



SuMi TRUST
SUMITOMO MITSUI TRUST GROUP

Sumitomo Mitsui Trust Holdings, Inc.

IR DAY

February 21, 2023

Sumitomo Mitsui Trust Holdings, Inc.

Today's agenda 1

Real estate business

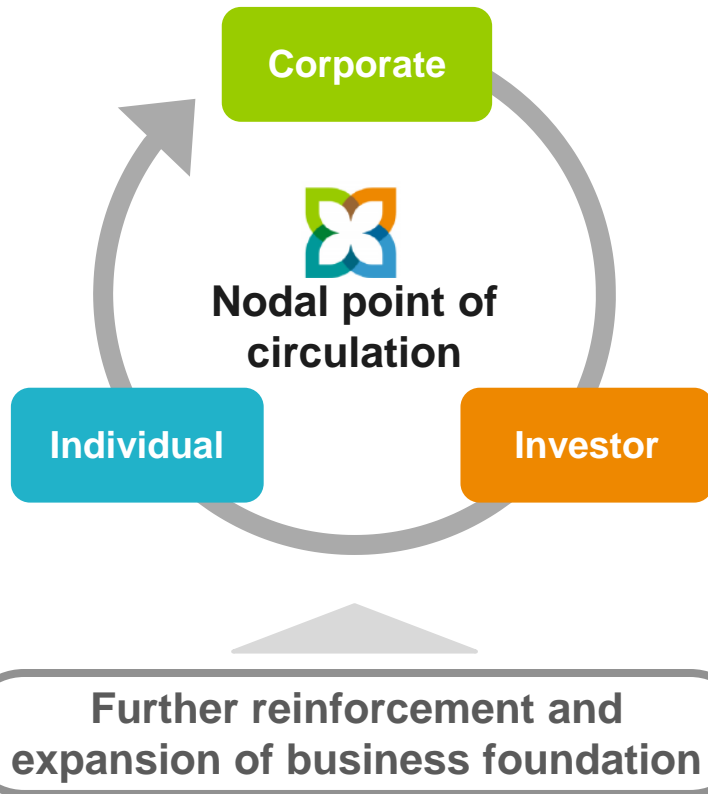
Atsushi Kaibara

Sumitomo Mitsui Trust Holdings, Inc. Executive Officer
Sumitomo Mitsui Trust Bank, Limited. Deputy President

1. SuMi TRUST Group's real estate business
2. Real estate market trends
3. Growth strategy
4. Real estate business KPIs

1. SuMi TRUST Group's Real estate business | Today's agenda

Growth strategy leveraging our strength as a financial group that can handle real estate



Corporate

Keyword

ESG

An enduring real estate value-chain that will stay close to environmental and CRE strategy challenges

3-2

Investor

Keyword

Diverse investment opportunities

Create attractive investment opportunities through utilizing our funds and capital/business alliances

3-3

Individual

Keyword

The age of 100-year life

Providing solutions for approx. ¥3,000 trillion in personal assets, including real estate

