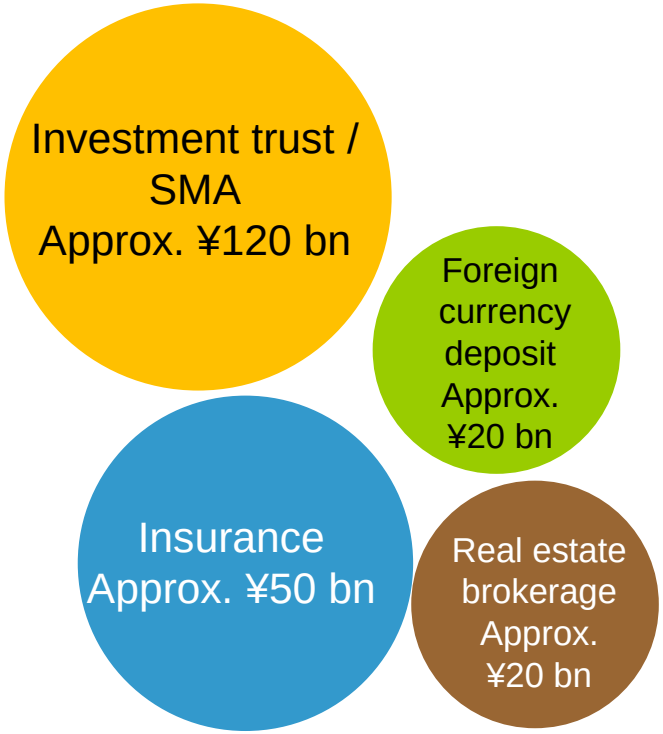
One-stop optimized offering for all assets such as financial assets and real assets

Asset breakdown of over-60 households (*1)



(*1) Source: National consumption survey / Household assets (net assets) Ministry of Internal Affairs

Total transaction volume with Will Trust clients (*2)



(*2) Total transaction volume (1 year, 2017/10-2018/9) with Will Trust clients
Only lump-sum payment insurance products included in insurance

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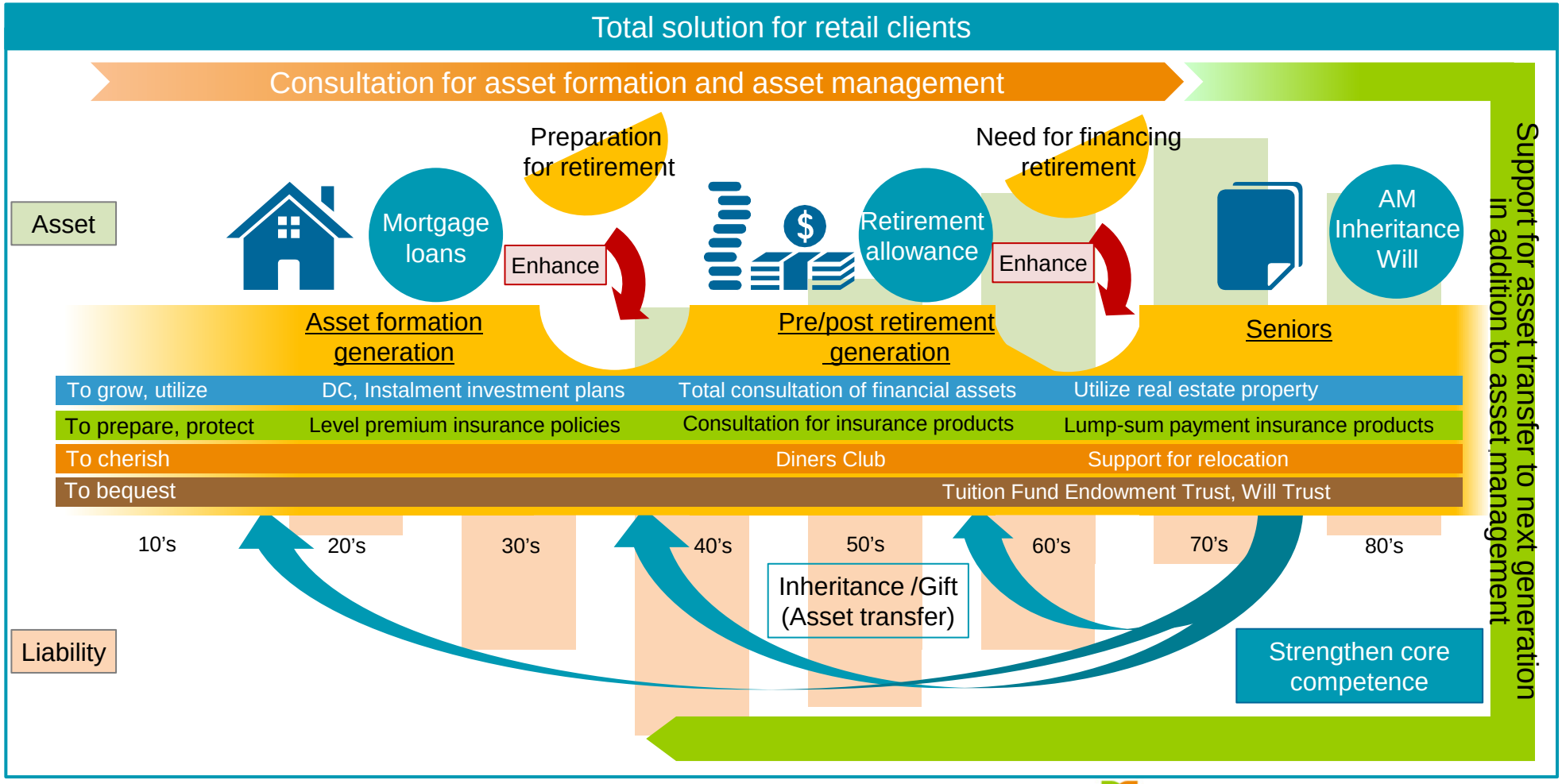
(Ref.) Obtain client base and promote generational cycle

- ✓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-generational shift of our client base to achieve sustainable growth



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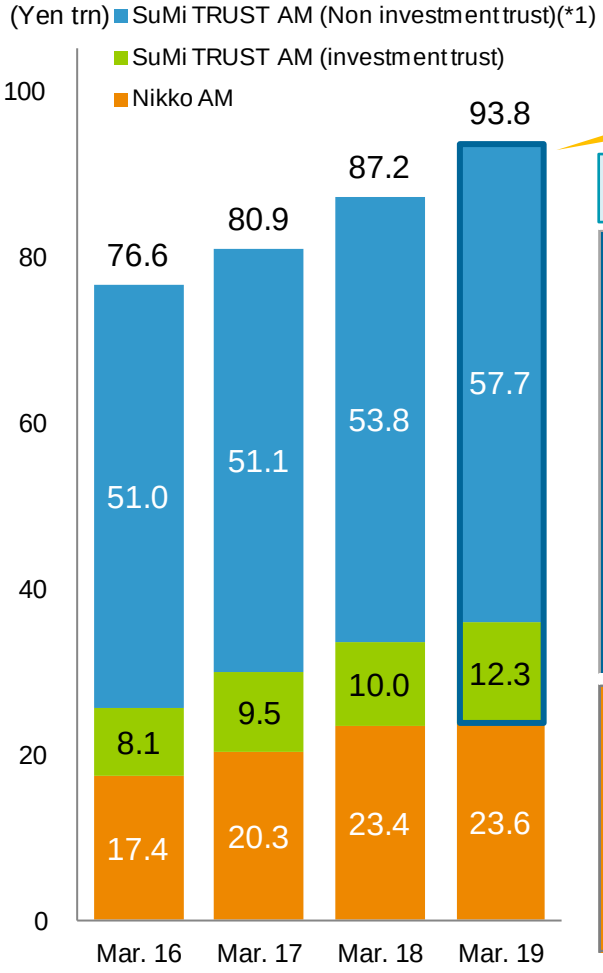
Fee business: Asset management

✓To offer investment products that leverages the strengths of each AM company and expand AUM
✓SuMi TRUST AM has been beneficial in strengthening our retail sales network and product development capability

Breakdown of AUM



※1 AM balance of SuMi TRUST Bank is included

Merged with SuMi TRUST AM in Oct, 2018

AUM breakdown (As of Mar. 2019)

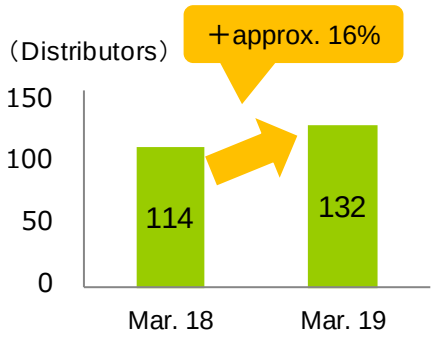
SuMi TRUST AM	**70.1**
Investment trust	12.3
Indivisuals	3.9
Of which DC	1.1
Financial Institutions	8.3
Non investment trust (*1)	57.7
Corporate (DB)	16.8
Public (DB)	31.7
Other domestic	7.0
Overseas	2.0
Nikko AM	**23.6**
Indivisuals	5.3
DB	2.8
Financial Institutions	2.1
ETF・MMF	10.4
Overseas	2.9

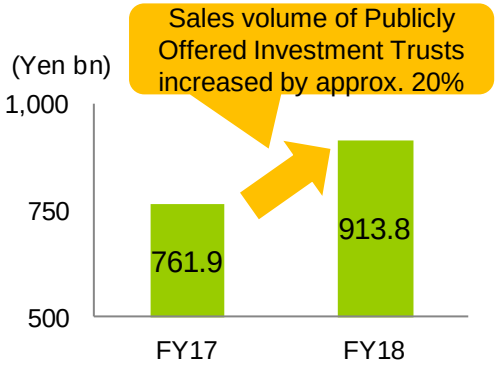
SuMi TRUST AM

Enhancing marketing channel outside group

Expansion of marketing channels by strengthening support of distributors

Increase of sales volume with marketing by distributors as driver





Strengthen product development

No.1 in industry

"THE 5G(*2)" contributed to equity investment trust (*3) annual net increase of ¥469.2bn

※2 Next generation telecom related global equity fund
※3 Equity investment trusts among public open-ended investment trusts (excluding ETF, SMA)

Nikko AM

Increase of AUM

Share of public investment trust:13.0%
(As of Mar. 2019)

+

Increase profitability by bringing research inhouse

▶

Steady contribution to profit increase of AM businesses

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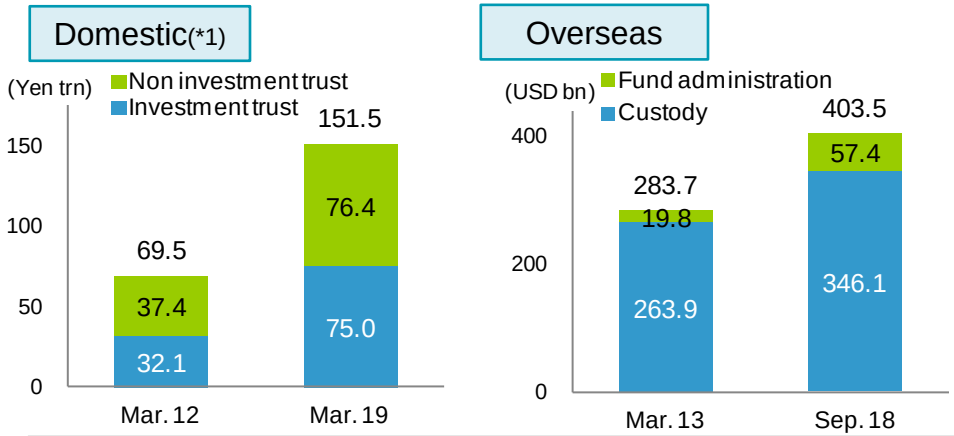
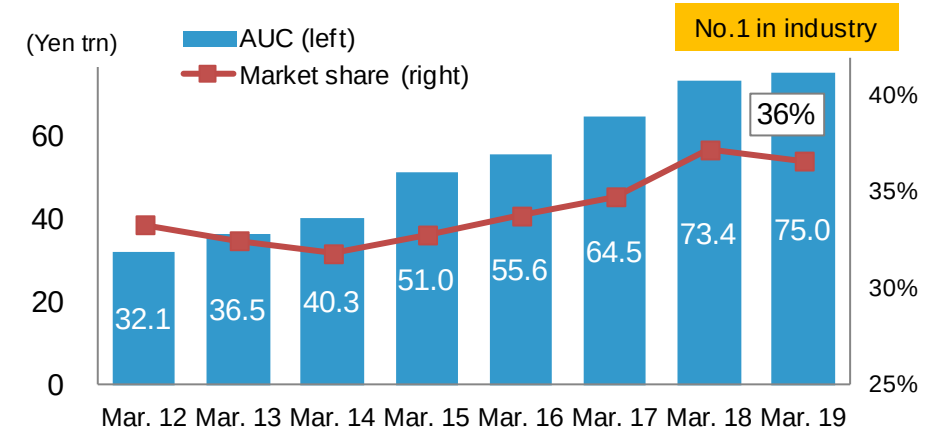
Fee business: Asset administration

- ✓ To pursue further efficiency and service enhancement leveraging our economies of scale through management integration
- ✓ To cater to our clients' diverse needs through expansion of product lineup and refinement of our business infrastructure

Group's AUC



Balance of investment trust under custody (*1)

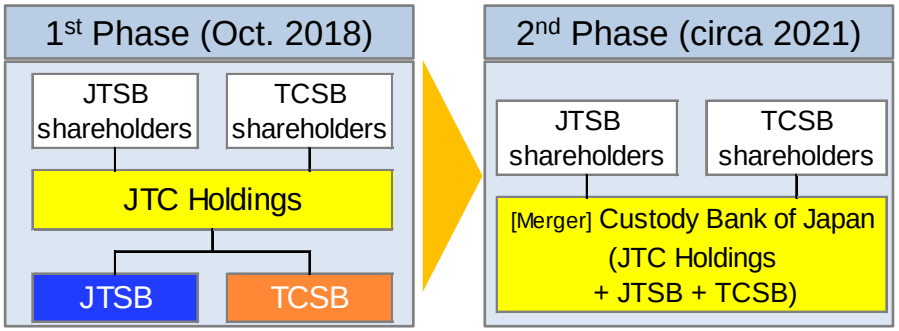


(*1) SuMi TRUST Bank

Pursue economies of scale

Achieved management integration of our principal asset administration subsidiaries, JTSB and TCSB(*2) (October 2018)
To pursue further streamlining and service level enhancement leveraging our economies of scale

＜Merger structure＞



＜Company profile＞(*3)

JTC Holdings

<Shareholders>	
SuMi TRUST	33.3%
Mizuho FG	27.0%
Resona	16.7%
Life insurers	23.0%

JTSB		TCSB
¥322trn	AUC	¥378trn
¥288trn	Trust assets	¥140trn
¥34trn	Trustee services	¥238trn

(*2) JTSB: Japan Trustee Services Bank, TCSB: Trust & Custody Services Bank
(*3) As of Sep. 2018

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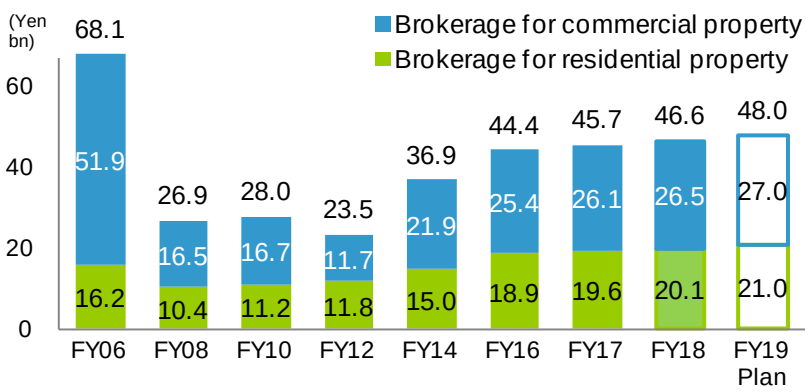
SUMITOMO MITSUI TRUST HOLDINGS

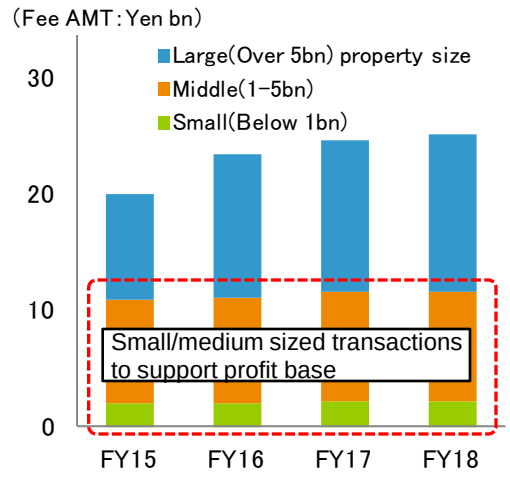
Fee business: Real estate (Commercial properties)

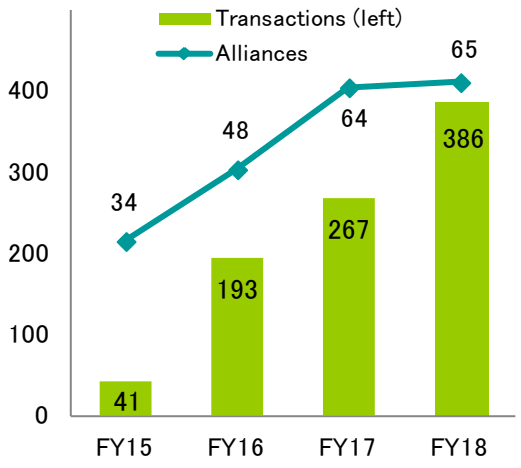
- ✓To strengthen sustainable growth by increasing small/medium sized and cross-border transactions
- ✓Tactical deployment of resources to seize opportunities in segments where transaction needs are high

Real estate brokerage fees



Strengthen foundations for small/medium size transactions / alliances (win-win relationship)



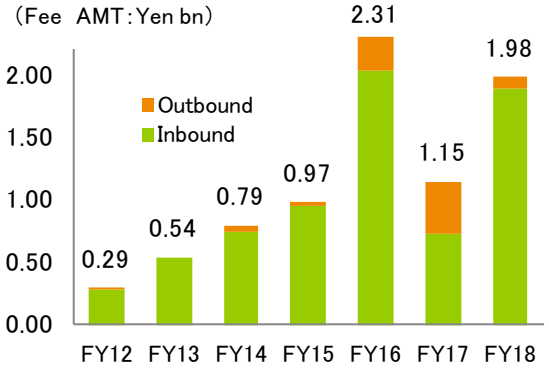


Direction of strategy

Expand foundation to sustain growth	Strengthen foundation for areas such as small/medium sized and cross-border transactions as these areas have ample room for further expansion
Firmly clench each transaction opportunity	Tactical deployment of resources to strengthen marketing and proposal submission ability in areas where transaction needs are arising

To strengthen cross-border transactions as this segment has much potential

Increasing partly through offering fund type investment proposals



Strategic proposals for popular sectors

FY16	FY17	FY18
Life insurance	Commercial	Medium developers
One stop for multiple divestments including regional properties	New opening / closing needs: proposal in both buying and leasing	Individual proposal based on clients' development/ profit plan
Profit: ¥3.5bn	Profit: ¥3.1bn	Profit: ¥3.8bn

To concentrate on medium sized developers sourcing and divestment needs in FY19

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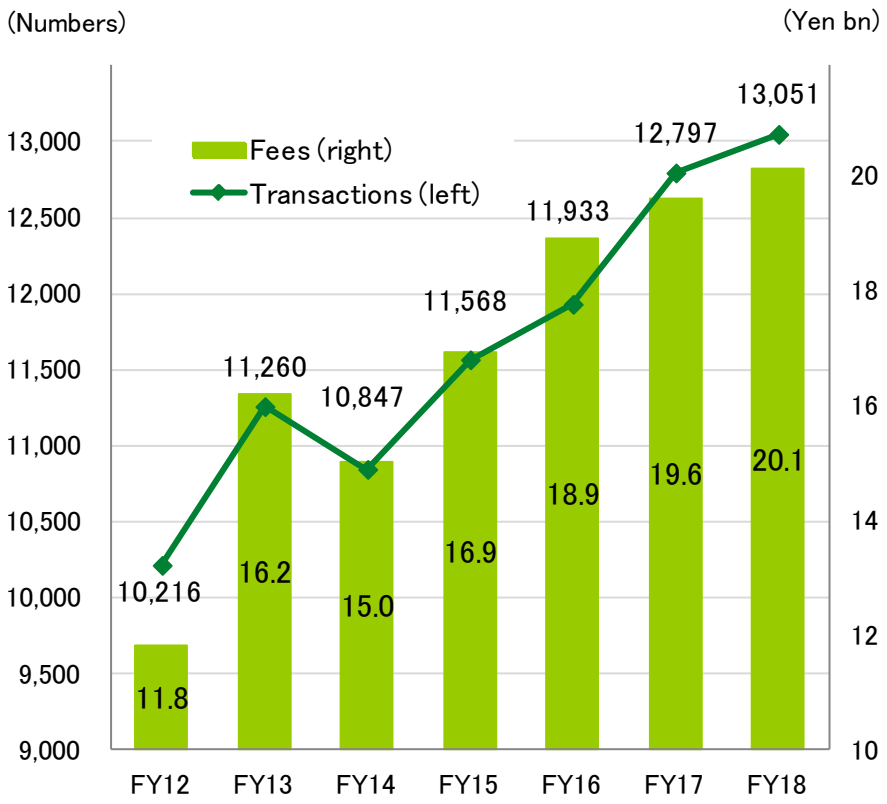
SUMITOMO MITSUI TRUST HOLDINGS

Fee business: Real estate (Residential properties)

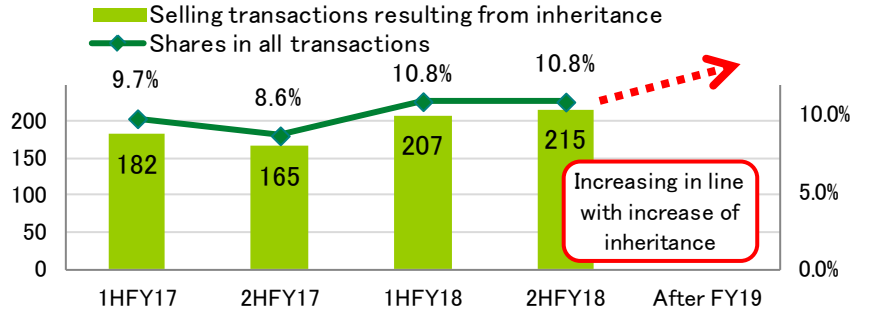
- ✓ To strengthen stable income by increasing the number of transactions. Sustainable growth expected through increase of inheritance related transactions
- ✓ To utilize our ample marketing resources of SuMi TRUST Bank to bolster our service offerings and cultivate new demand

Transition of brokerage deals SuMi TRUST Realty

Brokerage fees have grown in tandem with our efforts to increase deal flow



Real estate disposal due to inheritance event(*)