3-4

business foundation

Keyword

DX・Network Strategy

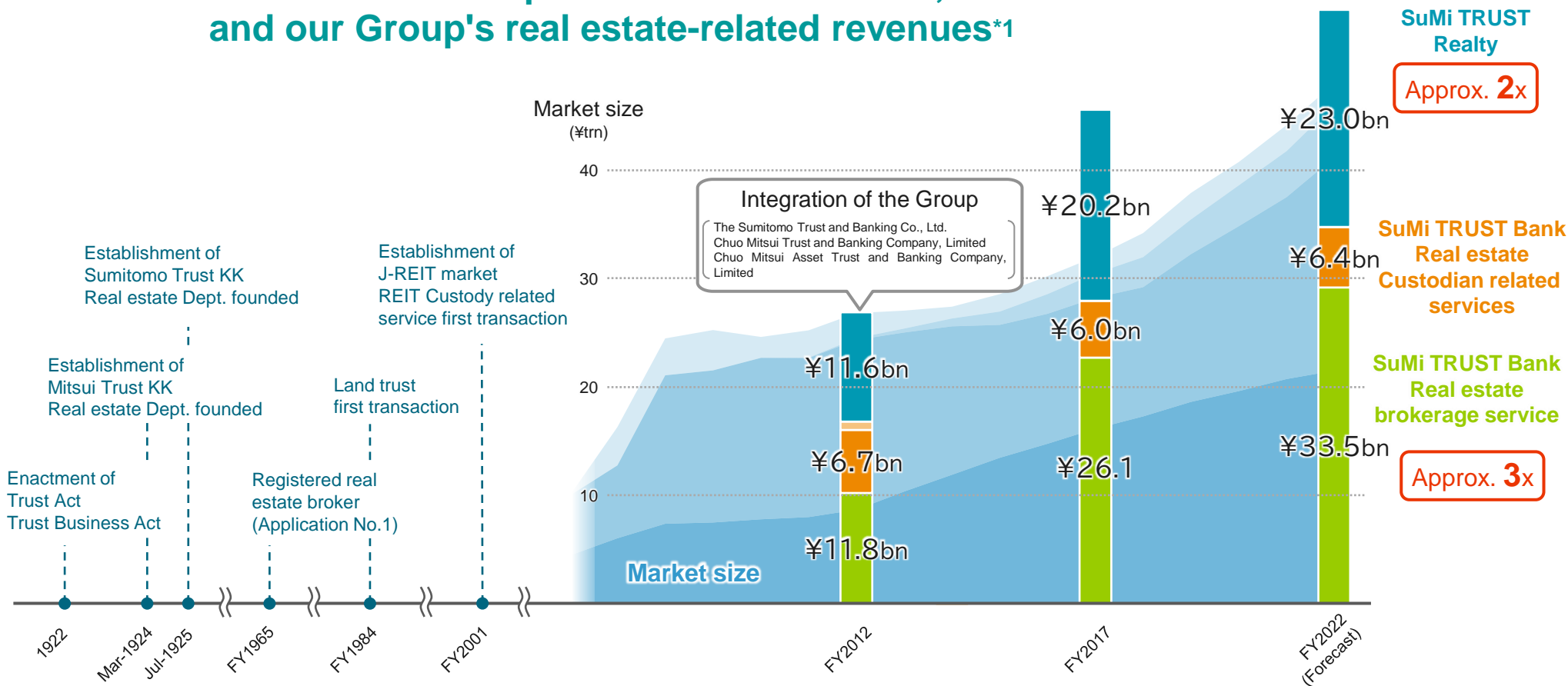
Improving operational efficiency, building platforms and project acquisition by leveraging external resources

3-5

1. SuMi TRUST Group's Real estate business | Progress and growth

SuMi TRUST Group is driving market expansion and growth together

Market size of private fund and J-REIT, and our Group's real estate-related revenues*1



(Source) Market size of private fund and J-REIT: "Private REIT Quarterly" by ARES, SMTRI. Line graph Legends: From bottom to Top, J-REIT, Private Funds (domestic), Private REIT and Global Funds

*1: SuMi TRUST Realty's results are based on contract-based commissions (100 million yen)

(Appendix) Major Business Areas and Group Companies

SuMi TRUST Bank (Breakdown of services)

Real estate brokerage services

- Brokerage of sales and leasing (mainly commercial real estate)
- Various consulting services

Real estate custodian related services

- Real estate custodian services
- Administration services for REITs
- Appraisal and land trust
- Facility management, etc.

Real estate investment management services

- Real estate equity investment

Group Companies

Sumitomo Mitsui Trust Realty Co., Ltd.

- Various services related to real estate transactions
 - Residential real estate for individuals
 - Real estate for investment and business

Sumitomo Mitsui Trust Research Institute Co., Ltd.

- Research and consulting services
- Strengths in the real estate market, real estate finance, public-private partnerships (PPP), and infrastructure

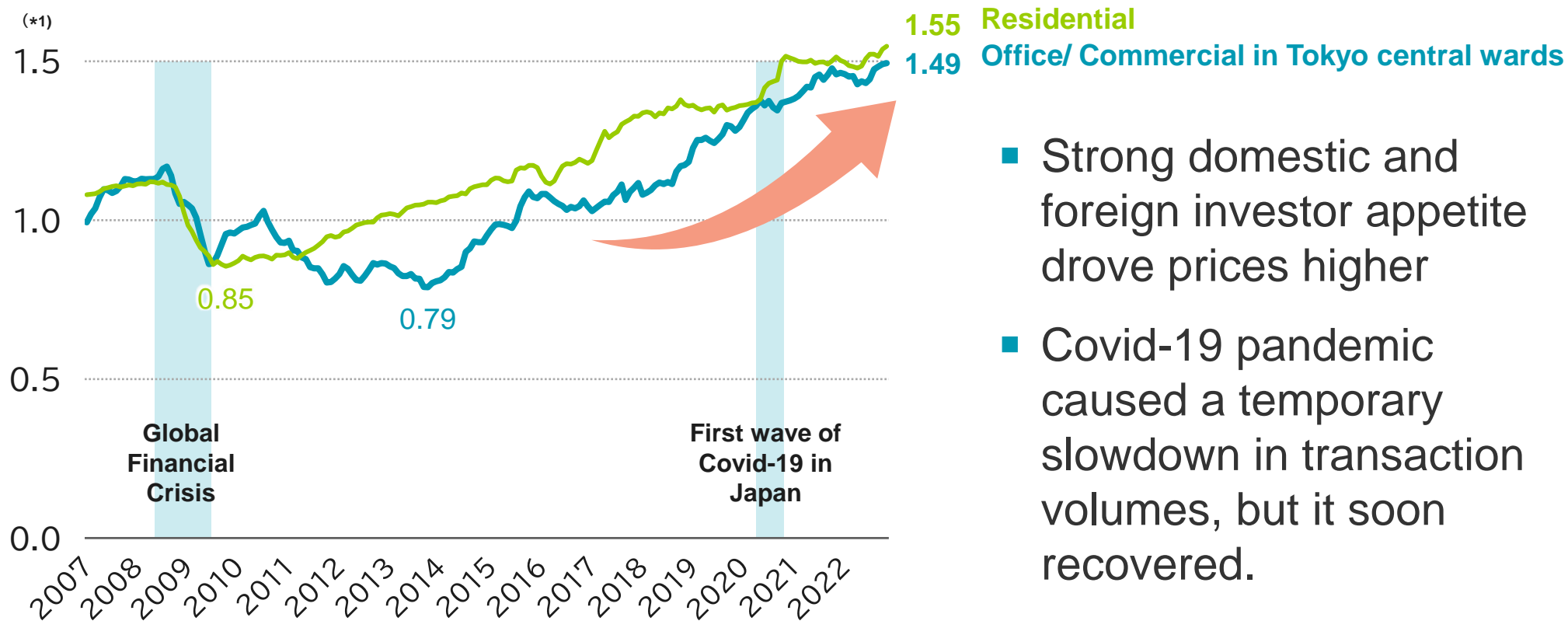
Sumitomo Mitsui Trust Real Estate Investment Management Co., Ltd.

- Real estate asset management services
 - Fund establishment
 - Investment management services

2. Real estate market in Japan | Real estate price trends

Price continue to rise (Source: SuMi TRUST Research institute Co., Ltd.)