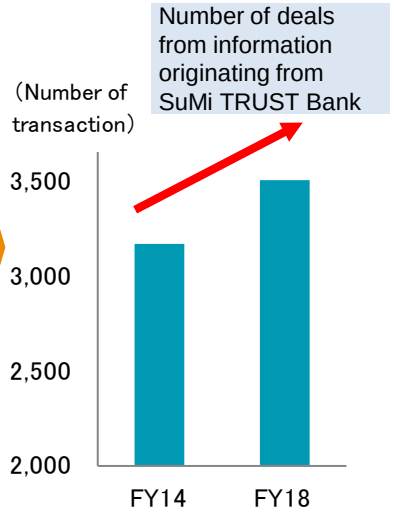


(*) Number of real estate transactions with individuals of which the reason for the transaction was inheritance related

Utilize human resources within SuMi TRUST Bank

Number of certified real estate transaction specialist
Approx. 5,600

License holder ratio among retail branch employees
49%
(Approx. 2,400)



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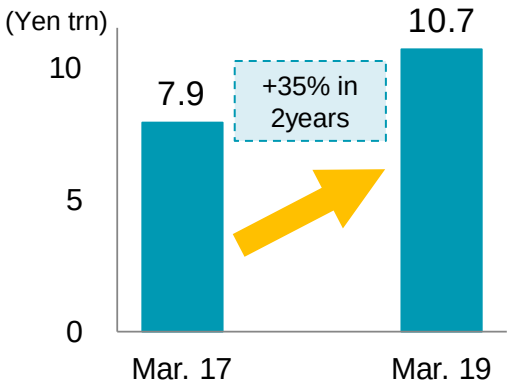
SUMITOMO MITSUI TRUST HOLDINGS

Fee business: Wholesale Asset Management

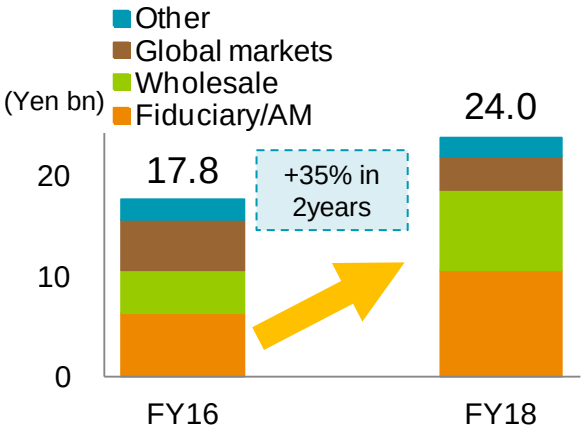
- ✓ Due to prolonged low-interest environment, investment needs of financial/non-profit organizations are growing
- ✓ Contribution to various business segments by creating opportunities to offer our diverse product/services

AUM of Wholesale AM related (*)



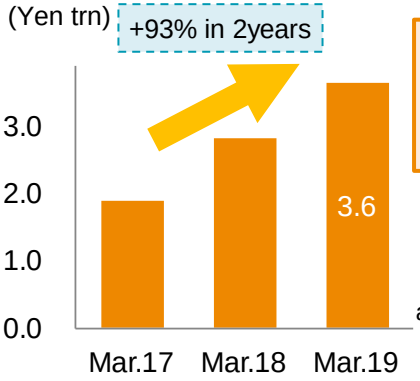
Wholesale AM related profit

Contribution to other business segments



To offer products/services suited to investment needs of diverse client base

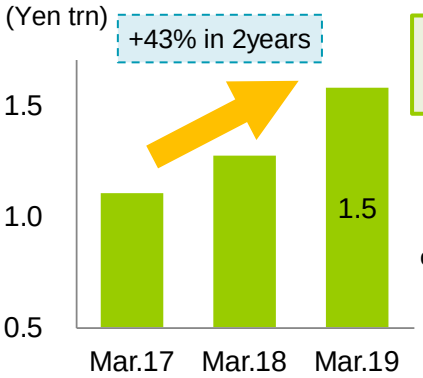
AUM of private investment trust/alternative assets for financial institutions



Expand transactions with national-level Co-ops, life/casualty insurance and regional financial institutions

Form private investment trusts for PE and other alternative assets based on investor needs

Joint money trusts etc.



Broaden investor base by introducing new products

Offer broad range of products including ESG investments by offering Green Finance utilizing joint money trusts

Evolve into comprehensive support service provider

Provide platform for asset management administration

- Investment portfolio overall consultation
- Investment management/ ALM management, risk management support

Strive to evolve into "Best Partner" for clients to nurture Win-Win relationship not only by offering investment products but by supporting their overall asset management and administration

(*) Private investment trusts, alternative funds, loan assets, joint money trusts, structured products, etc.

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SUMITOMO MITSUI TRUST HOLDINGS

Fee business: Wholesale Total Solution Services

✓Due to changes in society and environment, corporate clients' needs have expanded into solutions for non-financial related services
✓Our approach of offering solutions with clients' issues and needs as a starting point is established

Changes in society and environment

Corporate governance reform

Utilization of corporate governance and director compensation survey

Corporate governance survey

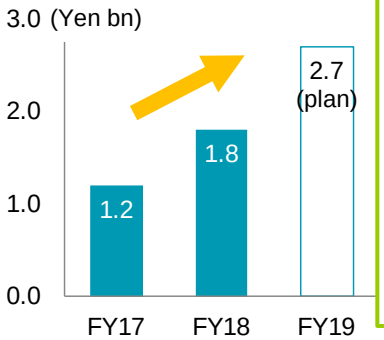
✓One of Japan's most extensive survey with 1,407 companies participating (about 40% of all listed companies)
✓Supervised by Dr. Kunio Itoh, foremost domestic authority on governance reform
✓Analysis based on indexed statistical data + scoring system

Director compensation survey(*1)

✓One of Japan's most extensive coverage, 659 companies participating, more than 10,000 directors' remuneration data
✓Survey of evaluation criteria and actual management practices as well as financial statistics

Consultation needs arising from survey has contributed to increase in stock transfer agency fees

IR/SR consultation fee



(*1) Cooperation with Deloitte Tohmatsu Consulting LLC

Workstyle reform, extension of retirement age

Life planning consultation

To offer life planning consultation services to employees of client companies based on each firm's welfare policy

Necessary elements for life planning

Asset management | Mortgages | Inheritance | Real estate

+

Necessary elements for life planning based on company welfare policy

Asset formation for retirement | Consultation for retirement allowance | Insurance policy introduction, review

■To research our clients' company welfare policy beforehand
✓Remuneration policy
✓Retirement allowance, pension scheme
✓Company life insurance
■Suitable advice given based on these factors

Acceptance of ESG / SDGs

Environmentally friendly property

✓ Eco-friendly, well managed real estate with high environmental value is in the spot light
✓ Our leadership in development of CASBEE real estate (*2)
✓ Construction consulting to assist obtaining certification of CASBEE real estate

Contribution to enhance the value of environmentally friendly buildings

＜Consultation examples＞

(*2) System to evaluate a building's environmental performance led by Ministry of Land, Infrastructure

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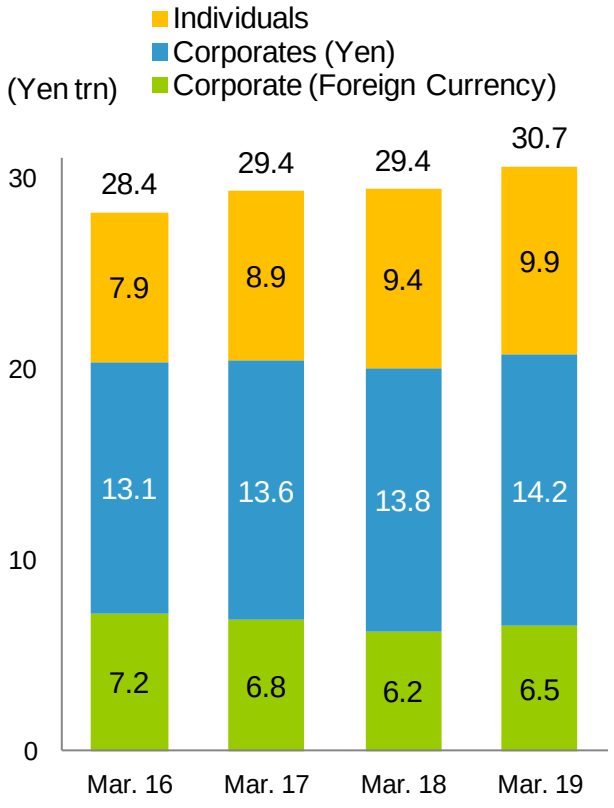
SUMITOMO MITSUI TRUST HOLDINGS

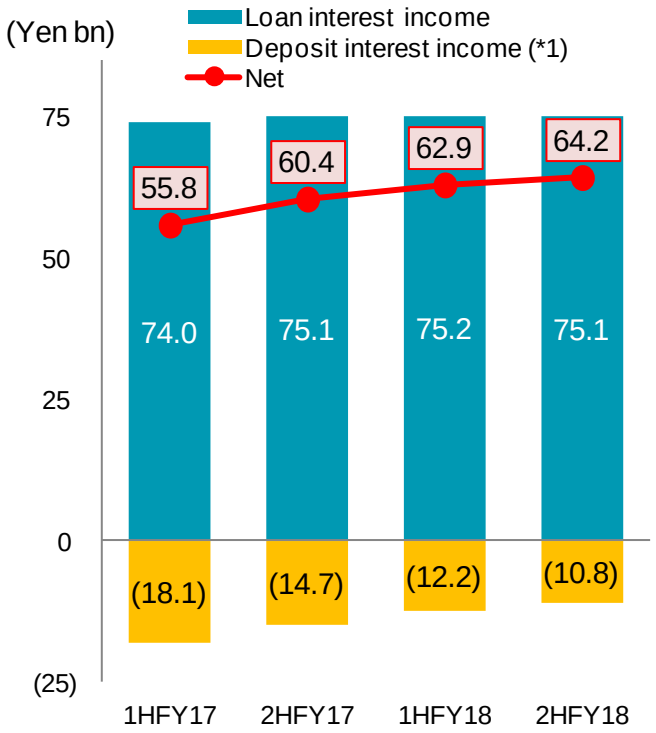
Loan/investment business: Credit portfolio (SuMi TRUST Bank)

- ✓Loans to individuals has been efficiently and steadily increasing centered on residential mortgages Efforts made to enhance profitability of loans to corporations by asset shift
- ✓Endeavors to reduce funding cost for both yen and foreign currencies, domestic loan-deposit income has improved

Credit portfolio balance

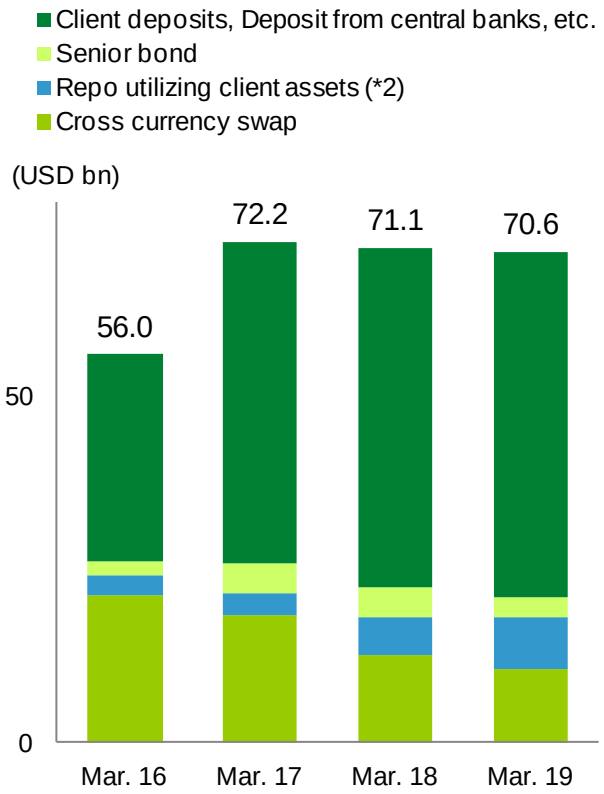


Domestic loan-deposit income



(*1) Deposit interest income includes interest from NCD

Foreign currency core B/S



(*2) Repo funding utilizing custody client assets

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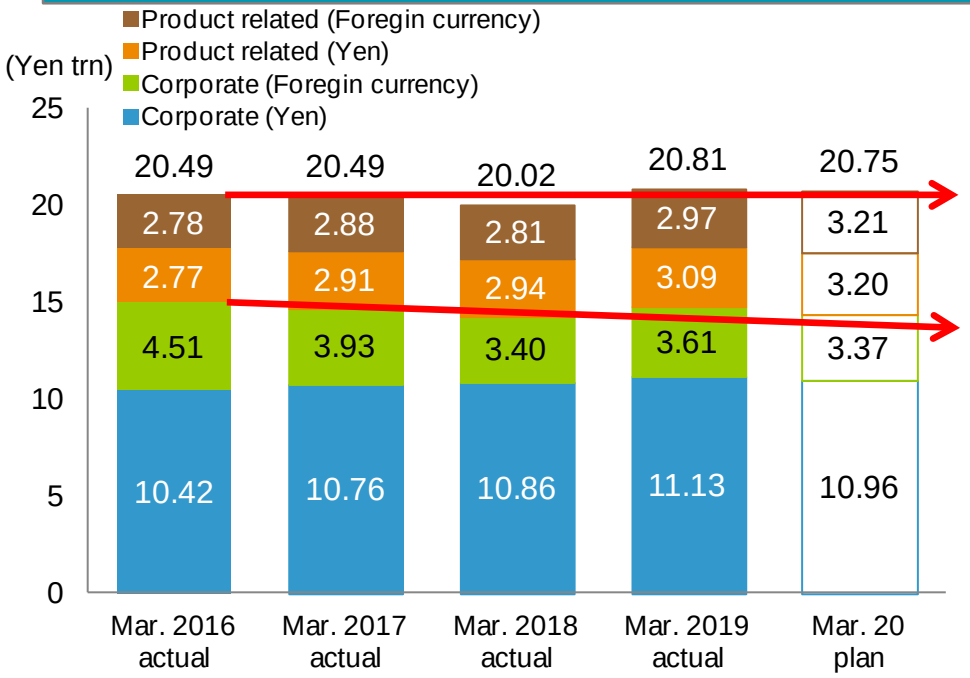
SUMITOMO MITSUI TRUST HOLDINGS

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

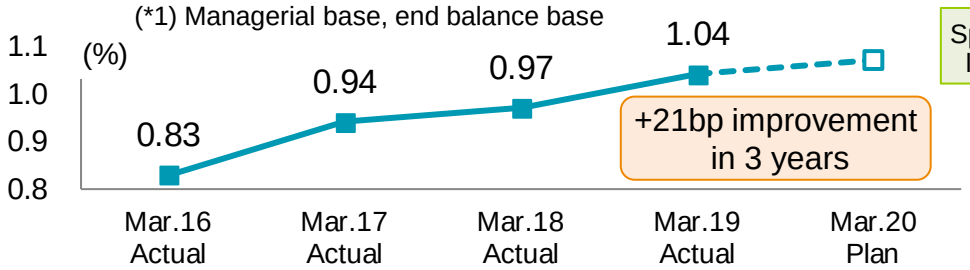
✓Uphold strategy to control overall foreign currency B/S size and shift to product-based lending
✓Revisit asset allocation to create a robust portfolio that has downside resilience by prioritizing safety (term, security) in deal selection

Corporate credit portfolio plan



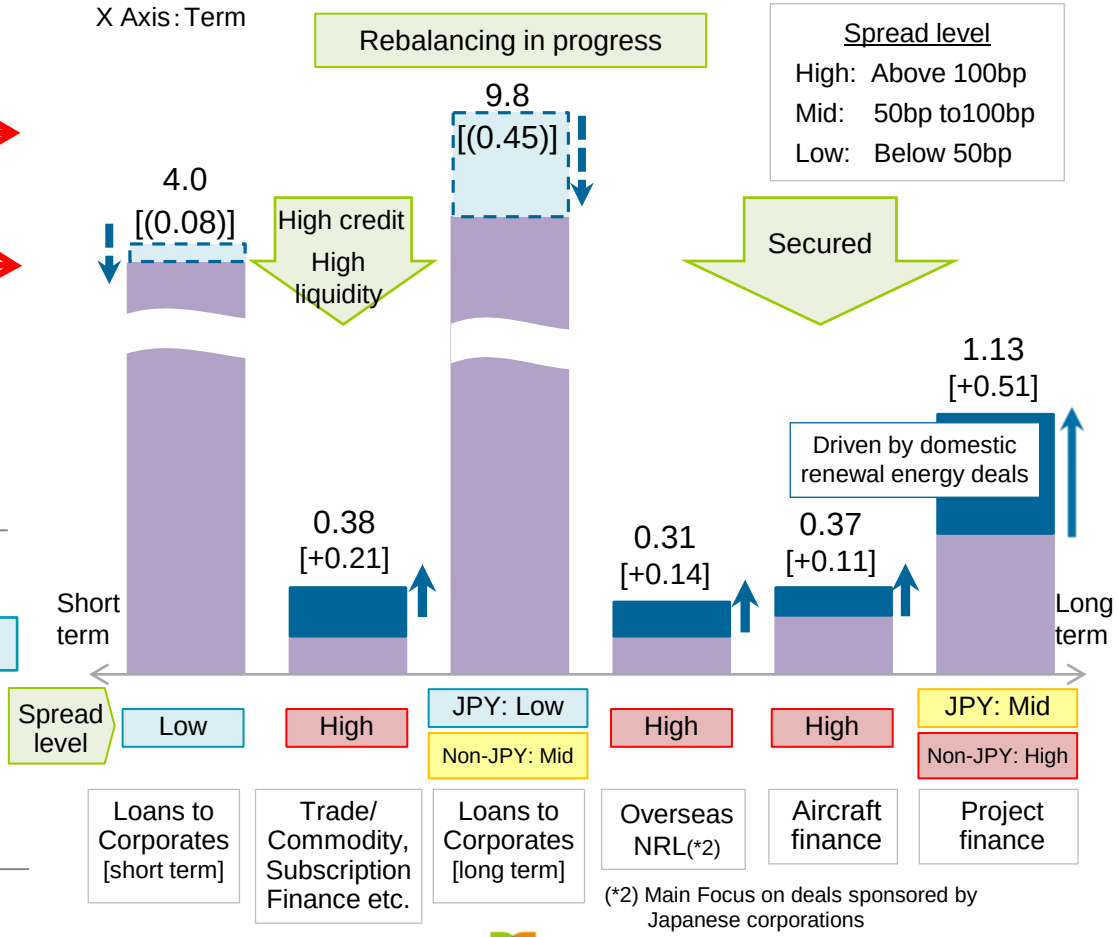
Steady improvement of Margin(*1) of foreign currency portfolio

(*1) Managerial base, end balance base



For product areas given priority, transactions selected with downside resilience in mind

Y Axis：Balance as of Mar.2019 (Yen trn, change from Mar.2016 in brackets)
X Axis：Term



(*2) Main Focus on deals sponsored by Japanese corporations

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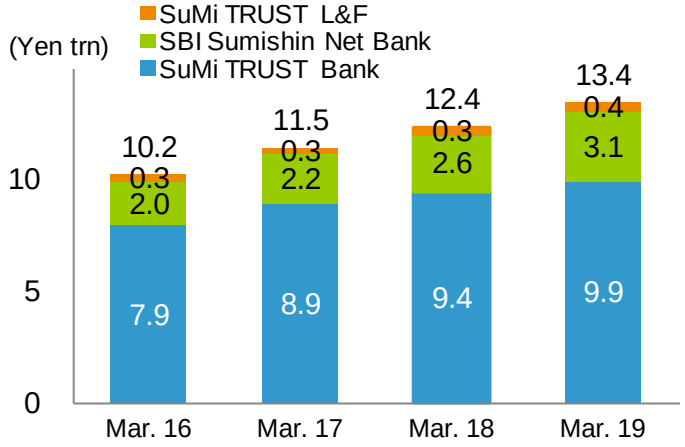
SUMITOMO MITSUI TRUST HOLDINGS

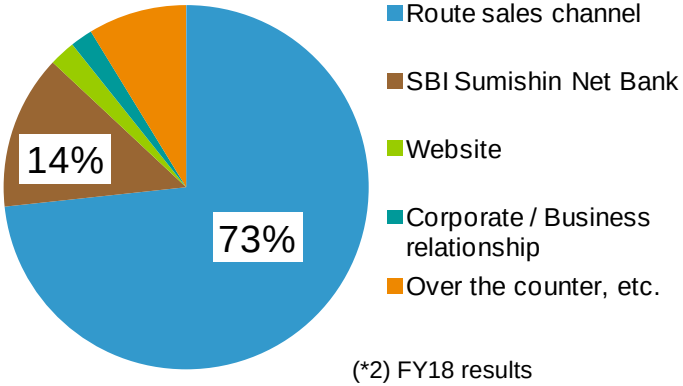
Loan/investment business: Personal loans

✓Efficient marketing to increase high quality mortgage loans
✓Expand transactions with asset formation generation constantly steadily with mortgage loan as a point of entry

Balance of loans to individuals

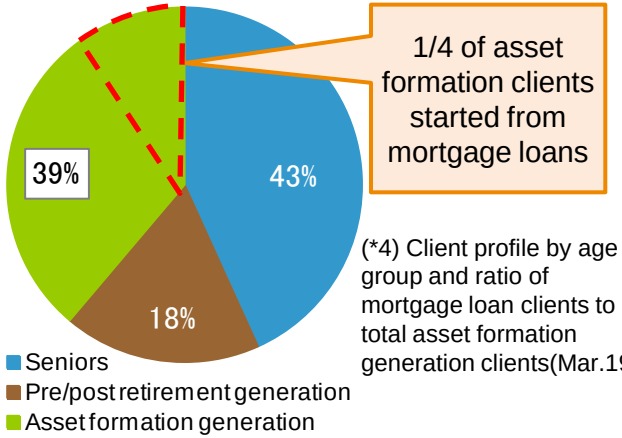


Efficient marketing channels (Mortgages)(*2)



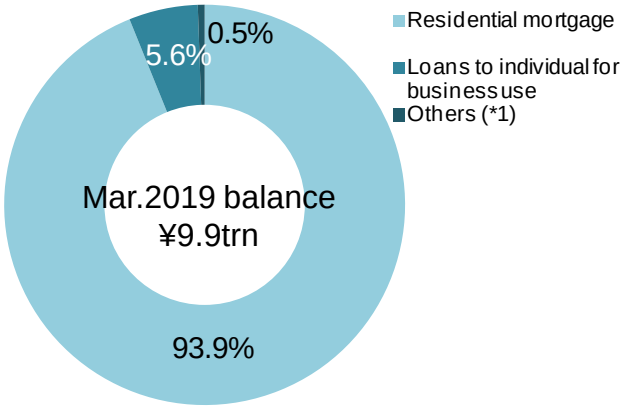
(*2) FY18 results

Expansion of client base utilizing mortgages as entry point (*4)



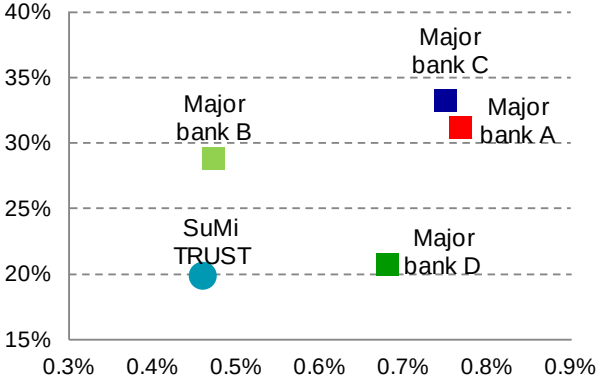
(*4) Client profile by age group and ratio of mortgage loan clients to total asset formation generation clients(Mar.19)

Breakdown of Personal loans (Non consolidated)



(*1) Consumer loans, overdrafts, etc.