J-REIT Residential property price index*1

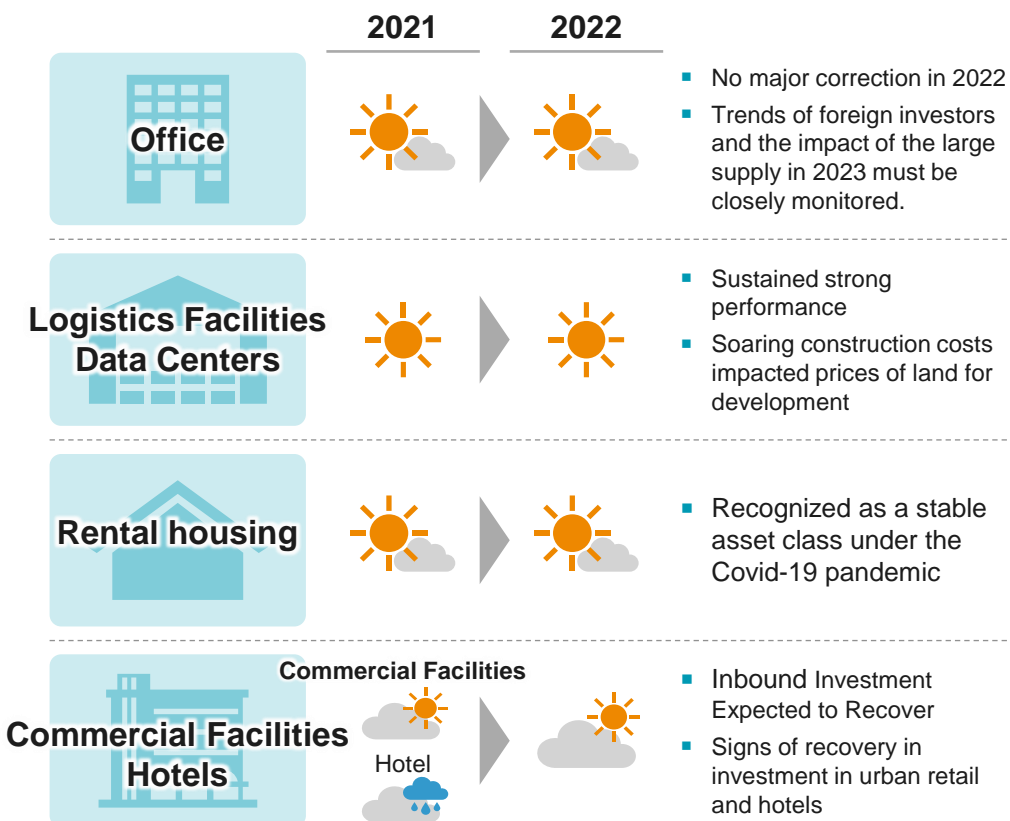


*1: Indexed to the arithmetic mean of 2006-2010 as 1.0

2. Real estate market trends | Recent trends

Trends by type of asset and client

Trends by type of asset Positive overall trend in FY2022



Trends by type of client Corporations

Well-performing industries

For sustainable growth

- **Promote Workplace reassessment**
- **Promote CRE strategy**

Under-performing industries

- **Sale of real estate to boost yearly earnings**

Overseas investors

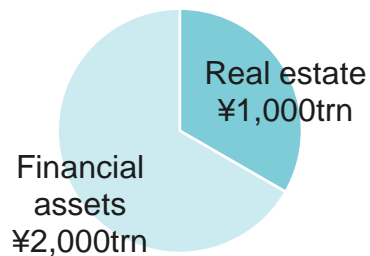
Against the backdrop of rising global interest rates, some investors in Europe, the U.S., South Korea and other countries are taking a wait-and-see approach

3-1. Growth strategy | Promotion of circulation

Become a nodal point and promote asset circulation
→ **balanced creation of both social value and economic value**

Optimize individual assets according to life stages in the age of 100-year life

Domestic individual assets



SuMi TRUST Bank
Financial solutions
(asset management, loans, inheritance, etc.)



SuMi TRUST Realty
Real estate solutions
(Brokerage, housing consultation, etc.)

Enhancing the value of corporate real estate (CRE) through a variety of consulting functions

One-stop solutions that stay with each need of the cycle for a long time

③ Management

① strategy development

CRE management cycle

② Implementation

Various Solutions


Nodal point of circulation

Corporate

Individual

Investor

Boosting the expansion of the private asset (e.g., real estate) investment market



- Providing real estate investment infrastructure (Real estate custodian services and administration services for REITs)