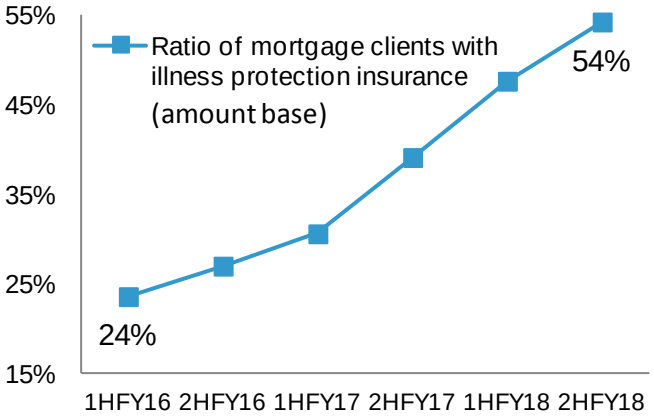
High quality mortgage borrowers(*3)



Y Axis：Loss given default（LGD）
X Axis：Probability of default （PD）

(*3) As of Sep. 18

Expand services with mortgage as entry point



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SUMITOMO MITSUI TRUST HOLDINGS

Digitalization strategy (outline)

✓Steady progress in reducing cost and enhancing productivity of existing businesses
✓To create added-value by evolving total-solution model unique to a trust bank

Reform of existing businesses utilizing digital technologies

Data analysis, Improve client experience

- AI for numerical analysis (forecast analysis)
- AI for linguistic analysis (chatbot etc.)
- Tools to enhance client experience

To develop an open platform unique to a trust bank

Real estate: new business ideas using blockchain (PoC)

Inheritance business platform concept (PoC)

Creating client value

Refinement of complex, burdensome trust bank unique back office operations

RPA, AI-OCR

- RPA: 500K hours reduction of back office operations (from FY18 to FY20)

To create new businesses utilizing our business skills

Endeavors to create new businesses with VC and FinTech companies utilizing our business skill in various areas acquired over the years.

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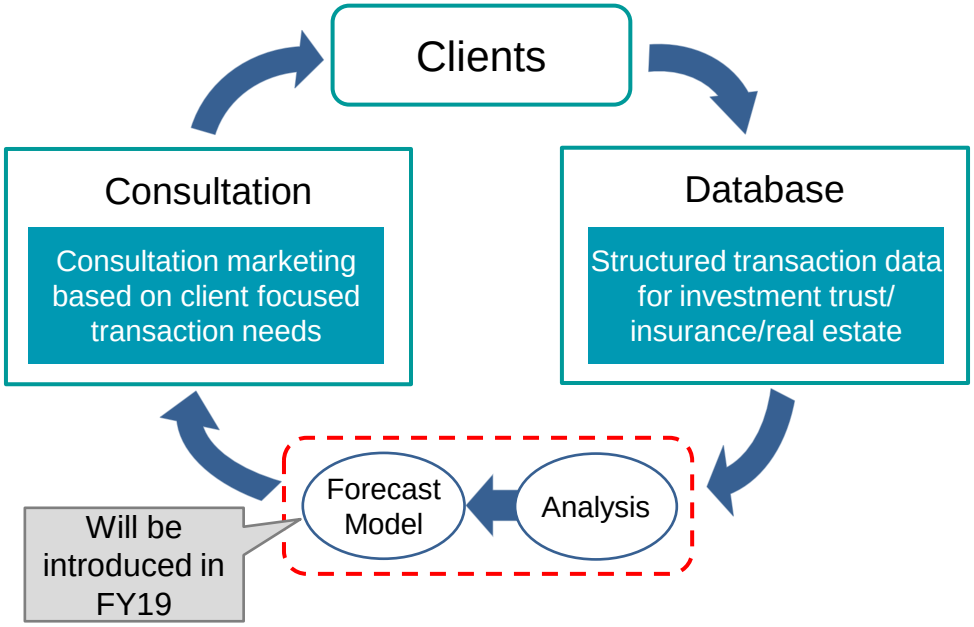
Digitalization strategy (examples)

✓Client focused consulting offered by grasping clients' changing needs with AI
✓Utilization of blockchain to improve transaction infrastructure and enhance transparency of real estate business

100-year life consulting utilizing AI

Preciseness of proposals improved through AI assisted forecast analysis (commenced for investment trust/insurance sales)

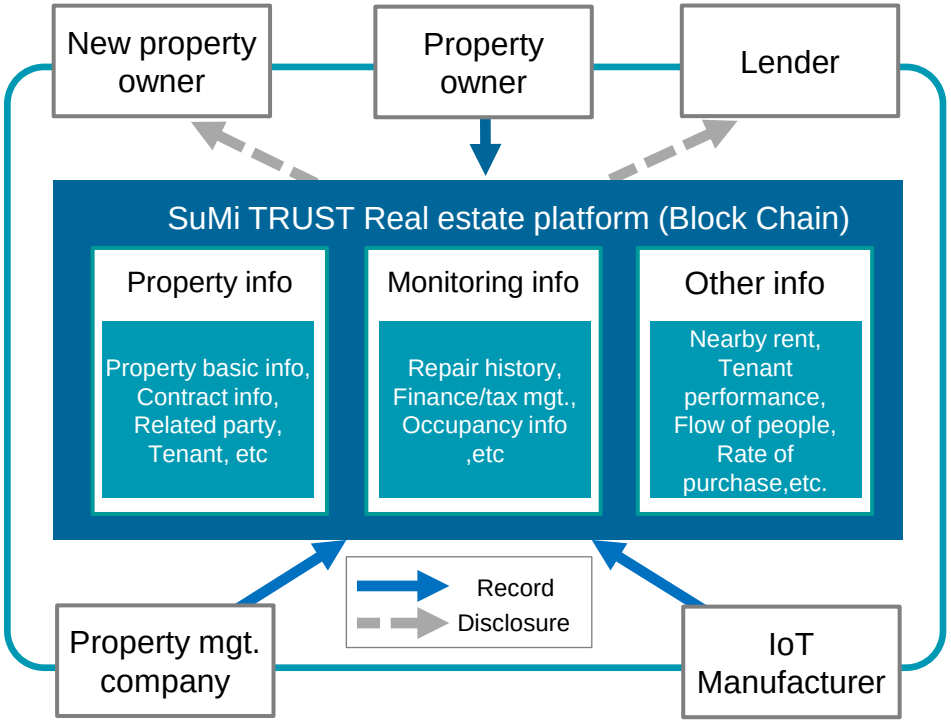
Recognizing the advent of 100-year life, to reflect the change of client needs through various stages of life into our consultation



Utilization of blockchain for real estate business

To establish an information sharing platform among market participants, maintaining real estate related information (*) digitally in a consolidated manner, to facilitate ease of transaction to vitalize the market (PoC)

(*) Mostly paper based or nonstructural data



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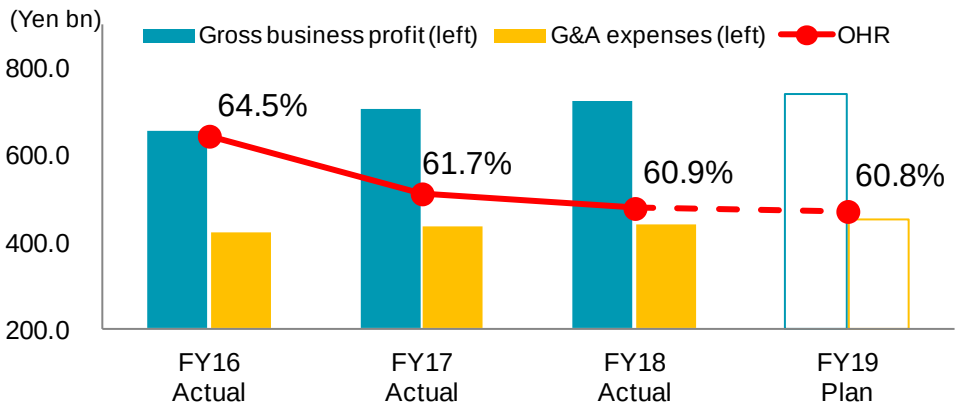
SUMITOMO MITSUI TRUST HOLDINGS

Expenses strategy / OHR Improvement: Overview

✓Steady measures to reduce expenses and improve gross margin to pursue initiatives to reduce OHR
✓Forward looking investments mainly in IT technology to reduce future expenses and enhance efficiency

OHR



Direction of expenses spending

Personnel		Gradual decrease through improved productivity and outsourcing of administration work.
Non Personnel	IT System related	Increase due to strategic spending to improve productivity and profit ability while pursuing efficiency in IT system development and maintenance
	Other general expenses	Cost reduction at group level

(Ref.) Net business profit/OHR by business segment

(Yen bn)	OHR	FY17	Gross business profit	G&A Expenses	OHR	FY18
Net business proft	62%	270.5	722.6	(440.4)	61%	282.2
Retail total solution services	86%	27.0	199.8	(168.9)	85%	30.9
Wholesale financial services	36%	116.6	193.8	(70.4)	36%	123.4
Stock transfer agency services	51%	17.4	37.0	(18.6)	50%	18.4
Real estate	45%	29.8	54.3	(24.2)	45%	30.1
Fiduciary services	65%	59.1	172.1	(109.1)	63%	63.0
Global markets	28%	39.3	45.6	(15.3)	34%	30.3
Others	206%	(15.4)	19.5	(33.7)	172%	(14.1)

Efforts to improve OHR

Retail Total Solutions	Reduction of administrative work / improve efficiency of branches
Stock transfer Agency	Pursue efficiency and rationalization through utilization of new technology such as AI
Fiduciary (Asset management)	Improve efficiency through outsourcing of admin. works and bringing research inhouse
Fiduciary (Asset administration)	Pursue economies of scale by management integration of custodian subsidiary (JTSB)

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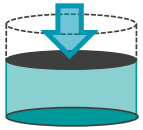
Expenses strategy / OHR Improvement: Efficiency

- ✓ To implement 10% reduction of head office staff within this year, with shift to marketing roles. Promote efficiency driven by reducing branch level administration work and space
- ✓ To initiate forward looking investments such as cloud-based technology with aim to reduce future cost base

Efficiency drive

Reduction of head office staff

10% reduction in FY19, shift to marketing roles



Promote paperless operations

Promote digitalization for client report

Group governance

Group wide expense control, efficient utilization of office space

Reduction of branch operation

70% reduction of backoffice work and create around 1,600 staff equivalent in 5 years starting FY17

<Reduction plan>

Phase1 (Introduction of host-DB linked client visit tablet)	Phase2 (Expand tablet functionality)	FY22 Phase3 (Further Digitalization)
10% Reduction	50% Reduction	70% Reduction

40% reduction in FY19 is expected

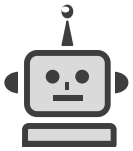
Forward looking investments in IT

Move existing systems to the cloud

Certain recovery through reduction of future running cost

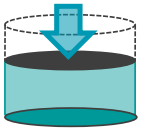
RPA: high quality implementation

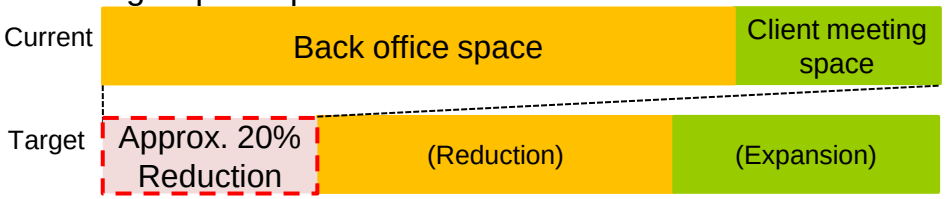
To pursue both cost reduction and preservation of service level



Reduce branch office space

20% reduction of operation area(*)
Approx.10% to return, approx.10% to utilize as centralized operations space and group companies' office





(*) Ratio to total space for back office and client meeting

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Expenses strategy / OHR Improvement (productivity)

- ✓ To significantly increase face-to face client contact by reallocating administrative staff to marketing roles and optimizing inter branch functionality
- ✓ By introduction of Next generation trust type branch, to pursue high added-value consultation and efficiency

Reallocation of HR resources within Retail TS to marketing roles

	As of Mar. 2017（Actual）		As of Mar. 2022（Target）
Sales staff	Approx.3,000	+5%	Approx.3,200
Backoffice staff	Approx.2,000	(50)%	Approx.1,000

To reduce backoffice staff in sync with reduction of administration work
To reallocate surplus HR to marketing roles, and other strategic segments to optimize allocation

Optimize inter-branch functionality

Relocation of clients (Clients of large terminal station branches residing close to suburban branches)

Improve client access to branches and contact frequency

Larger branch

Optimize inter-branch functionality

Suburban branch

To concentrate suburban branches' backoffice work to larger branches

Enhance efficiency of backoffice work
To free up marketing staff

Plan to eventually optimize ¥1trn of AUM

New branch format

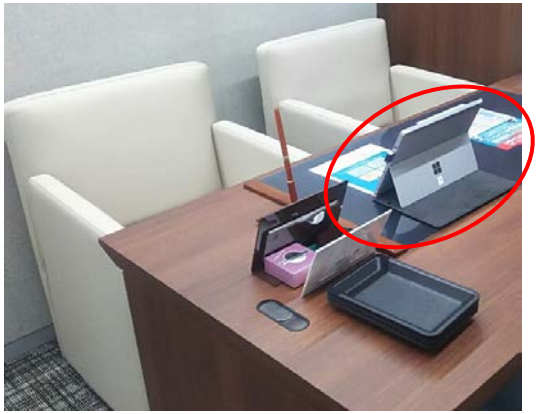
Development of Trust type next generation branches
(To evolve client facing consultation to the next level)

- Reservation only
- Remote WEB
- Expansion of holiday and out-of-hours operations
- Reduce ATM
- Replace to new host DB linked tablet

Consulting Plaza Chofu (Sep. 2018) to test new format

De facto inaugural branch to open in FY19

To deploy to all branches by FY22



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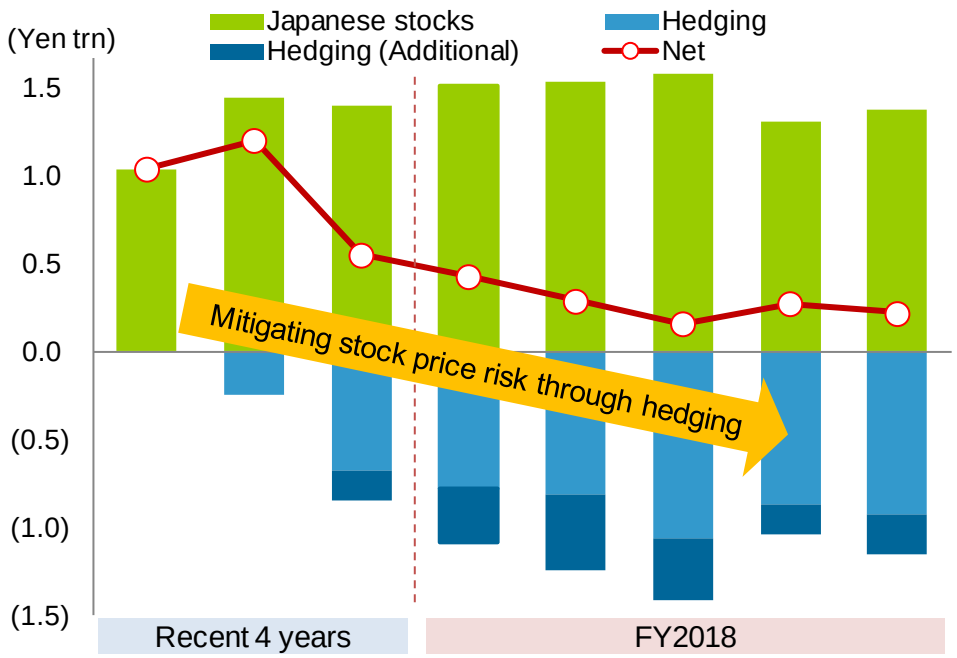
Preparation for risk: (Stock price)

✓Hedge ratio increased during FY2018 to enhance resilience to mark-to-market movement
✓To steadily mitigate stock price volatility according to plan by reduction of strategic shareholdings

Hedge positions against strategic shareholdings

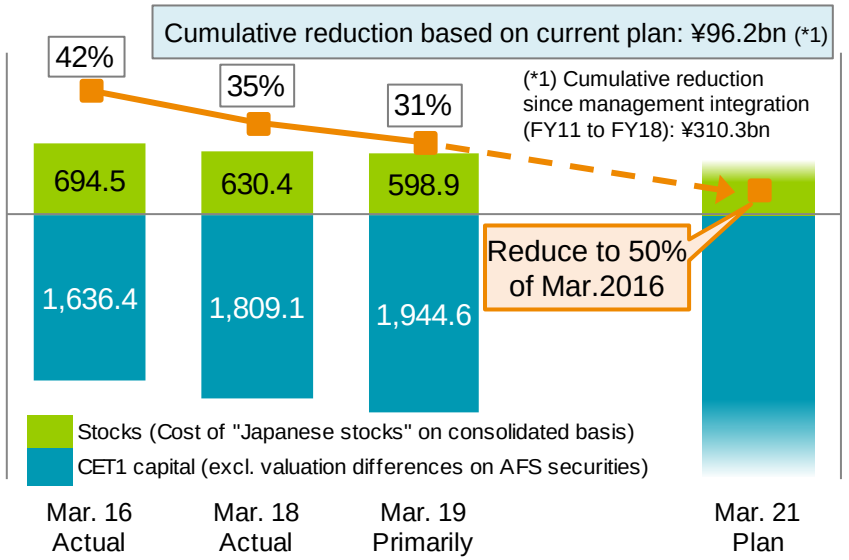
Base	Maintain current ratio of 65% basically
Additional	Adjust volume within 0-35% (contrarian to stock prices)



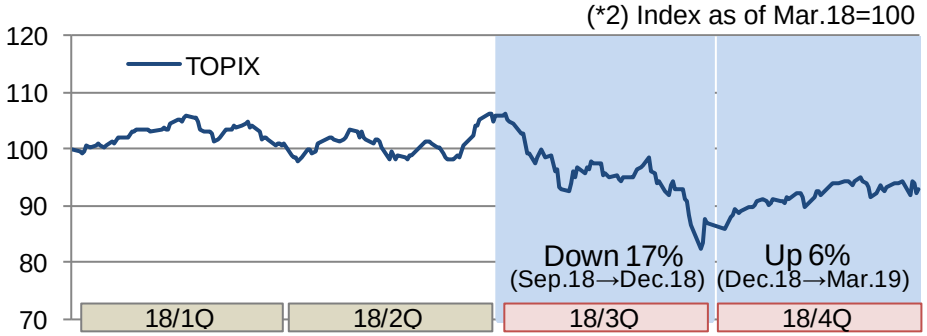
【Hedge ratio】(approx.)