- Arrangement of financing using our funds



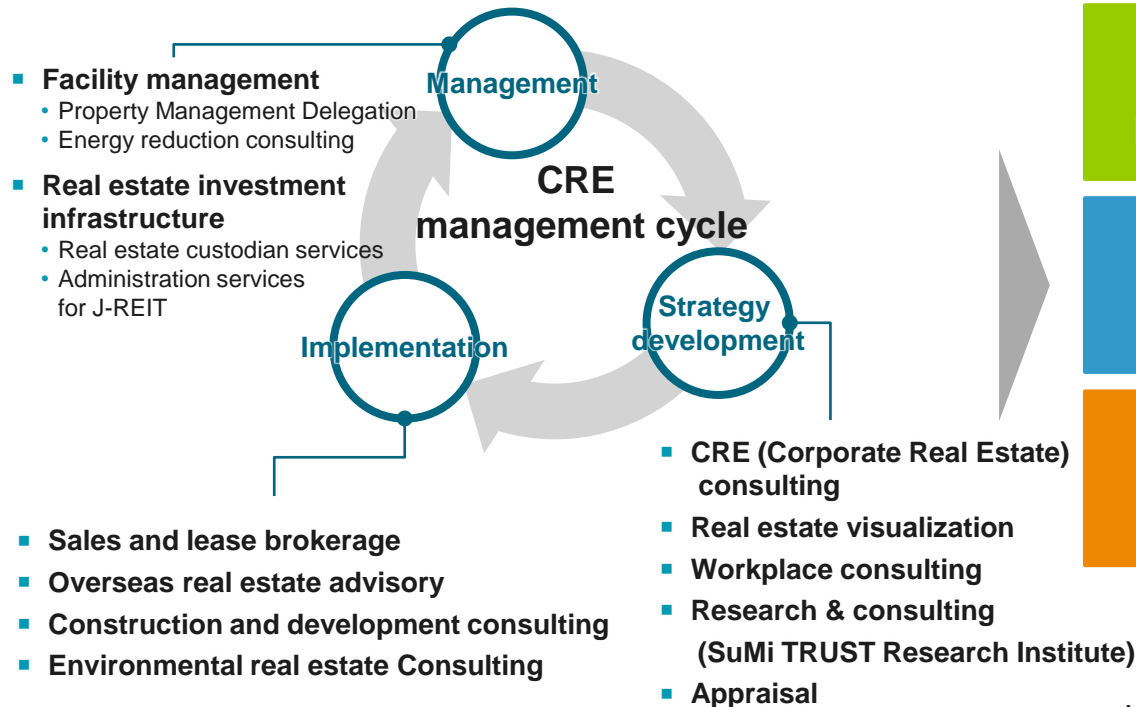
- Provision of ESG discernment

3-2. Growth strategy | Corporate clients

Our strength of having various points of contact with our clients
→ Business development from all aspects based on ESG needs

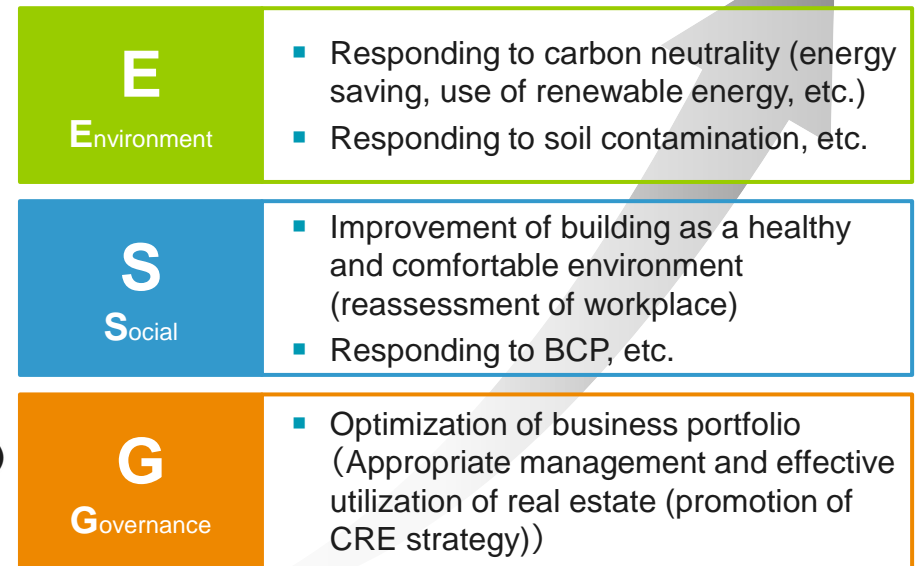
Our strength: Real estate value chain

A diverse lineup of products that increase contact with the needs of each step and provide a long-lasting relationship



Growing needs for ESG responsiveness

Real estate-related movements



Japan's declaration of carbon neutrality and the Covid-19 pandemic have accelerated the trend

3-2. Growth strategy | Corporate clients

Growing Need for ESG Response (From the Real Estate ESG Survey conducted by SuMi TRUST Bank)