	Mar.13	Mar.15	Mar.17	Mar.18	Jun.18	Sep.18	Dec.18	Mar.19
Hedge ratio	-	20%	60%	70%	70%	85%	80%	80%
Base	-	20%	50%	50%	50%	65%	65%	65%
Additional	-	-	10%	20%	20%	20%	15%	15%

Plan to reduce strategic shareholdings [FY16-FY20]



Stock price index (TOPIX) (*2)



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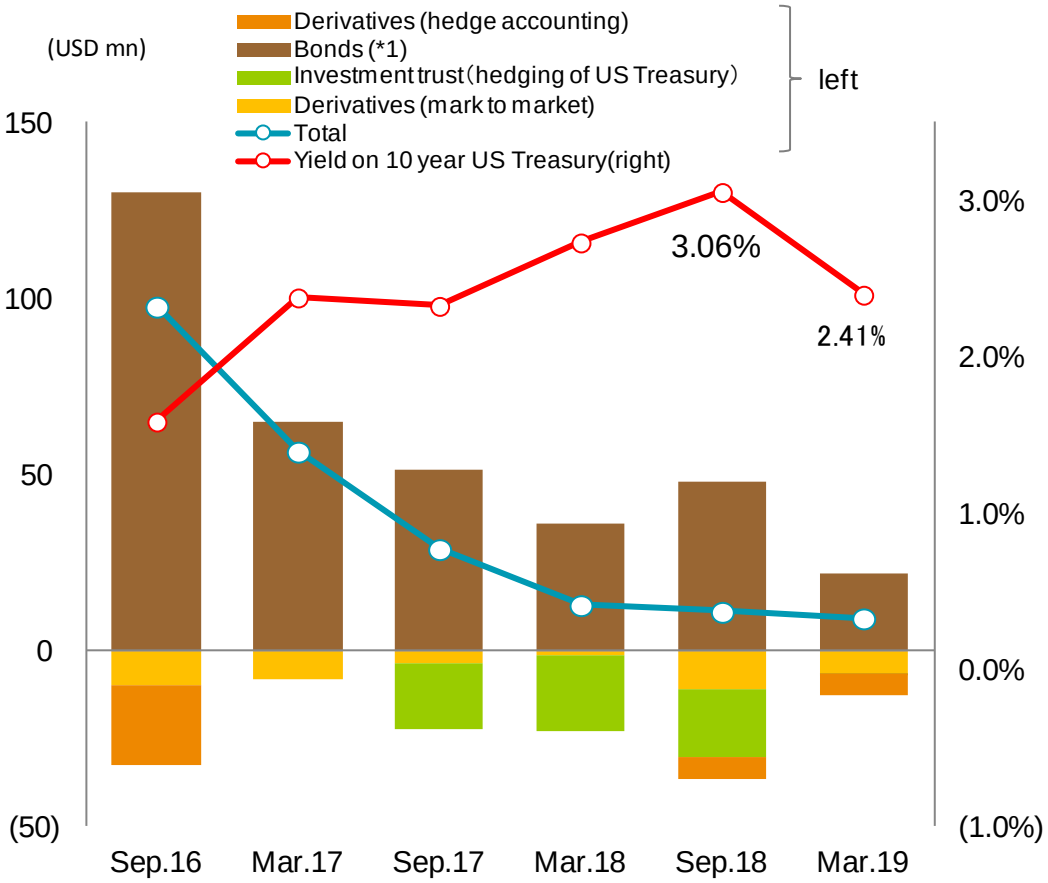
Preparation for risk (interest rate)

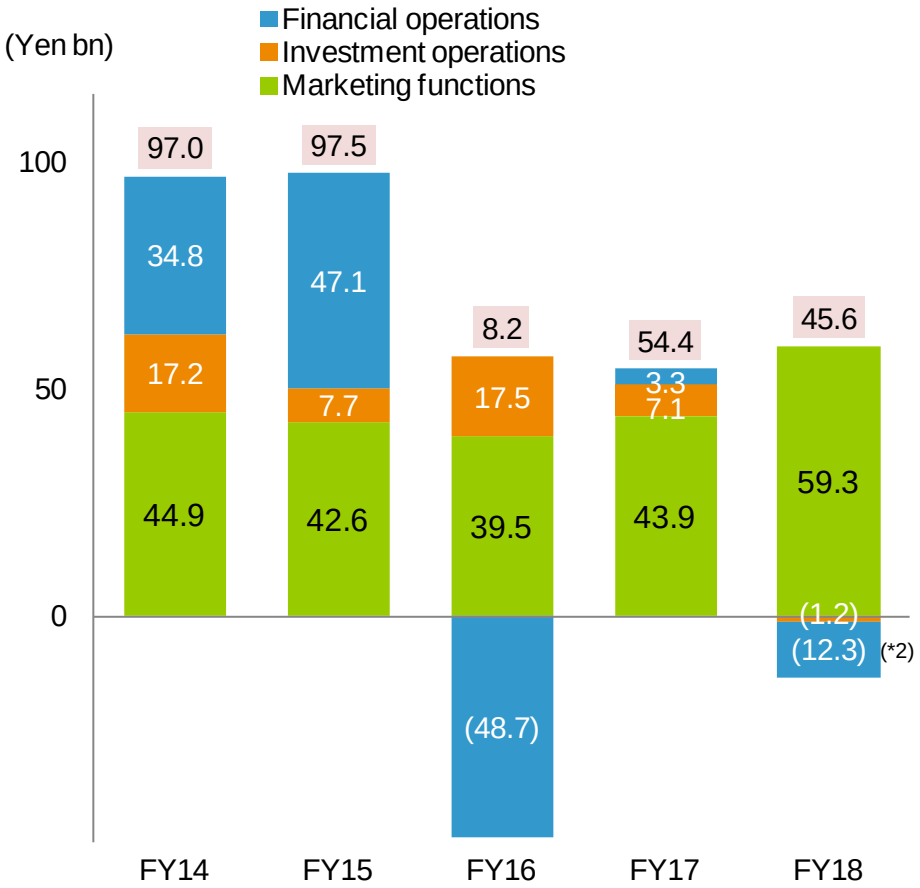
- ✓ Maintain cautious position towards US interest rate risk and maintain restrained approach towards bond investments in Global Markets. US treasury related losses realized through divestment in conjunction with bond bear-type investment trusts, average holding price improved
- ✓ Global markets profit earned mainly from stable, client facing business

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



(*1) Held by Global Markets division

Global Markets business profit



(*2) Realization of US Treasury related unrealized loss is included

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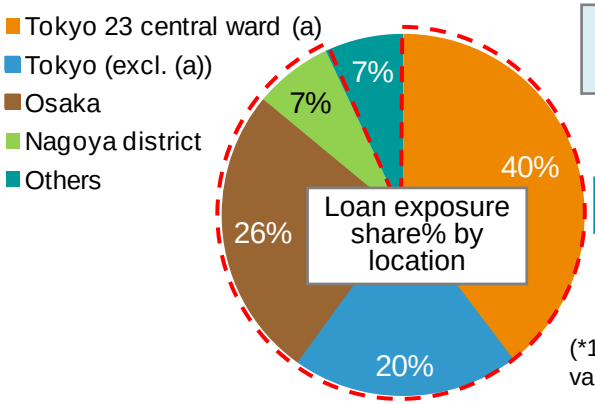
Preparation for risk (credit) (1)

✓ Credit portfolio cautiously managed with diversification, term and exposure size in mind
✓ Downside risk is taken into consideration for each asset category, maintaining a high-quality, risk resilient portfolio

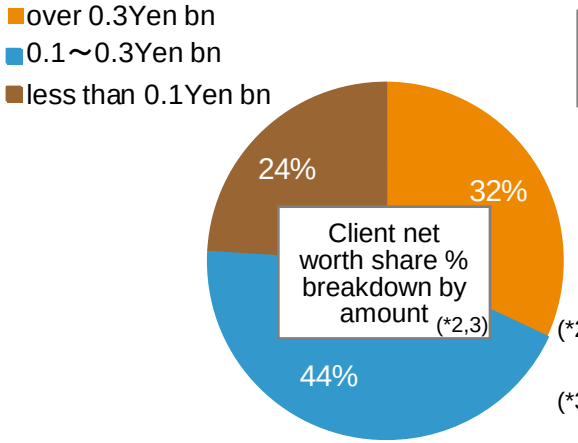
Business Loans (¥552.3bn as of Mar., Approx. 5% of loans to individuals)



Mostly high-quality property in metropolitan areas

"3 Metropolitan areas": 93%
Within 10min. from station: approx. 80%
Occupancy rate 90% (*1)

(*1) 1/3 of loans selected annually, vacancy rate inspected by actual visit

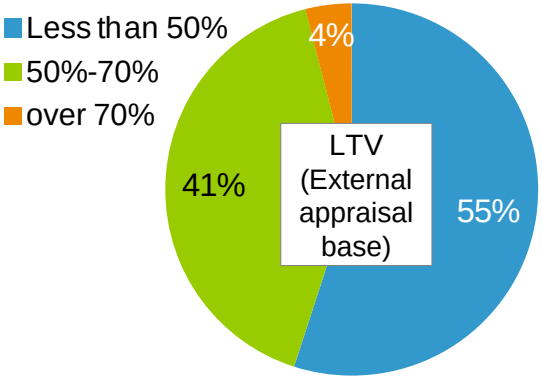


75% of clients have net assets of > ¥100mn

(*2) Internal data, Aggregation of past 3 years

(*3) Net worth of clients; assets including market value of property acquired by our loan minus liabilities

Domestic real estate NRL (¥1.1trn as of Mar.19)

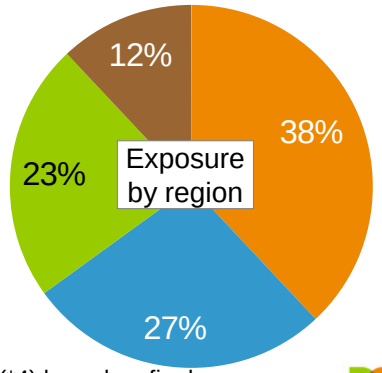


High-quality maintained (Mostly LTV <70%)

<By underlying assets>

Office	56%
Logistical facilities	17%
Commercial	15%
Residential	1%
Others	10%

Non-Japanese credit (¥3.6trn as of Mar.19) (*4)



Avoid regional concentration and limited exposure to EM

Italy		Approx. JPY2.5bn
Spain		Approx.JPY20bn
Eastern Europe (Poland)		Approx.JPY11bn
Russia, Greece, Portugal		None
Others	Middle east	Approx. JPY279bn
	Latin America	Approx. JPY137bn
	Other	Approx. JPY33bn

(*4) based on final exposure, as of Mar. 2019

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Preparation for risk (credit) (2)

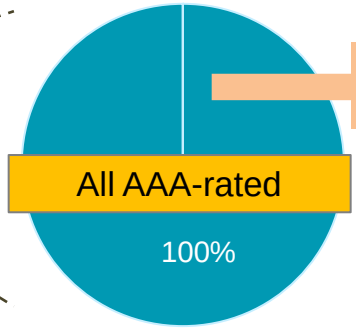
- ✓ Investment balance of CLOs adds up to US$3.4bn, all of which are AAA-rated
- ✓ Leveraged loan consists of mostly 4B or above rating, with risks mitigated through diversification taken into consideration

CLOs

Balance

(USD mn)	Mar. 2019
CLOs	3,377
US	3,128
Europe	249

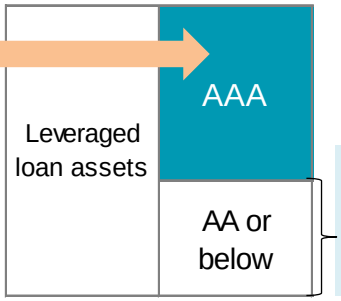
Credit ratings distribution



Our investments

Secured by substantial subordination

【CLO B/S】



Junior tranches provide mid 30% to mid 40% subordination to secure AAA tranche

Leveraged loans (*1)

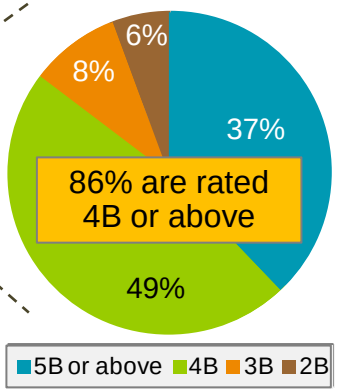
Balance

(USD mn)	Mar. 2019
Leveraged loans (*1)	1,610
US	1,371
Europe	239
High yield bonds	-

(*1) Secured loans with floating rates funded by companies rated BB+/Ba1 or lower, includes fund investments (US: $110mn / Europe: $239mn)

(*2) US Leveraged loans (Proprietary investments)

Credit rating distribution (*2)

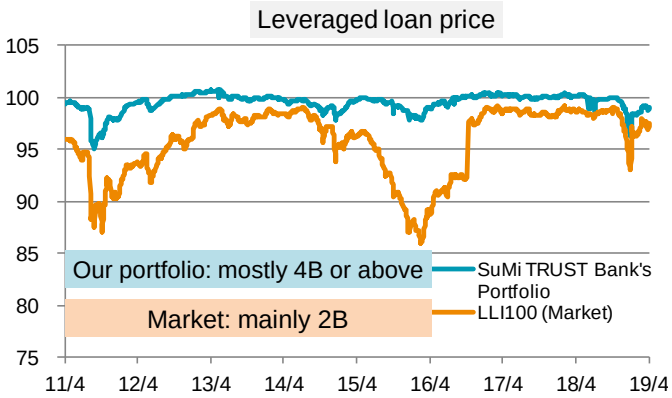


Diversification

Amount per transaction
- 3B or above: $5-10mn
- 2B or blow: $3mn

<Regarding ratings>
Leveraged loans are usually rated by Moody's and S&P. As there are cases when ratings are split, we rate by counting the sum of Bs of two rating agencies
(i.e.) If Moody's: Ba1 and S&P: BB+, then 4B

Historical performance (*2)



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SUMITOMO MITSUI TRUST HOLDINGS

Sumitomo Mitsui TRUST Club

✓Since the purchase, IT system cost increased more than forecast. Business plan revised and impairment loss of goodwill recognized in accordance with new plan

✓Transaction volume centered on premium cards increased. To achieve medium term growth by raising attractiveness as a "Club"

Impairment loss of goodwill

FY15 (*1) to FY17 → From FY18

[Impact from IT system related]

- IT system cost exceeded forecast
- FY2018 and beyond Amortization cost ¥3.5bn/annum
- IT running cost Reduction ¥ 1bn/annum

＋

[Impact from business related]

- Bottlenecks due to IT limitations
- Additional marketing efforts beyond FY2019 (cost factor)

} Downward pressure on profit for the near term

(*1) Acquired in Dec.2015

Plan review resulted in impairment loss of ¥12bn

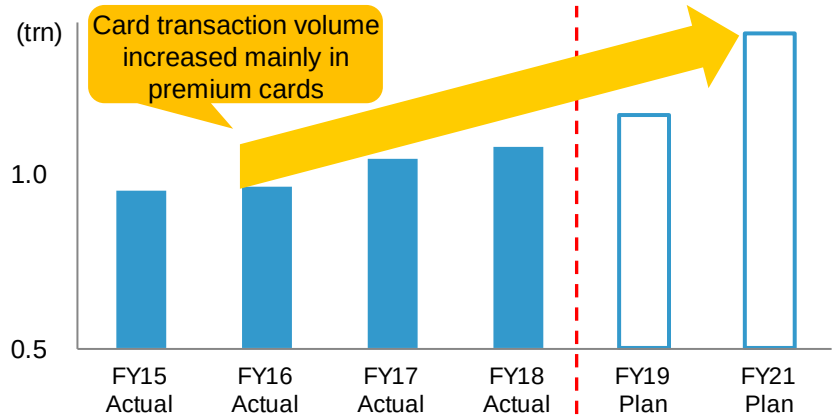
✓FY2019 onwards: Goodwill and intangibles on B/S ¥10bn
⇒Amortization reduced to ¥1bn/annum

Business plan（revised） (Yen bn)		FY18 Actual	FY19 Plan	FY21 Plan	Change from FY18
Plan	Net business profit	0.9	1.5	3.4	+2.4
	Net income	(1.6) [1.4(*2)]	2.0	1.2	+2.9

(*2) FY18 figures include the impact of adoption of Consolidated Tax Return Filing Regime (Approx. ¥ 3bn) and Loss of ¥(1)bn from one-time write down of IT related expenses
Reinforced provisioning of reward points in FY18

Direction of strategy

Increase transaction volume to further encourage usage by service level improvement



To enhance attractiveness as a "club" to improve services to enrich life in age of "100-year life"

Travel	Gastronome
Sports (golf), Health	Entertainment

Offer services of our group

To provide high quality consulting services unique to a trust bank

Actual results: Cumulative about 9,000 members (2,500 members per annum) commenced banking relationship, real estate and IPO related businesses also concluded

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SUMITOMO MITSUI TRUST HOLDINGS

Financial / Capital Policy

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Financial/Capital Policy: Self-assessment regarding our capital position and near-term 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

- ✓ Regulatory requirement 7.5%, Financial / management buffer 2.5% (*1)
- ✓ To maintain certain level of comparative advantage due to long-term nature of services offered as trust business

▶ CET1 ratio of around10% (Finalized Basel III reforms basis)

Current status

- ✓ Current regulatory requirement basis 12.1%
- ✓ Finalized Basel III reforms basis at low 9% range (*2)

▶ Capital accumulation stage to meet requirement for finalized basis

Near-term capital policy

- ✓ ROE improvement through steady implementation of the Midterm Management Plan
  (To pursue profit growth and capital-efficient business model)
- ✓ While accumulating capital, balanced management to pursue growth opportunities and to strengthen shareholder return commensurate with earnings

▶ Accumulate capital, balance profit growth, capital efficiency and shareholder return

【KPI】(*3)	FY18 actual	FY19 plan
Profit growth	JPY173.8bn	JPY180bn
Capital effiiency	7.9%	Approx. 8%
Shareholder return	35.7%	Approx. 40%

Our medium/long-term view

- ✓ 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
- ✓ On top of shareholder distribution commensurate with earnings, share buyback to improve capital efficiency to be considered as well

(*1) Required ratio of CET1 capital required against risk weighted assets (*2) CET1 ratio (As of Mar. 2019) 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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Financial/Capital Policy: Shareholder return policy

✓By achieving dividend payout commensurate with earnings and share repurchases, we shall aim to enhance shareholder payout ratio to around 40% for FY2019 in accordance with our medium-term goal

<Shareholder Return Policy> [Announced on May 2017]
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

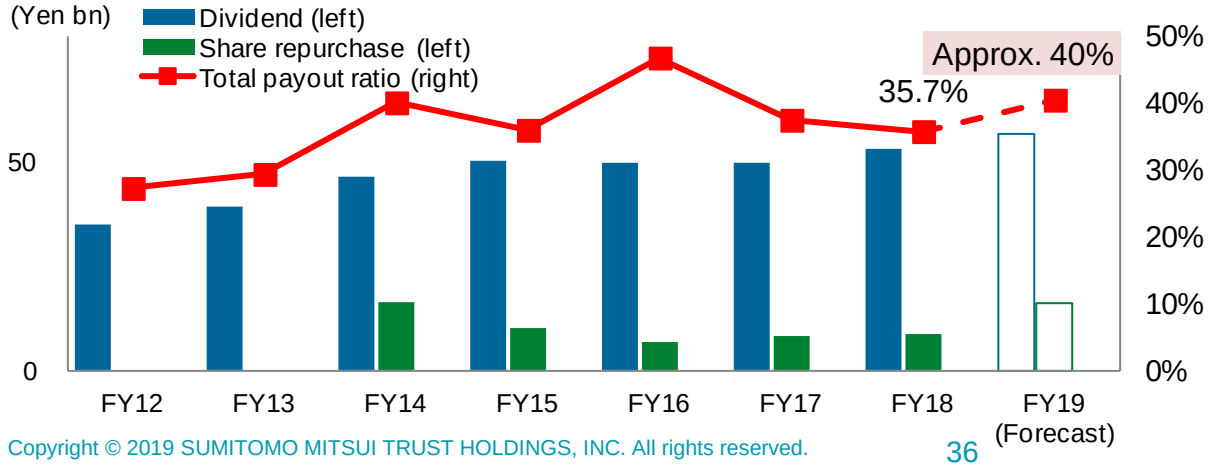
Outline of the repurchase and cancellation of own shares

Class of shares to be repurchased	Common stock of SuMi Trust Holdings
Total number of shares to be repurchased	Up to 5,000,000 shares (Percentage to the total number of shares in issue (excluding treasury stock) 1.3%)
Total amount of repurchase	Up to JPY 16,000,000,000
Repurchase period	From May 16, 2019 to August 30, 2019

(Ref.) Status of shares in issue and treasury stock as of March 31, 2019
Total number of shares in issue (excluding treasury stock): 378,596,918 shares
Number of treasury stock: 11,751,722 shares

11,000,000 shares of the treasury stock and all of the repurchased shares at this time to be cancelled on Sep. 20, 2019

Shareholder returns



Share repurchases

Repurchase timing	Repurchase Amount	Ratio against Net income
FY14 (Jan.-Feb. 15)	JPY16.4bn	+10.4%
FY15 (Jul.-Aug. 15)	JPY9.9bn	+6.0%
FY16 (May 16)	JPY6.9bn	+5.7%
FY17 (Jul.-Aug. 17)	JPY8.1bn	+5.3%
FY18 (May-Jun. 18)	JPY8.9bn	+5.2%

(*) "Ratio against net income": Repurchased amount divided by fiscal year's net income when relevant share repurchase was executed

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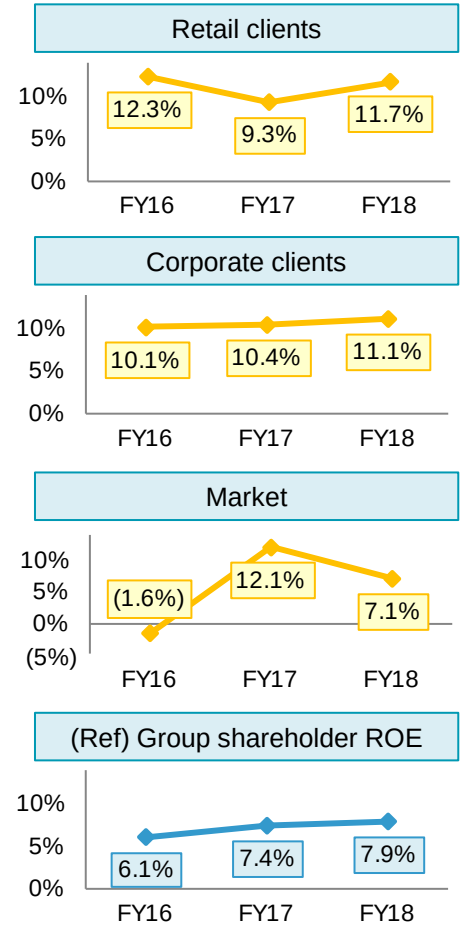
Initiatives of each business segment to improve ROE

- ✓ROE improvement by executing Midterm Management Plan
- ✓Strengthen fee businesses, enhance B/S profitability through credit portfolio reformation, offer total solution services created by cross-divisional synergies, and promotion of alliances

Business segment	B/S business	Fee business	Strength as Specialized trust bank		Capital
Retail TS	Residential mortgages	Investment management consulting Inheritance	Total solution services	Alliance strategies	Reformation of credit portfolio
Wholesale TS	Corporates Product related	Credit arrangements Securitization/M&A			
Wholesale AM		Investment management consulting AM arrangements			Reduction of strategic shareholdings
Stock transfer agency		Shareholder admin. Various consulting			
Real estate		Brokerage Real estate AM			
Fiduciary services		Asset management Asset administration			Utilize M&A
Global markets	Security investments ALM				
	Improve return on capital to boost profitability	Improve profitability against cost	Profit increase through cross-divisional synergy	Profit increase through effective use of capital / expenses	Effective use of capital

ROE by business segments (*)



(*)ROE by business segment: Managerial accounting basis. Retail clients: Retail TS business and SuMi TRUST Realty. Corporate clients: Wholesale TS, Wholesale AM, Stock transfer agency, Real estate (excluding SuMi TRUST Realty) and Fiduciary businesses. Market: Global Markets.
Each segment's net business profit divided by current required regulatory capital (Strategic shareholdings, P&L and capital allocated to Head Office functions such as corporate management and other departments excluded from calculation)

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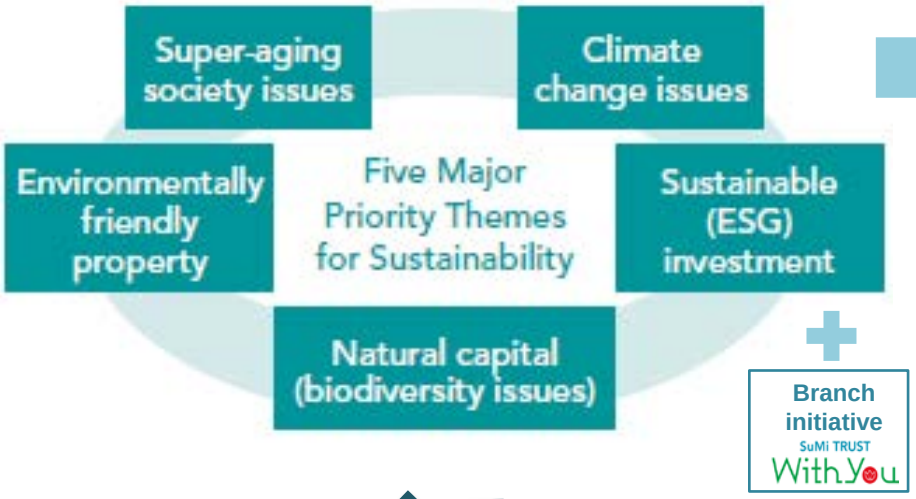
Initiatives for promoting sustainability and rating from external parties

Focused on 5 major themes offering lineup of social issue solving products

Regarding sustainability, selected 5 major themes, and contributed to attaining SDGs targets by offering financial products and services unique to a trust bank



Utilized SDGs as criteria to measure social value created

To contribute to achieving target by offering financial products and services

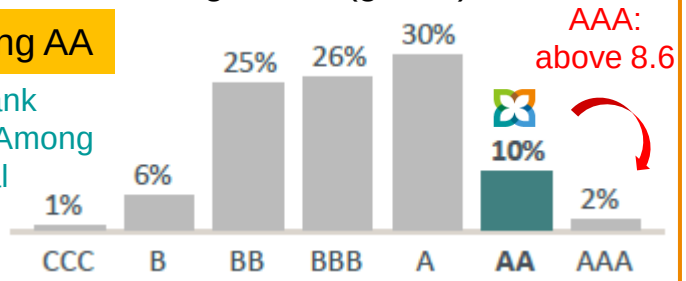
Top class rating for ESG among Japanese banks

【MSCI evaluation】

Rating distribution of banking sector (global)

Score 8.5 Rating AA

No.1 Japanese bank (Ranked highest Among Japanese financial institutions)



【PRI assessment by UN organization】

Evaluation of PRI (principles for Responsible Investment) by UNEP FI

Total score No.1 among Japanese banks 4 consecutive years (SuMi TRUST AM)

Rating A+

【NPO evaluation】

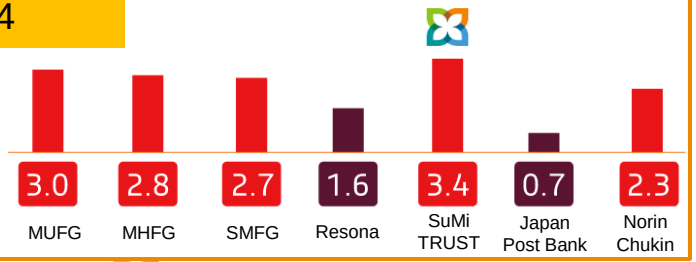
NPO Fair Finance Guide Rating

No.1 among Japanese Banks

Score 3.4

No.1 Japanese bank

FairFinanceGuide Japan 2019



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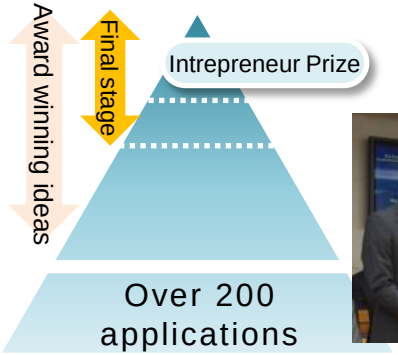
Acceleration of future creation activity

✓Business idea contest “Future Fes” to be held for all group company staff
✓Employee satisfaction enhanced by nudging personal development and future looking dialogue

“Future Fes” in which all group company staff participates and strives to actualize business plan

- Hosted “Future Fes”, a business plan contest for ideas originating from our employees
- 4 projects selected out of over 200 submissions



[Winners of business plans to be implemented]

- Staff who originated the idea is working in conjunction with specialist staff in endeavor to turn plan into reality
- 4 business plans in progress targeted to be released within this year.

Business planning has reinforced efforts to foment corporate culture that places importance on the discovery of real client needs and services.
The contest to be held this year as well.

“Future Day” event to encourage future focused thinking

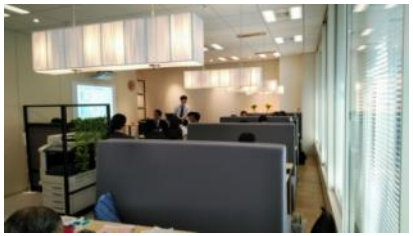
- Hosted “Future Day” to encourage staff to think about the future together by inviting experts from fields outside of finance

[External lecturers(including planned)]
- Mr. Takeshi Idezawa, CEO of LINE Corporation
- Mr. Hajime Tabata, CEO of JP GAMES (former Director of FFXV)
- Mr. Hikaru Ray Adachi, Senior Director of Niantic Japan (former CMO of McDonald’s Company(Japan))

”Future Lab” joint-creation space that encourages the connection and collaboration of diverse knowledge

- A café-type space created within HO building where staff can gather to exchange ideas for innovation

[Concept of “Future Lab”]
1) Space for intellectual creation
2) Encourage communication
3) Trial space for office transformation



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Financial Results for FY2018

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Overview of profits

	(Yen bn)	FY17	FY18	Change
1	Net business profit before credit costs (*1)	270.5	282.2	11.6
2	Substantial gross business profit (*1)	705.7	722.6	16.9
3	Net interest income and related profit	208.2	169.6	(38.5)
4	Net fees and commissions and related profit	405.4	413.2	7.8
5	Other profit	92.1	139.7	47.6
6	o/w Profit attributable to deployment of surplus foreign currency funds	29.5	87.5	57.9
7	Substantial G&A expenses (*1)	(435.1)	(440.4)	(5.2)
8	Total credit costs	2.9	(2.9)	(5.9)
9	Net gains on stocks	6.3	13.7	7.3
10	Other net non-recurring profit	(47.2)	(36.5)	10.6
11	Ordinary profit	232.6	256.4	23.7
12	Extraordinary profit	6.1	(15.0)	(21.2)
13	Income before income taxes	238.8	241.3	2.5
14	Total income taxes	(73.0)	(60.5)	12.4
15	Income attributable to non-controlling interests	(11.7)	(6.8)	4.9
16	Net income	153.9	173.8	19.9
17	Return on shareholders' equity	7.40%	7.95%	0.55%
18	Dividend per share (DPS) (Yen)	130	140	10
19	Earnings per share (EPS) (Yen)	403	458	54
20	Number of shares issued (mn shares) (*2)	381.2	378.9	(2.3)

(*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

Net business profit before credit costs

- Effective interest related earnings increased due primarily to improvement of International loan-deposit income

	(Yen bn)	FY17	FY18	Change
21	Effective interest related earnings	237.7	257.1	19.3
22	o/w International interest related earnings	49.4	69.5	20.1
23	o/w loan-deposit income (*3)	81.1	90.9	9.8

(*3) Income of Loans and bills discounted minus Expenses of Deposits (P.46)

- Net fees and commissions and related profit increased due primarily to contribution of Stock transfer agency business and asset management subsidiaries
- Realized US Treasury related unrealized loss (US Treasury approx. ¥(9)bn, Investment trust hedging of US Treasury approx. ¥(3)bn), and improved costs of US Treasuries

Total credit costs

- Total credit cost of ¥2.9bn recorded from occurrence of new problem loans due to downgraded in 2HFY18 while the reversal of losses resulting from improvement of credit-classification of certain borrowers in 1HFY18

Net gains on stocks

- Net gains on stocks of 13.7bn. Strategic shareholdings reduced further (reduction of approx. ¥29bn, gains of approx. ¥30bn on disposal) while loss recorded on close out of hedge positions utilizing investment trusts (*4) (approx. ¥(17)bn)

Other net non-recurring profit / Extraordinary profit

- Loss of approx. ¥(7)bn recorded from one-time write down of IT related expenses (Other net non-recurring loss: approx. ¥(5)bn, Extraordinary loss approx. ¥(2)bn) and loss of approx. ¥(12)bn recorded from impairment loss of goodwill of SuMi Trust Club recorded to improve Financial soundness, while positive effect of approx. ¥15bn (*5) due to from adoption of Consolidated Tax Return Filing Regime

(*4) Temporary hedge positions for improvement of costs in FY17

(*5) Impact of adoption of Consolidated Tax Return Filing Regime, SuMi Trust Holdings: +approx. ¥12bn, SuMi Trust Club: +approx. ¥3bn

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SUMITOMO MITSUI TRUST HOLDINGS

Overview of balance sheet

	(Yen bn)	Mar. 2018	Mar. 2019	Change	
1	Assets	68,356.7	57,029.1	(11,327.6)	
2	Cash and due from banks	28,841.3	16,045.8	(12,795.4)	(*1)
3	Securities	5,537.6	5,759.5	221.8	
4	Loans and bills discounted	28,190.5	29,025.7	835.1	
5	Other assets	5,787.2	6,198.0	410.7	
6	Liabilities	65,484.4	54,298.7	(11,185.7)	
7	Deposits and NCD	43,915.1	38,232.1	(5,682.9)	(*1)
8	Borrowed money from trust account	11,070.7	5,408.0	(5,662.7)	(*1)
9	Other liabilities	10,498.5	10,658.5	159.9	
10	Total net assets	2,872.3	2,730.3	(141.9)	
11	Total shareholders' equity	2,127.8	2,242.9	115.1	
12	Total accumulated OCI	496.8	410.4	(86.3)	
13	Minority interests, etc.	247.6	76.8	(170.7)	
14	Net assets per share (BPS) (Yen)	6,897	7,008	111	
15	Number of shares issued (mn shares) (*2)	380.5	378.5	(1.9)	

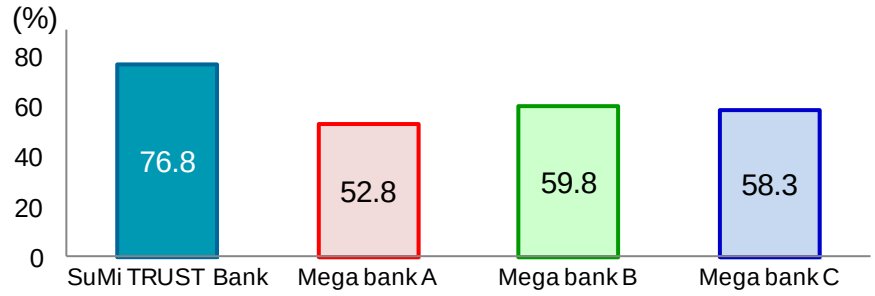
(Reference)

16	Loan-deposit ratio (SuMi TRUST Bank)	78.2%	76.8%	(1.4%)
17	NPL ratio (SuMi TRUST Bank)	0.2%	0.3%	0.1%

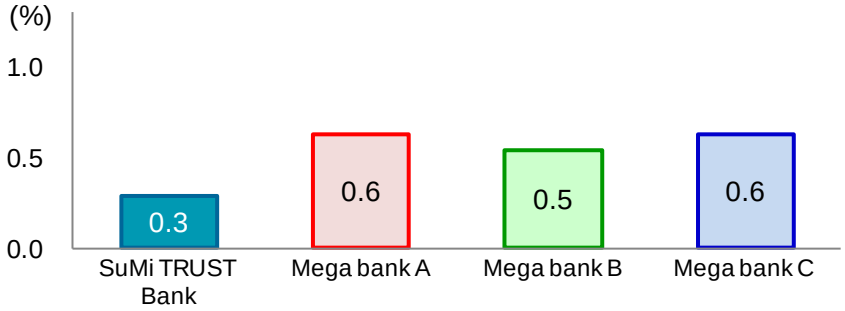
(*1) Decreased from Mar. 2018 due mainly to changing to affiliated company of Japan Trustee Services Bank relating to the establishment of JTC Holdings in Oct. 2018

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

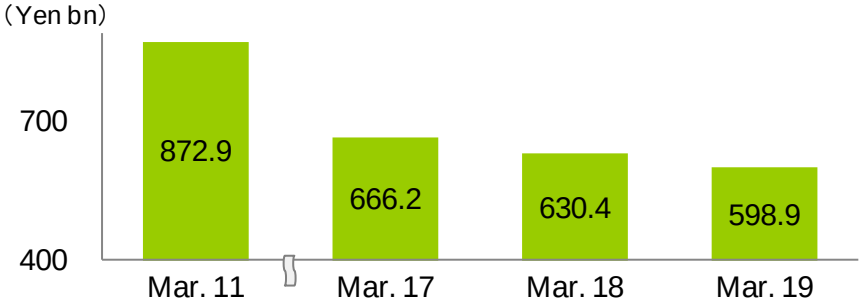
Comparison of Loan-deposit ratio



Comparison of NPL ratio



Balance of strategic shareholdings (Cost base)



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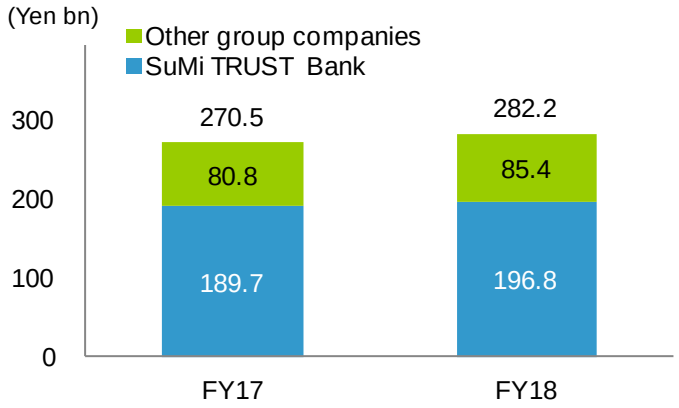
SUMITOMO MITSUI TRUST HOLDINGS

Profit by group company

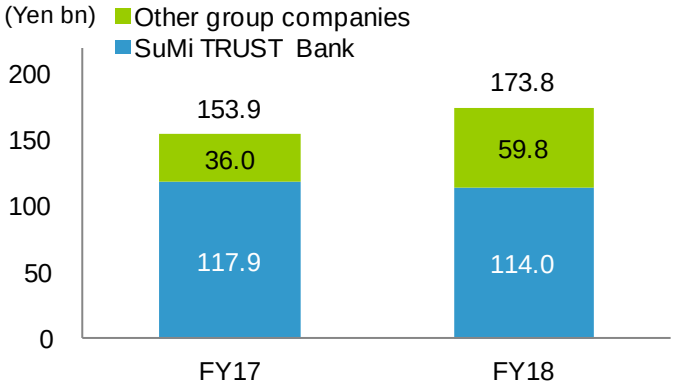
	(Yen bn)	FY17	FY18	Change
1	Net business profit before credit costs (*1)	270.5	282.2	11.6
2	o/w SuMi TRUST Bank (*2)	189.7	196.8	7.0
3	SuMi TRUST AM (*2)	5.5	8.5	3.0
4	Nikko AM (*3)	13.3	15.6	2.2
5	SuMi TRUST Realty	5.8	6.3	0.5
6	SuMi TRUST Panasonic Finance (*3)	12.8	10.2	(2.5)
7	SuMi TRUST Loan & Finance	10.2	11.7	1.4
8	SBI Sumishin Net Bank (*3)	7.9	9.1	1.1
9	SuMi TRUST Guarantee (*3)	11.9	11.6	(0.2)
10	SuMi TRUST Club	2.9	0.9	(2.0)
11	Effect of purchase accounting method	(2.7)	(2.6)	0.1
12	Net income (*1)	153.9	173.8	19.9
13	o/w SuMi TRUST Bank	117.9	114.0	(3.9)
14	SuMi TRUST AM	3.7	5.6	1.9
15	Nikko AM (*3)	7.5	9.8	2.3
16	SuMi TRUST Realty	4.1	4.3	0.1
17	SuMi TRUST Panasonic Finance (*3)	5.1	2.9	(2.1)
18	SuMi TRUST Loan & Finance	6.9	7.9	1.0
19	SBI Sumishin Net Bank (*3)	5.2	5.9	0.7
20	SuMi TRUST Guarantee (*3)	8.3	8.6	0.3
21	SuMi TRUST Club (*4)	(0.2)	1.4	1.7
22	Effect of purchase accounting method	(0.4)	(0.0)	0.4

(*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) FY18 figures include the impact of reorganization of asset management functions.
SuMi TRUST Bank approx. ¥(4)bn, SuMi TRUST AM approx. ¥4bn
(*3) Consolidated basis
(*4) FY18 figures include the impact of adoption of Consolidated Tax Return Filing Regime（Approx. ¥ 3bn).

Breakdown of Net business profit before credit cost



Breakdown of Net income



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SUMITOMO MITSUI TRUST HOLDINGS

Profit by business segment

	(Yen bn)	FY17 Net business profit before credit costs	FY18 Substantial gross business profit (*1)	FY18 Change from FY17	FY18 Substantial G&A expenses	FY18 Net business profit before credit costs	FY18 Change from FY17
1	Net business profit before credit costs	270.5	722.6	16.9	(440.4)	282.2	11.6
2	Retail total solution services	27.0	199.8	6.1	(168.9)	30.9	3.9
3	SuMi TRUST Bank	11.1	138.0	5.1	(122.6)	15.3	4.2
4	Other group companies	15.8	61.8	0.9	(46.2)	15.6	(0.2)
5	Wholesale financial services (*2)	116.6	193.8	10.4	(70.4)	123.4	6.7
6	SuMi TRUST Bank	89.1	137.2	8.6	(41.9)	95.3	6.1
7	Other group companies	27.4	56.6	1.8	(28.4)	28.1	0.6
8	Stock transfer agency services	17.4	37.0	1.0	(18.6)	18.4	0.9
9	SuMi TRUST Bank	16.7	21.4	1.3	(3.7)	17.7	1.0
10	Other group companies	0.7	15.5	(0.2)	(14.8)	0.6	(0.1)
11	Real estate	29.8	54.3	0.5	(24.2)	30.1	0.3
12	SuMi TRUST Bank	23.1	32.4	0.2	(9.3)	23.1	(0.0)
13	Other group companies	6.6	21.9	0.2	(14.9)	7.0	0.3
14	Fiduciary services (*3)	59.1	172.1	2.4	(109.1)	63.0	3.8
15	SuMi TRUST Bank	35.9	57.4	(5.2)	(24.2)	33.2	(2.7)
16	Other group companies	23.2	114.7	7.7	(84.8)	29.8	6.6
17	Global markets	39.3	45.6	(8.7)	(15.3)	30.3	(9.0)

(*1) Excluding dividend from group companies aimed to improve capital efficiency
(*2) Combined total of Wholesale total solution services and Wholesale asset management
(*3) The impact of reorganization of asset management munctions in FY18
Substantial gross business profit: SuMi TRUST Bank approx. ¥(6)bn, Other group companies: approx. ¥6bn
Substantial G&A expenses: SuMi TRUST Bank approx. ¥(2)bn, Other group companies +approx. ¥2bn

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Overview of profit (SuMi TRUST Bank)

	(Yen bn)	FY17	FY18	Change	Substantial (*1)
1	Net business profit before credit costs	189.7	231.4	41.7	7.0
2	Gross business profit	426.8	467.3	40.4	5.8
3	Net interest income and related profit	176.5	172.7	(3.8)	(38.5)
4	Net fees and commissions and related profit (*2)	190.2	186.3	(3.9)	(3.9)
5	Net trading profit	10.4	27.9	17.5	17.5
6	Net other operating profit	49.5	80.3	30.7	30.7
7	o/w Net gains on foreign exchange transactions	45.3	95.1	49.8	49.8
8	o/w Profit attributable to deployment of surplus foreign	29.5	87.5	57.9	57.9
9	Net gains on bonds	(5.7)	(3.8)	1.9	1.9
10	Net gains from derivatives	9.4	(11.3)	(20.7)	(20.7)
11	General and administrative expenses (*2)	(237.0)	(235.8)	1.2	1.2
12	Total credit costs	7.0	1.9	(5.0)	(5.0)
13	Other non-recurring profit	(23.8)	(24.3)	(0.5)	(0.5)
14	o/w Net gains on stocks	5.9	(12.0)	(18.0)	(18.0)
15	(Losses on devaluation of shares of consolidated subsidiaries)	-	(24.3)	(24.3)	(24.3)
16	Amortization of net actuarial losses	(16.3)	(3.3)	12.9	12.9
17	Ordinary profit	172.9	209.0	36.1	1.4
18	Extraordinary profit	(8.3)	(4.2)	4.0	4.0
19	Income before income taxes	164.6	204.8	40.1	5.5
20	Total income taxes	(46.6)	(56.1)	(9.4)	(9.4)
21	Net income	117.9	148.6	30.6	(3.9)

(*1) Excluding dividend from group companies of ¥34.6bn aimed to improve capital efficiency
(*2) FY18 includes the impact of reorganization of asset management functions.
(Net fees and commissions and related profit: approx. ¥(6)bn,
General and administrative expenses: approx. ¥(2)bn)

		FY17	FY18	Change
22	Effective interest related earnings (*3)	206.1	225.5	19.4
23	Domestic business	156.6	155.9	(0.7)
24	Net interest income and related profit	156.6	190.6	33.9
25	Dividend from group companies aimed to improve capital efficiency	-	(34.6)	(34.6)
26	International business	49.4	69.5	20.1
27	Net interest income and related profit	19.8	(17.9)	(37.8)
28	Income in domestic business (*4)	81.1	90.9	9.8
29	Profit attributable to deployment of surplus foreign currency funds (*5)	29.5	87.5	57.9

(*3) Net interest income and related profit minus Dividend from group companies aimed to improve capital efficiency plus Profit attributable to deployment of surplus foreign currency funds
(*4) Income from Loans and bills discounted minus Expenses from Deposits
(*5) FY2018 actual considered precurement const is Approx. ¥8bn
(Change form FY17 is Approx. ¥2bn) on managerial base

30	Net fees and commissions and related profit	190.2	186.3	(3.9)
31	Excluding impact of reorganization	190.2	192.6	2.3
32	o/w Investment management consulting	58.1	53.7	(4.4)
33	Asset management/administration	62.7	57.4	(*2)(5.2)
34	Excluding impact of reorganization	62.7	63.7	1.0
35	Real estate brokerage	26.1	26.5	0.3
36	Stock transfer agency services	20.1	21.4	1.3
37	Inheritance related services	4.6	4.2	(0.4)
38	Wholesale credit related	34.4	31.7	(2.7)
39	Net gains on bonds	(5.7)	(3.8)	1.9
40	Domestic bonds	0.0	0.6	0.5
41	Foreign bonds	(5.8)	(4.5)	1.3

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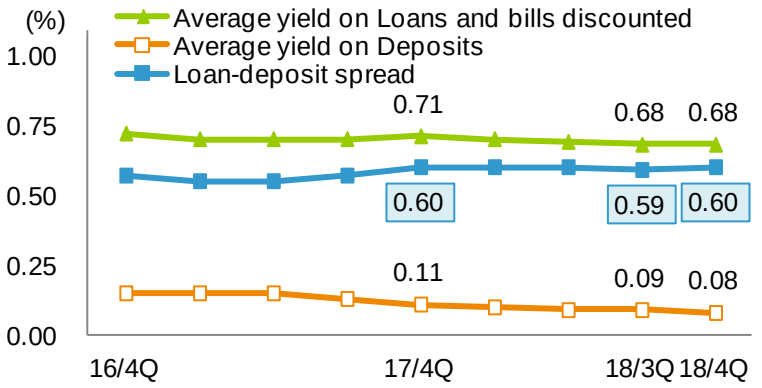
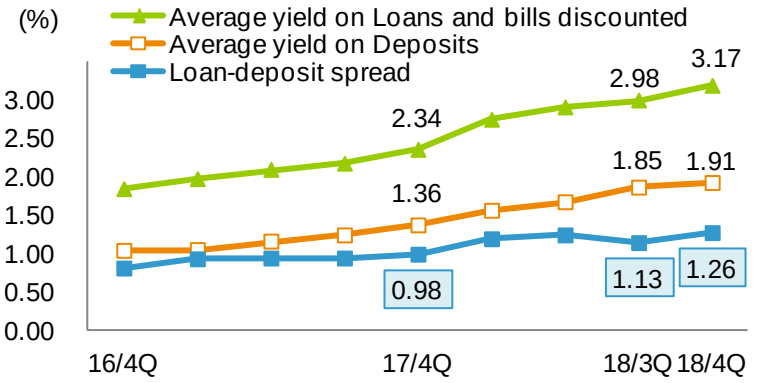
Net interest income (SuMi TRUST Bank)