E

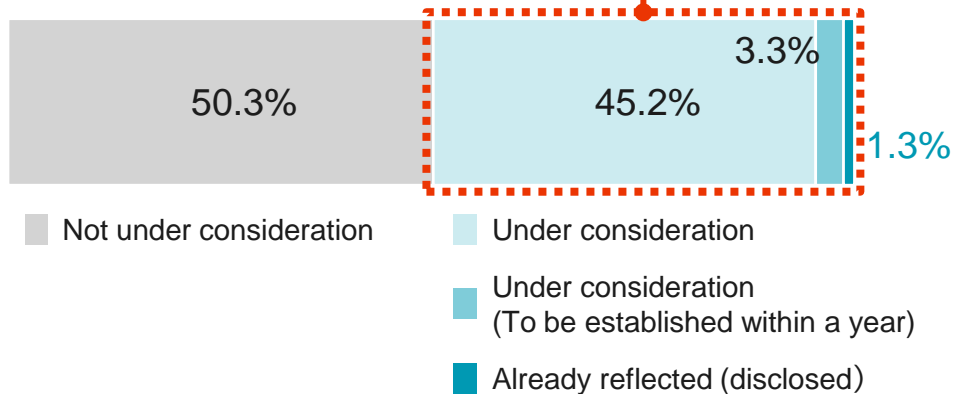
Environment

Investment valuation of environmental real estate is gaining recognition

Higher valuation of environmental real estate

(already reflected or under consideration)

Approx. **50** %

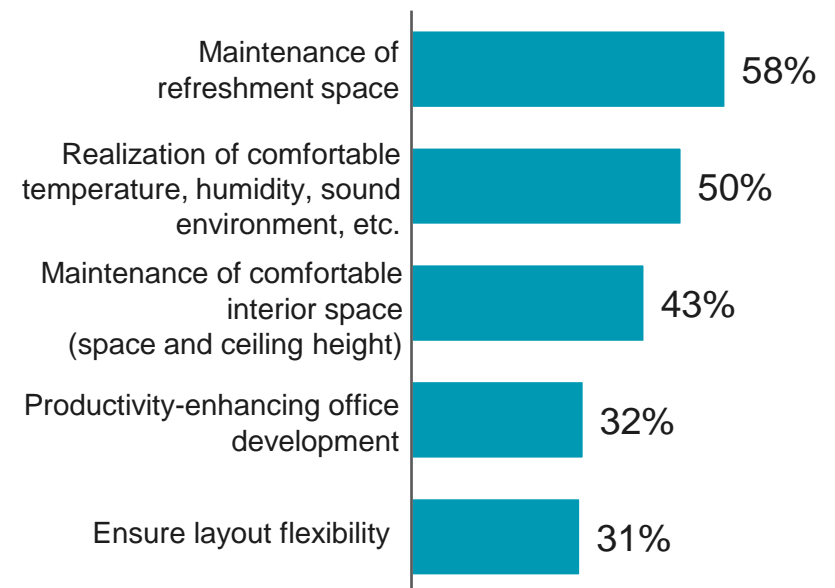


S

Social

Workplace reassessment is underway

Efforts underway to improve productivity and comfort



(Source) Real Estate ESG Survey conducted by SuMi TRUST Bank. Respondents were investment management companies, financial institutions, insurance companies (including leasing companies), real estate, construction companies, and 161 other companies. Period of implementation: July-August 2022.

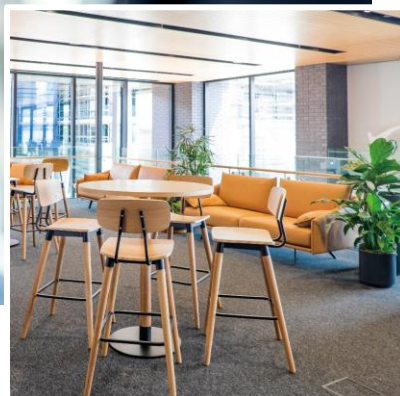
Factory reorganization to achieve carbon neutrality



- A manufacturer with global operations
- The decision was made to build or relocate old buildings and facilities in order to achieve the group's CN goals
- We have been in contact with the company for some time, presenting proposals concerning environmental real estate and have been involved in the sale of several existing factories in this project

3-2. Growth strategy | Corporate clients - Case study

Sale of real estate in connection with a review of head office requirements



- A client for whom we provided asset management support for major real estate holdings
- In light of the current real estate market conditions, the client sold its head office (through our intermediary) as it accelerated its consideration of the ideal location for its head office in order to improve brand strength and productivity.
- The client plans to continue to consider workplace reassessment and relocate to a new head office.