	(Average balance: Yen trn) (Income/Expenses: Yen bn)	FY18 Average Balance	Change from FY17	Average Yield	Change from FY17	Income/ Expenses	Change from FY17
1	Net interest income					153.8	(9.5)
2	Domestic business			0.45%	0.05%	171.7	28.3
3	Interest-earning assets	38.47	2.79	0.60%	0.03%	232.1	27.7
4	o/w Loans and bills discounted	21.76	0.66	0.69%	(0.01%)	150.3	1.1
5	Securities	3.50	0.29	2.16%	0.71%	(*)75.8	29.2
6	Income on swaps	---	---	---	---	0.1	(2.5)
7	Interest-bearing liabilities	37.84	2.73	0.15%	(0.02%)	(60.4)	0.5
8	o/w Deposits	24.19	1.07	0.09%	(0.05%)	(22.7)	9.7
9	Borrowings from trust a/c	3.80	1.12	0.49%	0.00%	(18.8)	(5.7)
10	International business			(0.16%)	(0.31%)	(17.9)	(37.8)
11	Interest-earning assets	13.87	1.91	2.09%	0.35%	291.0	82.6
12	o/w Loans and bills discounted	6.54	(0.14)	2.94%	0.82%	192.9	50.6
13	Due from banks	2.30	0.15	1.49%	0.53%	34.3	13.7
14	Securities	2.38	0.50	2.35%	0.22%	56.0	15.9
15	Interest-bearing liabilities	13.70	1.90	2.25%	0.66%	(308.9)	(120.4)
16	o/w Deposits	5.83	0.74	1.74%	0.54%	(102.0)	(40.8)
17	NCD / USCP	5.04	0.99	2.06%	0.91%	(104.1)	(57.5)
18	Repo	1.74	0.38	2.18%	0.96%	(38.2)	(21.6)
19	Expenses on swaps	---	---	---	---	(36.3)	(0.4)
20	(+) Trust fees from principal guaranteed trust a/c					18.8	5.6
21	(+) Profit attributable to deployment of surplus foreign currency funds					87.5	57.9
22	(-) Dividend from group companies aimed to improve capital efficiency					34.6	34.6
23	Effective interest related earnings					225.5	19.4
24	Loan-deposit spread / income in domestic business			0.60%	0.04%	127.5	10.8
25	Loan-deposit spread / income in international business			1.20%	0.28%	90.9	9.8

Domestic loan-deposit spread



International loan-deposit spread



(*) Breakdown of securities income/expenses in domestic business

	FY17	FY18	Change
Securities	46.5	75.8	29.2
Dividend from group companies to improve their capital efficiency	–	34.6	34.6
Sales gain/loss of investment trust (hedging of US Treasury)	3.2	(3.2)	(6.4)
Other income/expenses	43.2	44.3	1.1

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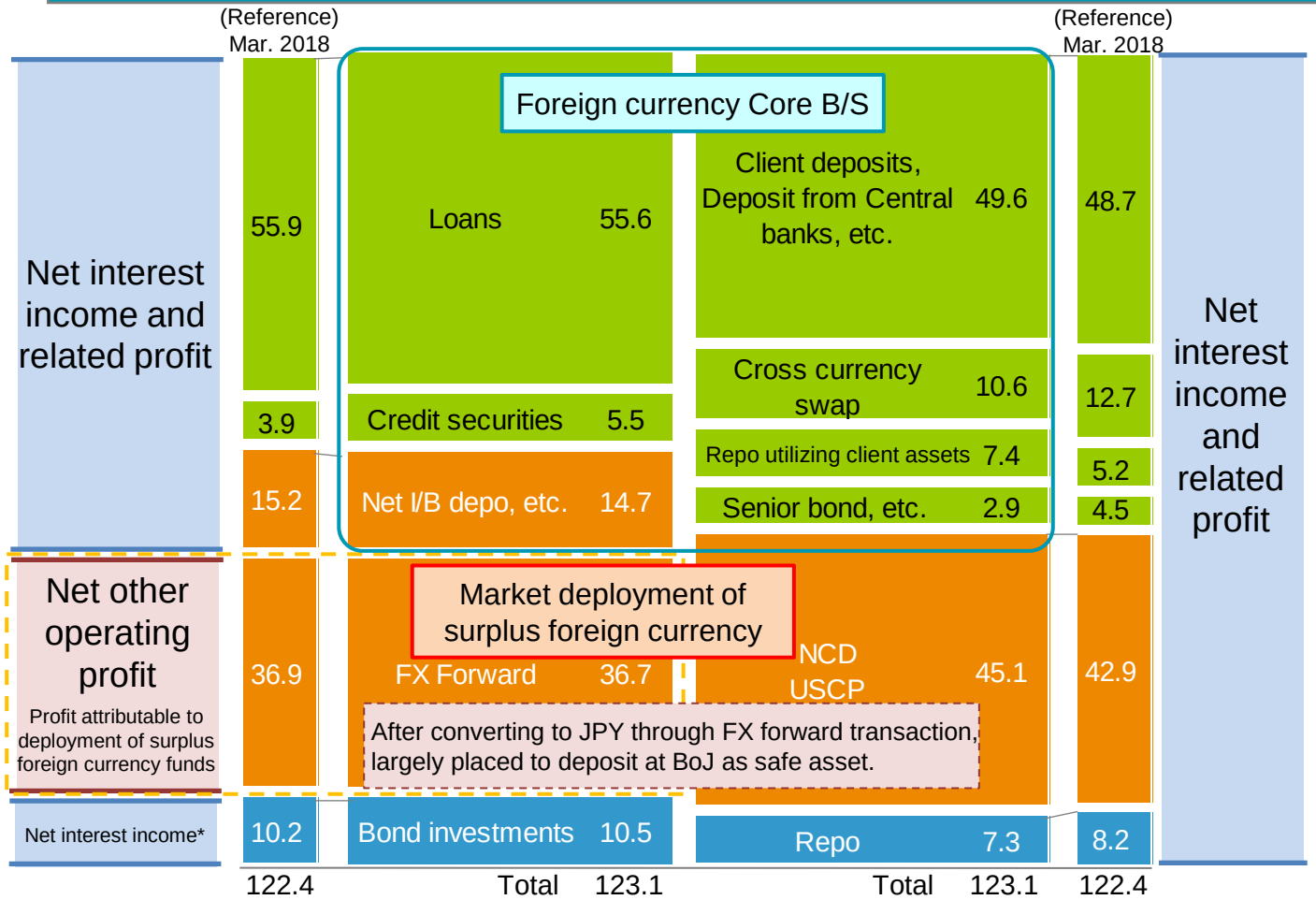
SUMITOMO MITSUI TRUST HOLDINGS

Status of foreign currency balance sheet (SuMi TRUST Bank)

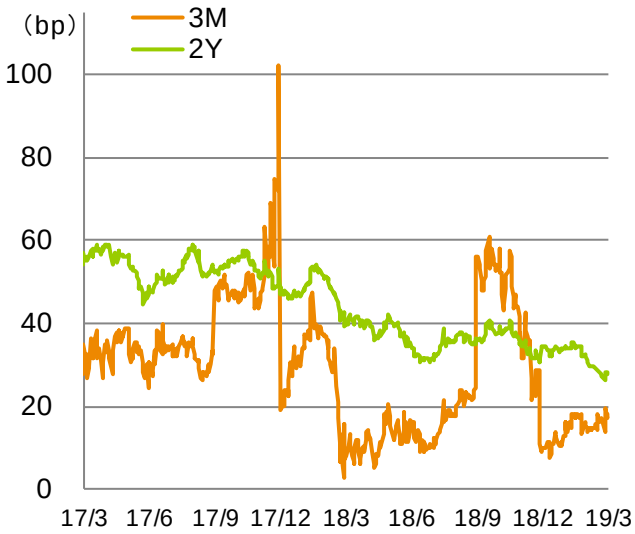
- ✓ Funding through CCS has been reduced in Foreign currency core B/S while taking liquidity risk and funding cost into account
- ✓ Short term funds sourced through NCD/USCP markets are categorized as contingent funding buffer, and the funds are utilized as short-term funds in the inter-bank or foreign exchange market.

Foreign currency B/S (as of Mar. 2019) (USD bn)



(*) Bond sales gain/loss is booked as Net gains on bonds in Net other operating profit

Basis swap spread (CCS) (USD/JPY)



- ✓ Surplus foreign currency as liquidity buffer, mainly funding from NCD/USCP market, is invested in JPY utilizing FX forward transactions. Accordingly, profit from investment and cost of funding are recognized as different accounting items [Profit: Net other operating profit, Cost: Net interest income]
- ✓ Duration of FX forward and NCD/USCP transactions is short and basically matched

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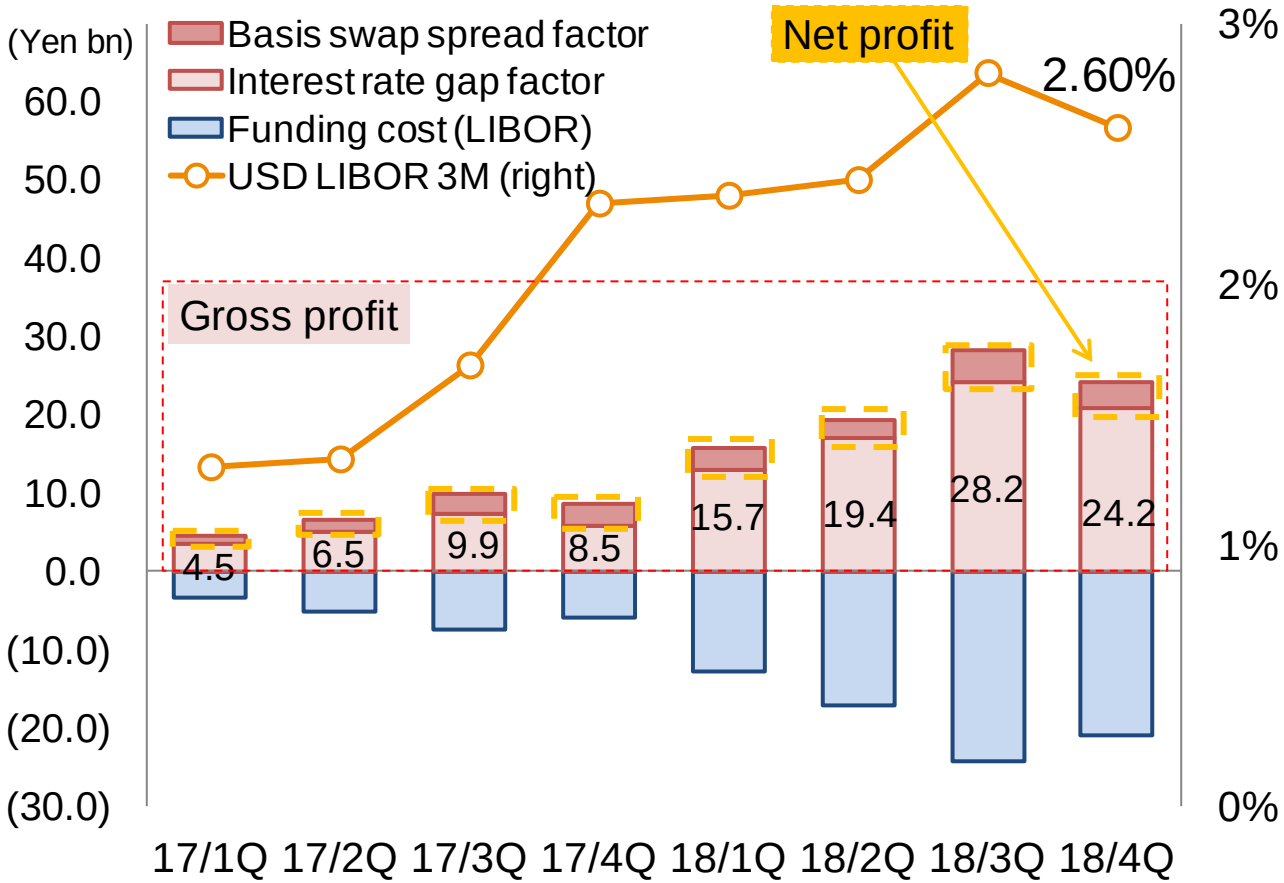
Profit structure of market deployment of surplus foreign currency

- ✓ Profit from FX forward transactions (Investment) consists of basis swap spread factor and interest rate gap factor (gap between USD and JPY interest rates), but interest rate gap is offset by cost of USD funding
- ✓ Net profit of market placement of surplus foreign currency (net of funding cost) is nearly equal to basis swap spread multiplied by volume of market deployment

Profit structure of market placement of surplus foreign currency



[Investment] FX forward transactions

Net other operating profit

<Basis swap spread factor>
Continuous strong USD demand while the level of demand changes across time

<Interest gap factor>
Gap between USD and JPY interest rates is nearly the same level as USD LIBOR under zero interest environment of JPY

Offsets each other

[Funding] Mainly NCD/USCP

Net interest income and related profit

<Funding cost>

Funding cost of NCD/USCP is USD LIBOR level

* The above contents are simplified to promote understanding the structure of the operations, although actual profitability of market placement of surplus foreign currency changes depending on market environment

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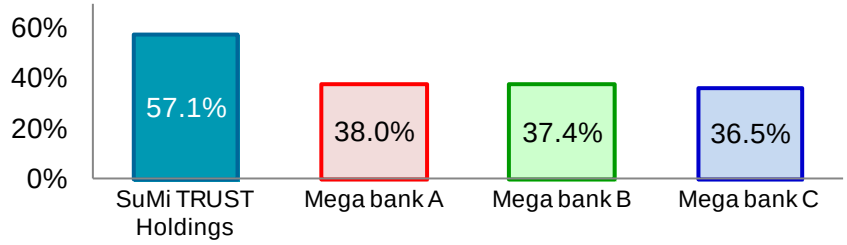
SUMITOMO MITSUI TRUST HOLDINGS

Net fees and commissions and related profit

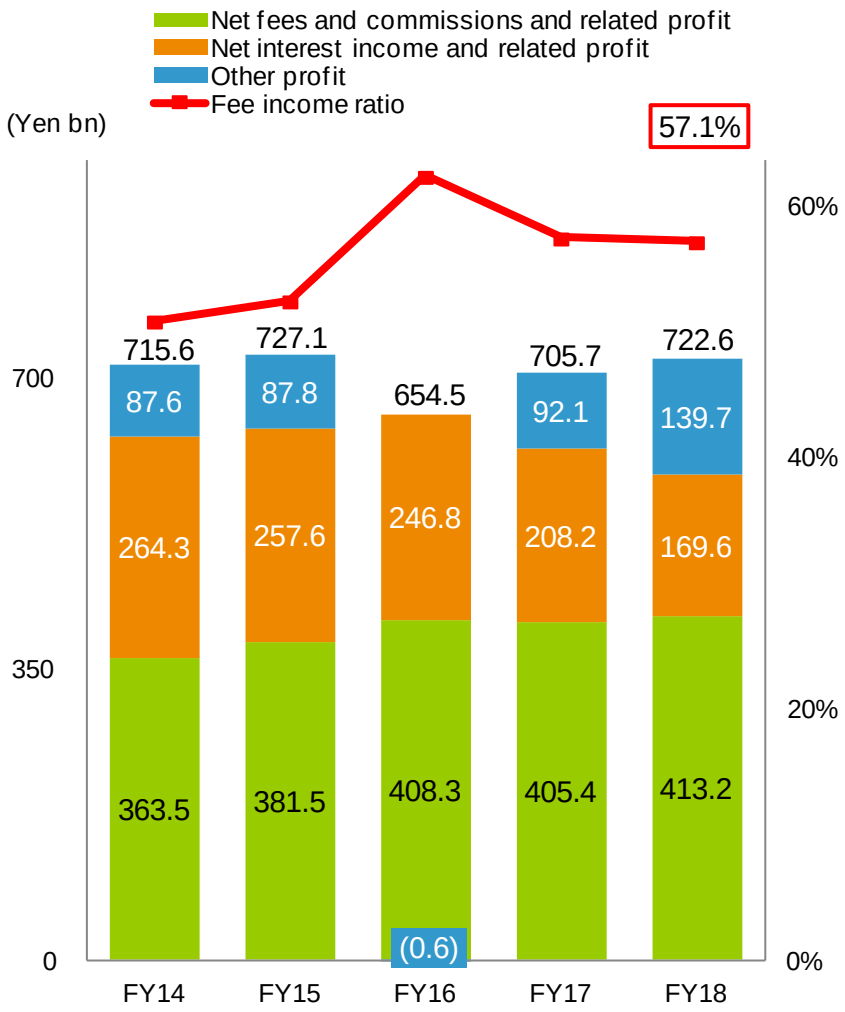
	(Yen bn)	SuMi TRUST Bank FY18	SuMi TRUST Bank Change from FY17	SuMi TRUST Group (*1) FY18	SuMi TRUST Group (*1) Change from FY17
1	Net fees and commisions and related profit	186.3	(3.9)	413.2	7.8
2	Investment trust and insurance sales	53.7	(4.4)	53.7	(4.4)
3	Card	-	-	43.6	0.3
4	Asset management / administration	57.4	(5.2)	179.3	4.2
5	Profit	92.2	(0.8)	203.1	18.1
6	Fees paid out for outsourcing	(34.8)	(4.4)	(23.8)	(13.8)
7	Stock transger agency services	21.4	1.3	36.9	1.0
8	Profit	31.2	1.1	36.9	1.0
9	Fees paid out for outsourcing	(9.7)	0.1	-	-
10	Real estate	32.4	0.2	54.3	0.5
11	Others (Loan arrangement fees, etc.)	21.3	4.2	45.1	6.0
12	Fee income ratio (*2)	(39.8%)	(4.7%)	(57.1%)	(0.3%)

(*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



Fee income ratio



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Expenses

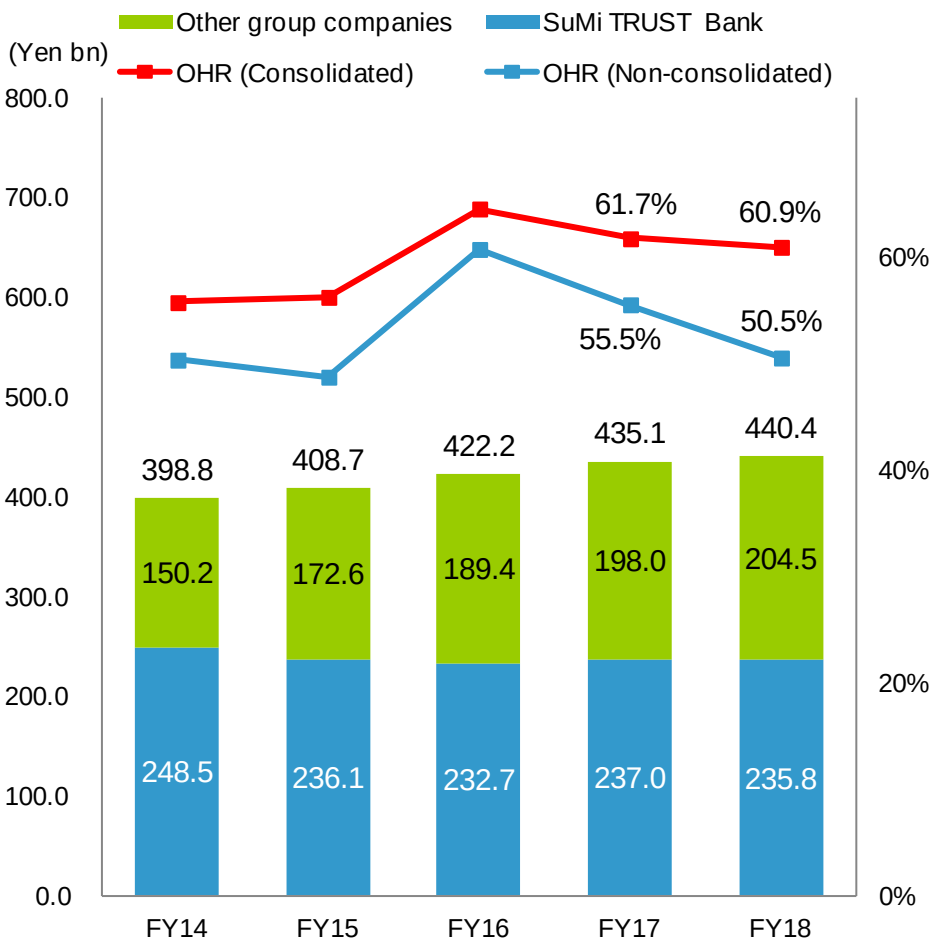
[SuMi TRUST Group]

	(Yen bn)	FY17	FY18	Change from FY17
1	Personnel expenses	(202.7)	(197.2)	5.5
2	Non-personnel expenses excluding taxes	(214.4)	(225.6)	(11.1)
3	Taxes other than income taxes	(17.9)	(17.5)	0.3
4	Substantial G&A expenses	(435.1)	(440.4)	(5.2)
5	Overhead ratio	61.7%	60.9%	(0.8%)

[SuMi TRUST Bank]

	(Yen bn)	FY17	FY18	Change from FY17
6	Personnel expenses	(109.5)	(107.2)	2.3
7	Salaries etc.	(102.4)	(101.4)	0.9
8	Retirement benefit expenses	10.0	11.5	1.4
9	Others	(17.2)	(17.3)	(0.0)
10	Non-personnel expenses excluding taxes	(114.8)	(116.1)	(1.3)
11	IT system related costs	(38.8)	(41.0)	(2.2)
12	Others	(75.9)	(75.0)	0.8
13	Taxes other than income taxes	(12.6)	(12.4)	0.2
14	G&A expenses	(237.0)	(235.8)	1.2
15	Overhead ratio	55.5%	50.5%	(5.0%)

Breakdown of G&A expenses



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SUMITOMO MITSUI TRUST HOLDINGS

Total credit costs and problem assets

[Total credit costs]

(Yen bn)

		FY17			FY18	Major factors (FY18)
			1H	2H		
1	SuMi TRUST Bank	7.0	16.3	(14.4)	1.9	
2	General allowance for loan losses	10.6	17.3	2.7	20.1	Downgraded: Approx. (18.0) Upgraded: Approx. 21.0 Change in loan balance, etc. (including recoveries): Approx. (1.0)
3	Specific allowance for loan losses	(2.8)	(0.6)	(17.2)	(17.8)	
4	Recoveries of written-off claims	0.8	0.7	0.4	1.1	
5	Losses on sales of claims, written-off	(1.6)	(1.0)	(0.4)	(1.4)	
6	Other group companies, etc.	(4.0)	(3.0)	(1.8)	(4.9)	SuMi TRUST Panasonic Finance (3.2)
7	Total	2.9	13.3	(16.3)	(2.9)	

[NPL (SuMi TRUST Bank)]

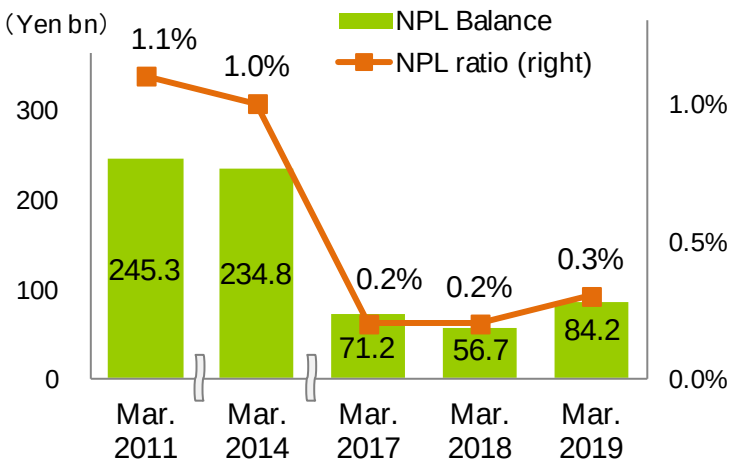
(Yen bn)

		Mar. 2019	Coverage ratio (*1)	Allowance ratio (*2)	Change from Mar. 2018
8	NPL	84.2	86.9%	70.7%	27.5
9	NPL ratio (ratio to Total loan balance)	0.3%	---	---	0.1%
10	Bankrupt and practically bankrupt	10.5	100.0%	100.0%	(1.5)
11	Doubtful	55.2	87.0%	76.6%	28.2
12	Substandard	18.5	79.1%	10.5%	0.8
13	Other special mention debtors	415.3	---	---	(133.2)
14	Ordinary assets	29,441.8	---	---	1,228.5
15	Total loan balanace	29,941.3	---	---	1,122.8

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

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

Total Balance and ratio of NPL



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SUMITOMO MITSUI TRUST HOLDINGS

Securities portfolio

[Securities with fair value]

	(Yen bn)	Costs		Unrealized gains/losses (*1)	
		Mar. 2019	Change from Mar. 2018	Mar. 2019	Change from Mar. 2018
1	Available-for-sale securities	4,558.4	196.3	665.7	(73.5)
2	Japanese stocks	598.9	(31.5)	772.6	(103.5)
3	Japanese bonds	887.4	71.5	3.1	0.8
4	Others	3,072.1	156.3	(110.1)	29.1
5	Held-to-maturity debt securities	262.4	(2.5)	21.7	(0.1)

[Securities with fair value (SuMi TRUST Bank)]

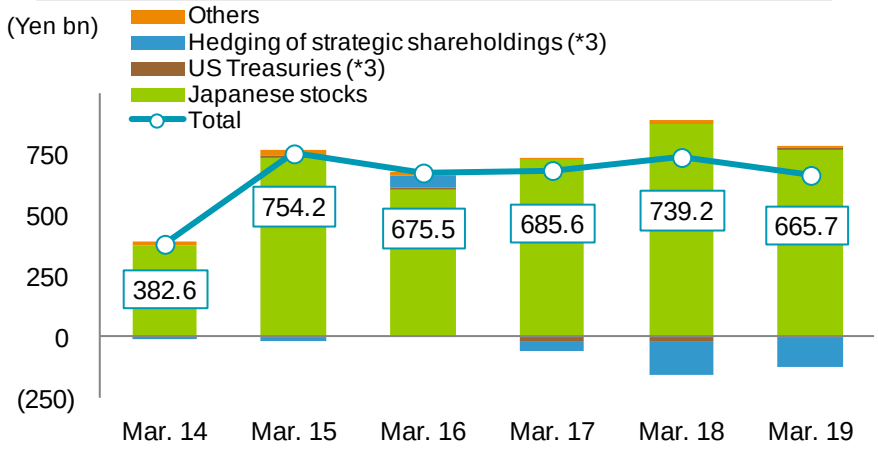
6	Available-for-sale securities	4,532.2	170.8	681.3	(72.6)
7	Japanese stocks	574.0	(32.3)	795.2	(102.0)
8	Japanese bonds	952.7	65.0	2.0	1.0
9	o/w Government bonds	301.2	59.9	0.3	0.1
10	Others	3,005.4	138.2	(115.8)	28.3
11	Domestic investment	75.5	(6.6)	1.8	0.0
12	International investment	1,369.8	115.7	4.3	21.2
13	o/w US Treasury	434.3	(61.7)	5.1	23.8
14	Others (Investment trust, etc.)	1,560.0	29.1	(122.0)	7.0
15	o/w for hedging of strategic shareholdings (*2)	1,426.1	79.4	(123.2)	11.1

(*1) From FY18, figures for "Japanese stocks" are determined based on quoted market price as of balance sheet date, which was previously based on average quoted market price over the month preceding balance sheet date

(*2) Of which hedging effect under capital regulation is recognized: Costs JPY1,162.3bn, Unrealized gains/losses JPY(118.2)bn

16	Held-to-maturity debt securities	197.5	3.9	21.6	(0.1)
17	o/w Government bonds	118.7	(0.3)	20.6	0.7
18	International investment	37.6	1.9	0.4	(1.0)

Unrealized gains/losses of AFS securities with fair value



(*3) SuMi TRUST Bank

Reduction of strategic shareholdings (*4)

	(Yen bn)	FY17 1H	FY17	FY18 1H	FY18 2H	FY18
19	Reduction amount	13.3	35.2	16.9	11.7	28.7

(Ref.) Cumulative reduction since merger(from FY11 to FY18): ¥310.3bn

Cumulative reduction based on current plan(from FY16 to FY20): ¥96.2bn

(*4) Purchase cost of listed shares

Securities portfolio of Global markets (*5)

	(Yen bn)	10BPV (*6) Mar. 2019	10BPV (*6) Change from Mar. 2018	Duration (years) (*6) Mar. 2019	Duration (years) (*6) Change from Mar. 2018
20	JPY	2.2	(0.3)	4.5	(2.3)
21	Others	2.2	(0.7)	3.5	(0.5)

(*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

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SUMITOMO MITSUI TRUST HOLDINGS

Capital

- ✓ CET Tier 1 ratio increased 0.85 points from March 2018 to 12.18% due to accretion of net income and reduction of risk weighted asset.
- ✓ Leverage ratio and liquidity coverage ratio both maintained levels in excess of regulatory requirements

<Capital and total risk-weighted assets>

	(Yen bn)	Mar. 2018 Actual	Mar. 2019 Preliminary	Change	
1	Total capital ratio	16.31%	16.77%	0.46%	
2	Tier 1 capital ratio	13.74%	14.18%	0.44%	
3	Common Equity Tier 1 capital ratio	11.33%	12.18%	0.85%	
4	Total capital	3,348.1	3,320.1	(28.0)	
5	Tier 1 capital	2,821.4	2,806.5	(14.9)	
6	Common Equity Tier 1 capital	2,325.8	2,412.1	86.2	(1)
7	Instruments and reserves	2,602.7	2,626.1	23.3	
8	Accumulated other comprehensive income (*1)	496.8	410.4	(86.3)	
9	Regulatory adjustments	(276.9)	(214.0)	62.8	
10	Additional Tier 1 capital	495.5	394.4	(101.1)	
11	Tier 2 capital	526.7	513.6	(13.1)	
12	Total risk-weighted assets	20,522.9	19,790.1	(732.8)	
13	Credit risk	18,352.1	17,725.1	(626.9)	(2)
14	Market risk	1,163.8	1,104.0	(59.8)	
15	Operational risk	1,006.8	960.8	(46.0)	

(*1) Valuation differences on Available-for-Sale Securities(Mar. 2019): ¥467.4bn

< Major factors of change in capital >

(1) Common Equity Tier 1 capital: +¥86.2bn
- Net income +¥173.8bn
- Dividend/share repurchase ¥(62.0)bn
- Unrealized gains/losses of AFS ¥(49.2)bn

< Major factors affecting risk assets >

(2) Credit risk: Approx ¥(0.6)trn
- Close out of temporary hedging position and adjustment of hedge volume against strategic shareholdings
- Corporate credit increased (Corporate and product related)

<Other ratios required in prudential regulations>

	(Yen bn)	Mar. 2019 Preliminary	Chng. from Mar. 2018
16	Leverage ratio	4.67%	0.69%
17	Tier 1 capital	2,806.5	(14.9)
18	Total exposure	60,009.2	(10,798.6)
19	Liquidity coverage ratio (*2)	127.4%	(4.5%)
20	Total high-quality liquid assets	15,231.5	(12,018.4)
21	Net cash outflows (*3)	11,951.1	(8,705.9)

(*2) Average figures in 4QFY18. "Change from Mar. 2018" represents the comparison to figure for 4QFY2017 calculated in the same manner

(*3) Month-end data used for some items instead of daily data to calculate figures

Total exposure (Leverage ratio), Total high-quality liquid assets and Net cash outflows (Liquidity coverage ratio) decreased substantially due mainly to deconsolidation of JTSB in Oct. 2018

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Fee business: Investment management consulting

- ✓ Total sales decreased ¥466.8bn YoY to ¥1.27tr due primarily to the decrease of investment trust sales resulting from volatile market environment
- ✓ Profit decreased ¥4.4bn YoY to ¥53.7bn as fees from insurance sales and administrative fees as marketing agent increased YoY, but fees from investment trust sales decreased

Income for distributor of investment products

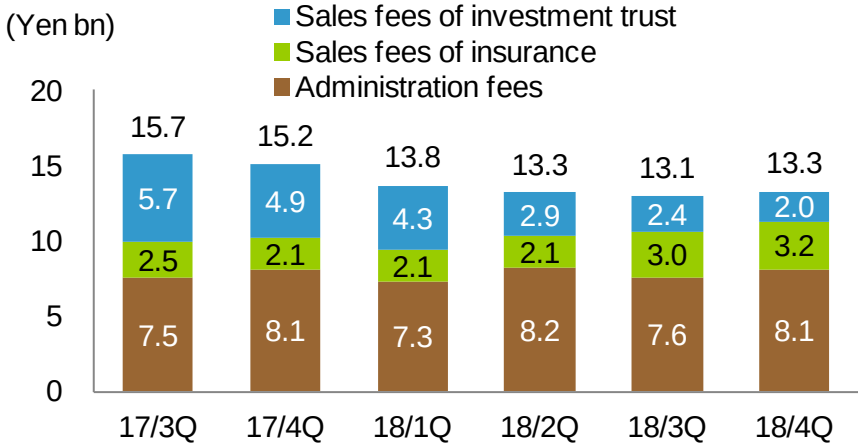
	(Yen bn)	FY18 Actual	FY18 Change	FY19 Plan
1	Income total	53.7	(4.4)	56.0
2	Sales fees of investment trust	11.7	(8.2)	12.0
3	Sales fees of insurance	10.5	2.7	12.0
4	Administration fees	31.3	1.0	32.0

Sales volume / balance

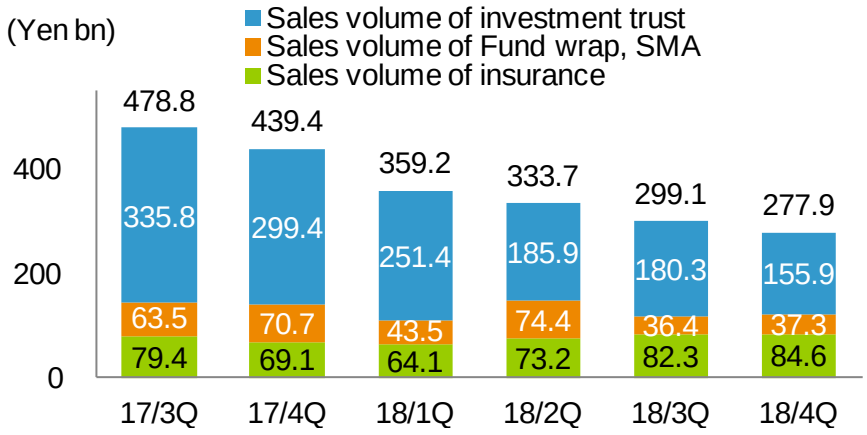
	(Yen bn)	FY18 Actual	FY18 Change	FY19 Plan
5	Sales volume total	1,270.1	(466.8)	1,340.0
6	Investment trust	773.8	(467.7)	825.0
7	Fund wrap, SMA	191.8	(56.2)	175.0
8	Insurance	304.4	57.0	340.0

	(Yen bn)	Mar. 2019 Actual	Mar. 2019 Change	Mar. 2020 Plan
9	Balance total	6,376.3	217.4	6,500.0
10	Investment trust	2,930.5	39.0	2,940.0
11	Fund wrap, SMA	891.9	60.9	900.0
12	Insurance	2,553.8	117.5	2,660.0
13	Wrap Selection	1,774.5	105.1	1,870.0

Income for distributor (quarterly)



Sales volume (quarterly)



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SUMITOMO MITSUI TRUST HOLDINGS

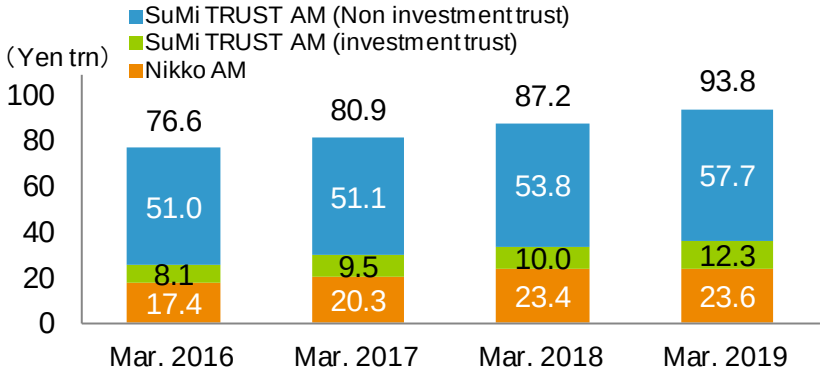
Fee business: Asset management/administration (Fiduciary services)

- ✓ AUM increased by ¥6.5tr YoY to ¥93.8tr due to increase of cash inflow
- ✓ AUC increased for each asset category in both domestic and overseas from March 2018

Assets under management (AUM)

	(Yen trn)	Mar. 2018	Mar. 2019	Change
1	Assets under management (*1)	87.2	93.8	6.5
2	SuMi TRUST AM	63.8	70.1	6.2
3	Investment trust	10.0	12.3	2.2
4	Non investment trust (*2)	53.8	57.7	3.9
5	Corporate pension trust	13.6	13.7	0.1
6	Public pension trust	11.8	11.1	(0.7)
7	Discretionary investment	28.2	32.8	4.5
8	Nikko AM	23.4	23.6	0.2

(*1) Categorized by entity actually managing asset after the merger of AUM functions in Oct. 2018
(*2) Managed by SuMi TRUST Bank until the end of Sep. 2018
Include AUM managed by SuMi TRUST Bank partially after Oct. 2018

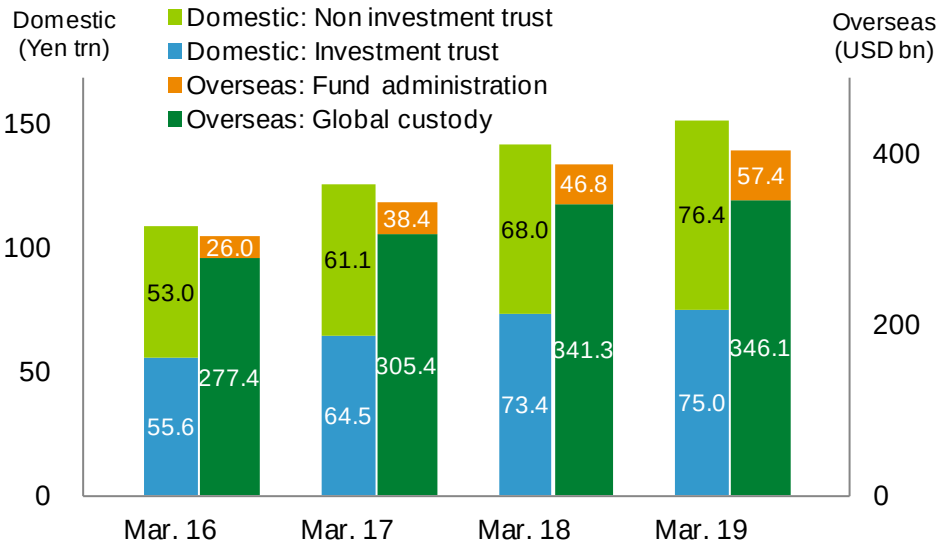


	Mar. 2016	Mar. 2017	Mar. 2018	Mar. 2019
USD/JPY	112.63	112.15	106.24	110.95
TOPIX	1,347.20	1,512.60	1,716.30	1,591.64

Assets under custody/administration

		Mar. 2018	Mar.2019	Change
	[Domestic] (Yen trn)			
9	Investment trust (*3)	73.4	75.0	1.6
10	Non investment trust (*3)	68.0	76.4	8.4
	[Overseas] (USD bn)			
11	Global custody (*4)	341.3	346.1	4.7
12	Fund administration	46.8	57.4	10.5

(*3) Entrusted balance of SuMi TRUST Bank
(*4) Combined figures of SuMi TRUST Bank (U.S.A.), SuMi TRUST (UK) and SuMi TRUST Bank (Lux.)



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SUMITOMO MITSUI TRUST HOLDINGS

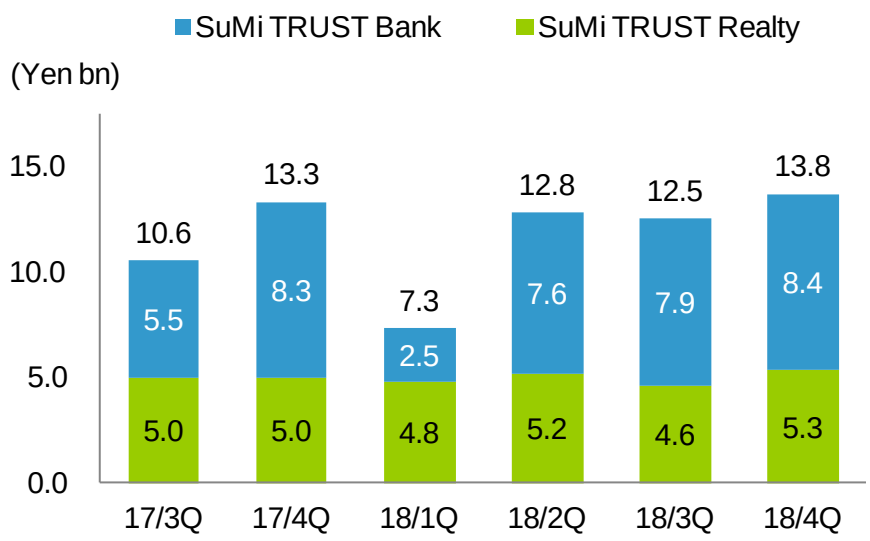
Fee business: Real estate

- ✓ Real estate brokerage for corporate clients (SuMi TRUST Bank) increased by ¥0.3bn YoY to ¥26.5bn due to stable deal flow of small and medium sized transactions and also contribution from large size transactions
- ✓ Real estate brokerage fees from retail clients (SuMi TRUST Realty) increased by ¥ 0.4bn YoY to ¥20.1bn due to steady demand

Income

	(Yen bn)	FY18 Actual	FY18 Change	FY19 Plan
1	Real estate brokerage fees	46.6	0.8	48.0
2	SuMi TRUST Bank	26.5	0.3	27.0
3	SuMi TRUST Realty	20.1	0.4	21.0
4	Real estate trust fees, etc.	5.8	(0.1)	6.0
5	Net other real estate profit	1.8	(0.1)	1.0
6	SuMi TRUST Bank	-	0.0	-
7	Group companies	1.8	(0.2)	1.0
8	Total	54.3	0.5	55.0
9	o/w SuMi TRUST Bank	32.4	0.2	33.0

Real estate brokerage fees (quarterly)



Assets under management / administration

	(Yen bn)	Mar. 2019 Actual	Mar. 2019 Change
10	Securitized real estate	16,389.1	1,069.0
11	Assets under custody from J-REITs	14,529.9	1,131.9
12	Assets under managemet	732.1	22.9
13	Private placement funds	463.5	25.2
14	J-REITs	268.6	△ 2.2

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

- ✓ Credit portfolio balance increased by ¥1.25trn from Mar. 2018 to ¥30.73trn, due to increase of both residential mortgage and loans to corporates
- ✓ Profitability of lending taken into consideration in managing our corporate lending portfolio

Advanced amount and balance for individuals

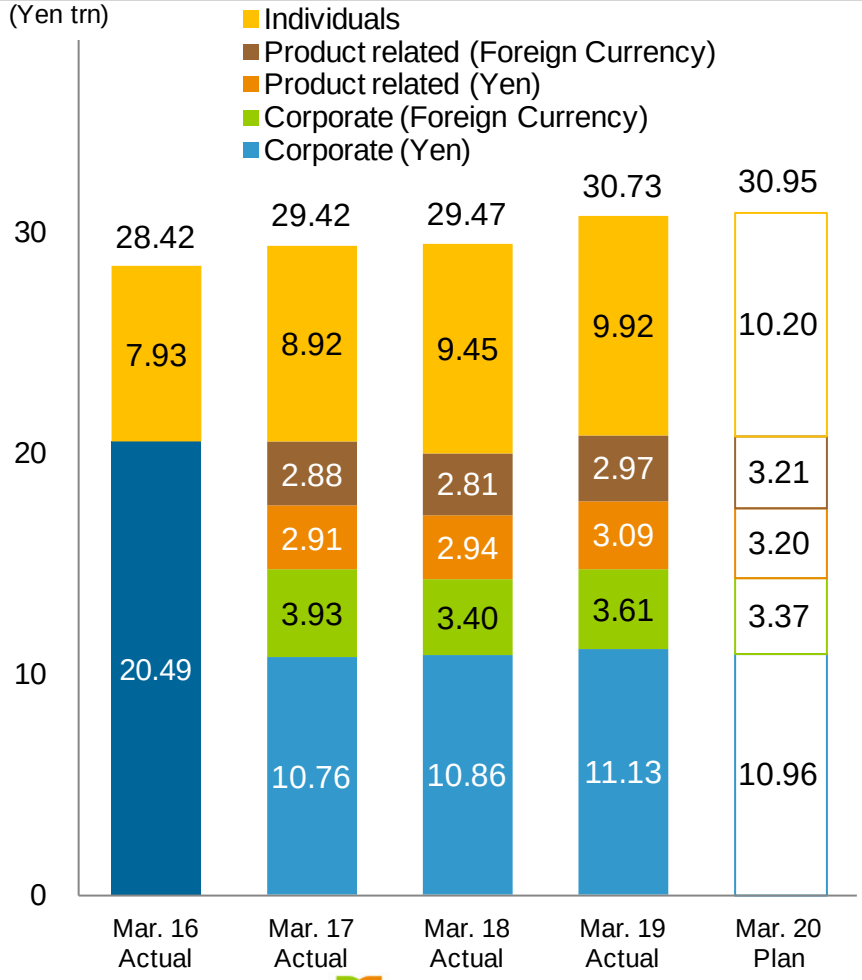
	(Yen bn)	Actual	Change	Plan
1	Advanced amount of loans to individuals	1,317.1	0.3	1,150.0
2	o/w Residential mortgage loans	1,201.8	(12.7)	1,050.0

	(Yen bn)	Mar. 2019 Actual	Mar. 2019 Change	Mar. 20 Plan
3	Balance of loans to individuals	9,920.6	470.1	10,200.0
4	o/w Residential mortgage loans	9,314.0	439.2	9,500.0

Balance of credit for corporates

	(Yen bn)	Mar. 2019 Actual	Mar. 2019 Change	Mar. 20 Plan
5	Corporate (Yen)	11,131.1	264.3	10,960.0
6	Corporate (Foreign Currency)	3,617.2	215.3	3,370.0
7	Product related (Yen)	3,098.7	152.2	3,200.0
8	Product related (Foreign Currency)	2,971.2	157.7	3,210.0
9	Total balance of credit for corporates	20,818.5	789.5	20,750.0
10	o/w Product related	6,070.0	309.9	6,410.0
	USD/JPY	110.95	4.71	

Credit portfolio balance



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Forecast for FY2019

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Forecast for FY2019

- ✓ Net business profit and net income attributable to owner of the parent both expected to exceed FY18 results
- ✓ Dividend on ordinary share to be increased by 10 yen per share to 150 yen. Total payout ratio to be approx. 40%, in line with our medium term plan due to repurchase of own shares (up to 5 million shares or 16 billion yen)

	(Yen bn)	FY18 Actual	1H	FY19 Forecast	Change from FY18	Substantial (*)
1	Net business profit before credit costs	282.2	140.0	290.0	7.7	7.7
2	SuMi TRUST Bank	231.4	100.0	210.0	(21.4)	(*) 6.5
3	Substantial gross business profit	722.6	360.0	740.0	17.3	17.3
4	SuMi TRUST Bank	467.3	220.0	450.0	(17.3)	(*) 10.6
5	Other group companies	255.3	140.0	290.0	34.6	(*) 6.8
6	Substantial G&A Expenses	(440.4)	(220.0)	(450.0)	(9.5)	(9.5)
7	SuMi TRUST Bank	(235.8)	(120.0)	(240.0)	(4.1)	(4.1)
8	Other group companies	(204.5)	(100.0)	(210.0)	(5.4)	(5.4)
9	Total credit costs	(2.9)	(10.0)	(20.0)	(17.0)	(17.0)
10	Net gains on stocks	13.7	15.0	30.0	16.2	16.2
11	Other non-recurring profit	(36.5)	(15.0)	(30.0)	6.5	6.5
12	Ordinary profit	256.4	130.0	270.0	13.5	13.5
13	o/w SuMi TRUST Bank	209.0	105.0	210.0	0.9	(*) 28.9
14	Net income	173.8	85.0	180.0	6.1	6.1
15	o/w SuMi TRUST Bank	148.6	75.0	150.0	1.3	(*) 29.3
16	Dividend per common share (Yen)	140	75	150	+10	
17	Consolidated dividend payout ratio	30.5%	---	31.5%	1.0%	
18	Total payout ratio	35.7%	---	Approx.40%	Approx.4%	

(*) Excluding dividend from group companies, which are planned to be paid to improve their capital efficiency.
FY2018 (actual): ¥34.6bn, FY2019 (plan): approx. ¥7bn

【Assumptions】

(1) Net business profit before credit costs: +¥7.7bn YoY
- Profit by business segment is shown on P.14
- Increase of substantial G&A expenses forecasted to prior investment to reduce future expenses.

(2) Total credit costs: forecast ¥(20.0)bn
- Estimated to be around 10bp of total corporate credit portfolio of ¥20trn

(3) Net gains on stocks: forecast ¥30.0bn
- Assumes reduction of strategic shareholdings in accordance with current plan

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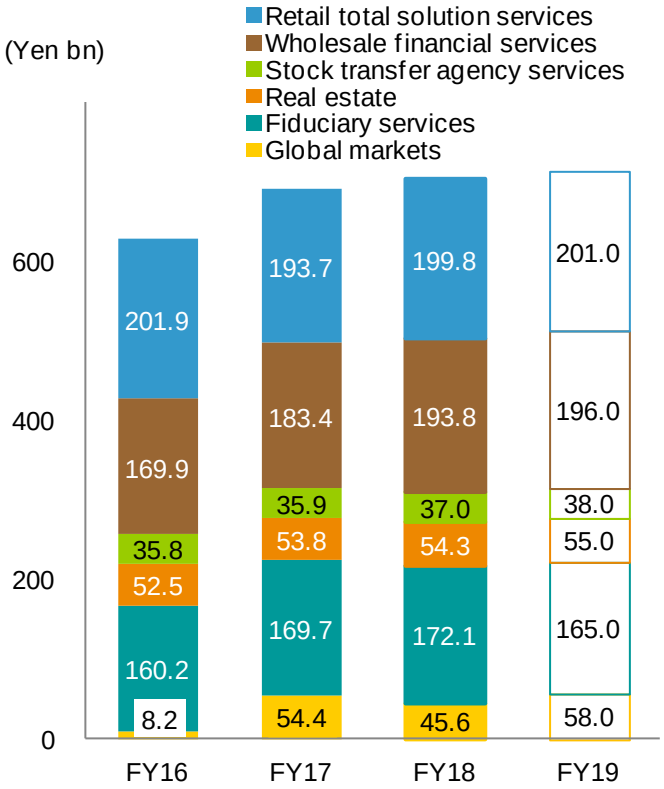
(Ref.) Profit by business segment

	(Yen bn)	FY18 Actual	FY19 1H Forecast	FY19 Forecast	Change from FY18
1	Net business profit before credit costs	282.2	140.0	290.0	7.7
2	Substantial gross business profit (*1)	722.6	360.0	740.0	17.3
3	Retail total solution services	199.8	99.0	201.0	1.1
4	SuMi TRUST Bank	138.0	68.0	138.0	0.0
5	Other group companies	61.8	31.0	63.0	1.1
6	Wholesale financial services (*2)	193.8	95.0	196.0	2.1
7	SuMi TRUST Bank	137.2	68.0	138.0	0.7
8	Other group companies	56.6	27.0	58.0	1.3
9	Stock transfer agency services	37.0	19.0	38.0	0.9
10	SuMi TRUST Bank	21.4	11.0	22.0	0.5
11	Other group companies	15.5	8.0	16.0	0.4
12	Real estate	54.3	25.0	55.0	0.6
13	SuMi TRUST Bank	32.4	14.0	33.0	0.5
14	Other group companies	21.9	11.0	22.0	0.0
15	Fiduciary services	172.1	82.0	165.0	(*3) (7.1)
16	SuMi TRUST Bank	57.4	25.0	50.0	(7.4)
17	Other group companies	114.7	57.0	115.0	0.2
18	Global markets	45.6	29.0	58.0	12.3
19	Substantial G&A expenses	(440.4)	(220.0)	(450.0)	(9.5)
20	SuMi TRUST Bank	(235.8)	(120.0)	(240.0)	(4.1)
21	Other group companies	(204.5)	(100.0)	(210.0)	(5.4)
22	Ordinary profit	256.4	130.0	270.0	13.5
23	Net income	173.8	85.0	180.0	6.1

(*1) Excluding dividend from group companies aimed to improve capital efficiency

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



(*3) Decreased from FY18 due mainly to changing to affiliated company of Japan Trustee Services Bank relating to the establishment of JTC Holdings in Oct. 2018. The below table explains the impact between SuMi Trust Bank and Other group companies.

(Yen bn)	Net business profit	Substantial G&A expenses
SuMi TRUST Bank	(6.0)	2.0
Other group companies	1.0	3.0
SuMi TRUST AM	6.0	(2.0)
JTSB	(5.0)	5.0

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Management Base

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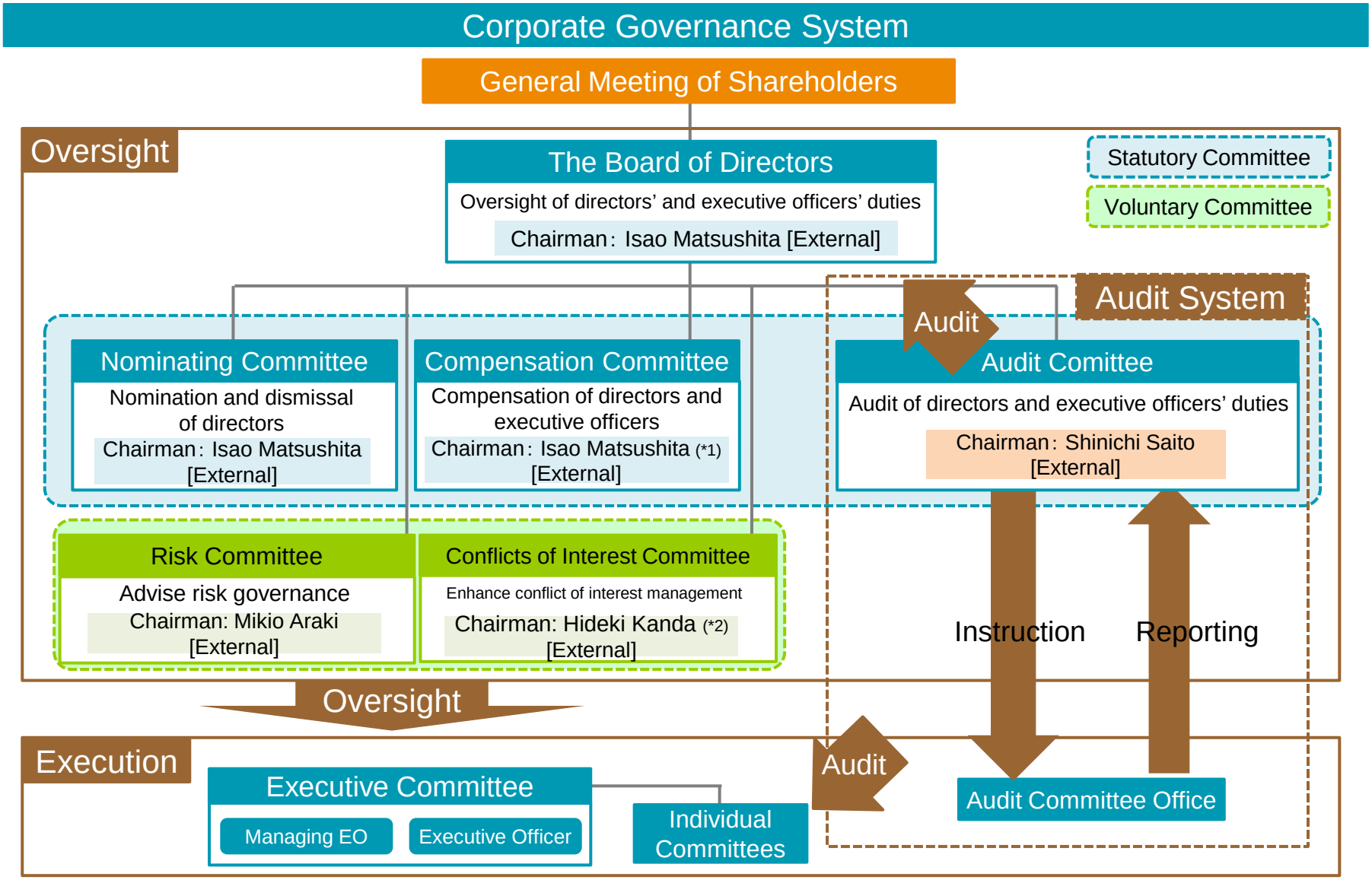
Corporate governance enhancements (1) (Organizational structure)



(*1) Ms. Hiroko Kawamoto planned to become Chair of Compensation Committee in June 2019
(Subject to Ms. Kawamoto being re-elected as director at general meeting of shareholders for June 2019)

(*2) External Director of SuMi TRUST Bank

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Corporate governance enhancements (2) (Enhancement of BoD function, etc.)

Strengthen proceedings of Board of Directors' Meeting

Dec. to Jan.	Feb. to Mar.	April	May to Jun.	From Jul.
Questionnaire to all directors	Interview of directors by outside parties	To be discussed at external directors' meeting/Board of Directors' Meeting	Annual schedule planned	Proceedings based on annual convening schedule

Actual examples of problem solving at Board of Directors' Meeting

Agenda Item	Actions taken
In depth discussions about medium/long term management issues and strategy	To create discussion time by sensible meeting management、to deepen debate on medium /long term management issues and strategy
To enhance effectiveness of actual policies to strengthen group governance	Status of leadership role as holding company and continuous monitoring of group companies' governance
Clarification of our cost of capital and profitability improvement	Shared understanding through reporting of profitability analysis, shareholder value added analysis of retail/corporate/Global Markets businesses, and enhanced visibility regarding profitability of corporate lending and strategic shareholdings

Strengthen group governance

SuMi TRUST Bank and Nikko AM's transition from a Company with Board of Company Auditors to a Company with Audit and Supervisory Committee（*1)
Nikko AM became directly held subsidiary of Sumitomo Mitsui Trust Holdings（*1)

Activities of each committee

Nominating Committee — 29 times from Jun.17 to Mar.19

Decision on candidates for HD directorship
As succession planning, to select next batch of top management candidates and devise mentoring plan.
To discuss removal of directors to clarify and establish policies regarding dismissal

Compensation Committee — 16 times from Jun.17 to Mar.19

To construct director compensation policies for companies including major subsidiaries
To discuss compensation policies regarding optimal mix of monthly allowance, director compensation and stock options from viewpoint of short term and medium/long term incentives. Partial revision of director bonus scheme

Audit Committee — 28 times from Jun.17 to Mar.19

Conducted organizational audit (audit utilizing internal control framework)
Efficient and organized audit through coordination of EO, Director, Internal Audit Dept., and outside audit firm.
Important audit items including audit agenda designated by the Board to be reported quarterly to the Board

Risk Committee — 13 times from Jun.17 to Mar.19

Debate regarding risk appetite framework based on our business model
Evaluation of management plan's assumed external environmental factors and recognition of highest risk issues.
Evaluation and guidance on formulation of living will as a D-SIB

Conflicts of Interest Committee — 8 times from Jun.17 to Mar.19

Stewardship section meeting established in light of merger of AM functions of trust bank to strengthen governance
To enhance executive management through discussion of other bank's scandals at the Board, implementing points learned towards companywide training to foster healthy corporate risk culture and to improve remuneration policy

（*1) Subject to approval on June 2019 shareholder GM

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Corporate governance enhancements (3) (Director compensation & Skill Map)

Director remuneration to reflect contribution to both short term and medium/long term company wellbeing while increasing performance-linked element
External director selected to broaden discussion at the Board and to assume check function

Director compensation

Director remuneration to eschew overweighting single-year performance and place emphasis on competence and talent as management, reflecting contribution to both short and medium/long term company performance.
Performance-linked element increased to 60% from 50% for FY2019.
President to avoid participation in Compensation Committee in deciding president's remuneration

FY17	Approx. 50% (fixed monthly remuneration)	Approx. 50% (personal performance portion of monthly remuneration + director compensation)		
FY18 Ratio (*1)	Approx. 40%	Approx. 30%	Approx. 15%	Approx. 15%
Compensation Type	Monthly remuneration Fixed portion	Monthly remuneration Personal performance (*2)	Company performance linked bonus (*3)	Share based reward type stock option
Payment criteria	Payment based on grade	Previous year's performance , Medium/long term performance contribution, Medium/long term activity, Evaluation of competency	Net business profit (consolidated), Net income (consolidated)	Financial performance (single year), Stock price, Business environment, etc

Skill map

External directors chosen based on balancing the expertise below

	Coeporate management	Financial accounting	Law
Takeshi Suzuki	●	●	–
Mikio Araki	●	●	–
Isao Matsushita	●	●	–
Shinichi Saito	●	●	–
Takashi Yoshida	–	●	–
Hiroko Kawamoto	●	–	–
Mitsuhiro Aso	–	–	●

(*1) In case of President (same for diagram)
(*2) Range of 70% to 160% of standard compensation
(*3) President's director bonus to be completely company performance based with no personal performance element

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Sustainability initiatives

Selected ESG Indices

MEMBER OF Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

MSCI 2017 Constituent MSCI ESG Leaders Indexes

MSCI 2017 Constituent MSCI Japan ESG Select Leaders Index

MSCI 2017 Constituent MSCI SRI Indexes

FTSE4Good

FTSE Blossom Japan

2019 Bloomberg Gender-Equality Index

Domestic/international ESG related activities we participate

UNEP Finance Initiative
Innovative financing for sustainability

UNEP Finance Initiative (UNEP FI)

THE GLOBAL COMPACT WE SUPPORT

The United Nations Global Compact

Natural Capital Finance Alliance
Finance sector leadership on natural capital

National Capital Finance Alliance

EQUATOR PRINCIPLES

Equator Principles

21世紀金融行動原則

Principles for Financial Action for 21st Century

Sustainability initiatives: 5 major themes

Theme	Initiatives/Awards	Target SDGs
Climate change issues	✓ Awarded Sustain-able Finance grand prize	
Sustainable (ESG) investment	✓ Sustainable investment awarded the first ESG investment sector prize for the inaugural Tokyo Finance Awards	
Natural capital	✓ Development of forestry trust Received research mandate from Nishikura Village, Okayama Prefecture	
Environ-mentally friendly real estate	✓ CASBEE real estate certification consultation ✓ Development of green trust	
Super-aging society issues	✓ Host silver college ✓ Products and services suited to senior clients for the 100-year life	

東京金融賞 TOKYO FINANCIAL AWARD

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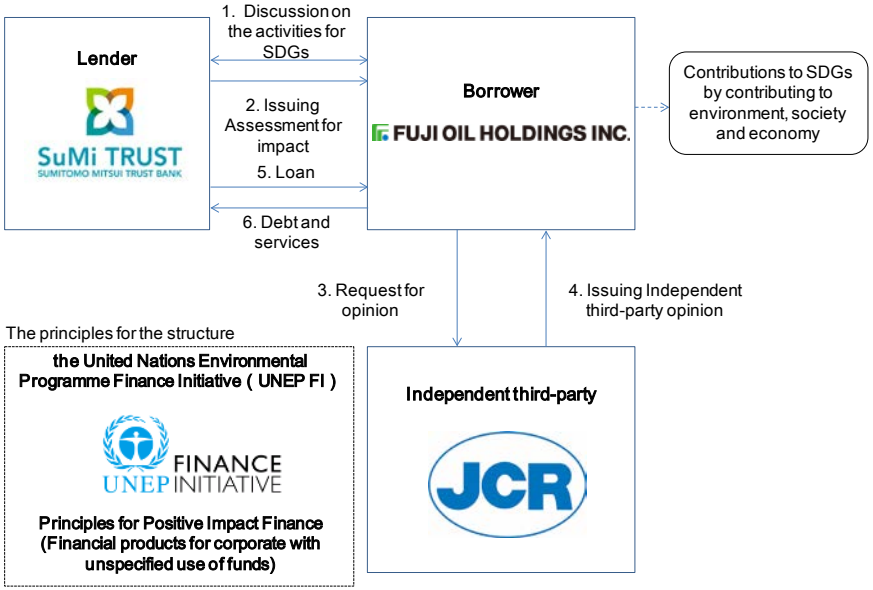
Sustainability initiatives: Actual examples

The world's first positive impact finance

SuMi TRUST Bank signed with Fuji Oil Co., Ltd., the world's first "Positive Impact Finance" (corporate loan without specified use of funds) that complies with positive impact finance guidelines

- ✓ Positive Impact Finance is a financing method where companies assess their corporate activities' comprehensive impact on the environment, society and economy, and the bank's lending aims to support the continuation of their activity



Hosting of Silver College: Coping with super-aging society issues

Silver college is a place of learning for seniors to acquire knowledge to spend peaceful and fulfilling lives. We offer copious information from authorities from various fields.

- ✓ Four basic themes (health and safety, housing in old age, dementia, to spend fulfilling old age) covered in a consecutive seminar, local branches offering their own programs
- ✓ Also, we are actively offering various information regarding dementia prevention and selection of housing for seniors through booklets and the web

Silver College class landscape

Support for Seniors Report

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Human resource policy (1)

✓ To elevate our human capital through individual staff training and improvement of our working environment based on our philosophy of “Diversity and Inclusion”

Basic policy for Human resources strategy

Highly capable Human Capital

<Bolster human resources>

“Human resources Development Policy (TRUST)”

- Enhancing Training and Off-JT
- Human resource assignment and OJT
- Enhancing leadership
- OJT and assignment to train staff

<Maintaining Workplace Environments>

“Declaration on Work Style Reform”

- Optimize work styles
- Culture that fosters motivation and job satisfaction
- Health management

<Diversity & Inclusion>

- Promoting active participation by woman
- Employing diverse human resources

“Human resources development policy (TRUST)”

Talent :	Talent (individuality) can blossom
Respect:	Respect each individual
Uniqueness:	Develop true professionals
Support:	Mutual teaching and support
Try:	Praise small, daily challenges

“Declaration on Work Style Reform”

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

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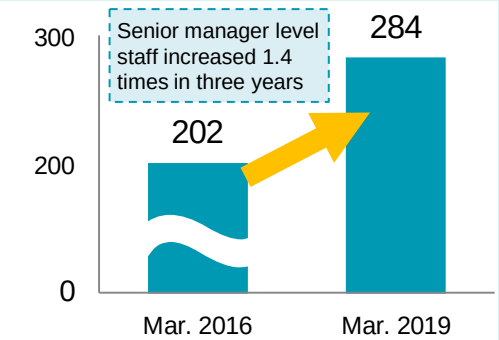
Human resource policy (2)

✓To enhance human capital through promotion of three pillars of “diversity”, “health, productivity” and “rewarding work environment”

Diversity

＜Promote appointment of female managers＞

Appointment of female senior managers
(SuMi TRUST Bank, as of Mar. 2019)



One third of female staff are managers(*)

(*) Ratio of assistant manager grade and above: 1,425 staff out of total female fulltime staff of 4,390

◆Semi-Nadeshiko index

◆Platinum “Kurumin”

◆Gold standard for “PRIDE” Index

◆Top 100 for diverse workplace

Health, Productivity

◆Healthy workstyle ‘White 500” recognition ob

consecutive years)

Newly introduced leave
Wellness Leave: used to encourage healthy mind including community service
Cancer Leave: 6 days per annum, flexible leave hours allowed for hospital treatment

Rewarding Work Environment

◆ “Fellow Program”
- ✓ Possible to work until 70 years if requested
- ✓ Staff with outstanding expertise possible to work at front line for longer, such as professionals in “Financial consulting” etc.

◆ Ongoing discussion on extending retirement age to 65

Environment to allow staff with specialist skills to work longer

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