**The needs of clients like those on page 10-11 are
expected to grow further in the future**

3-3. Growth strategy | Investor clients

Providing wide range of functions from investment infrastructure to support for sophisticated real estate investment

Investor needs

Real estate investment sophistication

Portfolio optimization and ESG investment selection

Expand investment in real estate

Increased allocation to real estate, which is a highly attractive destination for investment funds

Stable investment infrastructure

High quality and stable investment infrastructure including real estate custodian services and administration services for REITs

Roles of SuMi TRUST Group

Real estate solution capabilities

Portfolio Proposal
x
Brokerage

Research function
(SuMi TRUST Research Institute)

ESG
discernment

Creation of real estate investment opportunities

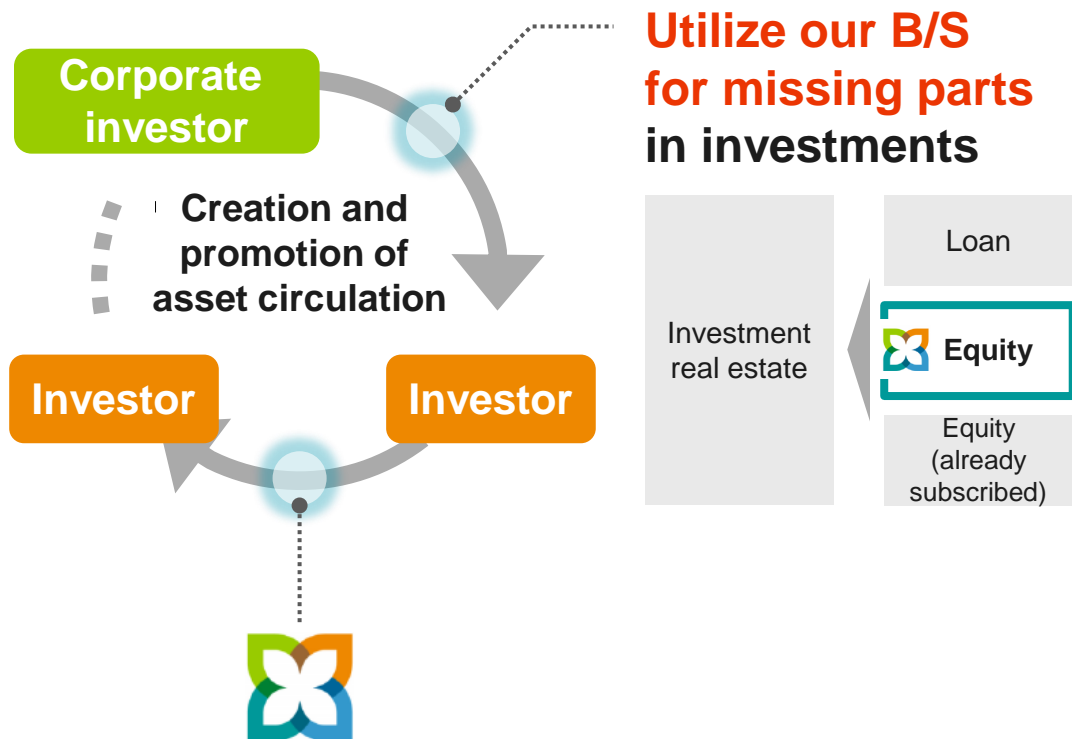
Creation of investment opportunities with our funds
(p.13 Arrangement of financing using our funds, p.14 Global, etc.)

Infrastructure arrangement backed by solid administration and due diligence

3-3. Growth strategy | Investor clients

Promoting the circulation of funds, assets and capital by utilizing our funds as “seed capital”

Investment support through appropriate our B/S utilization and arrangement of financing



An example of our efforts



- A large facility in Tokyo (property value: approx. ¥60bn)
- A foreign fund was considering investment.
- **We arranged financing, including our investment in a portion of insufficient fund (equity)** and the investment was executed

3-3. Growth strategy | Investor clients

Providing cross-border investment opportunities through collaboration with business partners



Department dedicated cross-border transaction
consisting of multinational employees

Domestic



Domestic
real estate



Japanese
corporations/
investors

Investment Support

inbound

¥500bn
approx. 120 cases*2

outbound

**Strengthen our
provisioning system**
approx. 200 cases*2

Global



Global Investors*1



Global
real estate

First project for the collaboration



- First project after the capital and business alliance signed in June 2021
- Residential development project in Tennessee (400 units in total)
- We supported LP investment for a Japanese real estate company (closed in January 2023)



*1: Foreign investors without a base in Japan

*2: Cumulative total since FY2012. Outbound numbers include leases, sales, etc.

3-3. Growth strategy | Investor clients

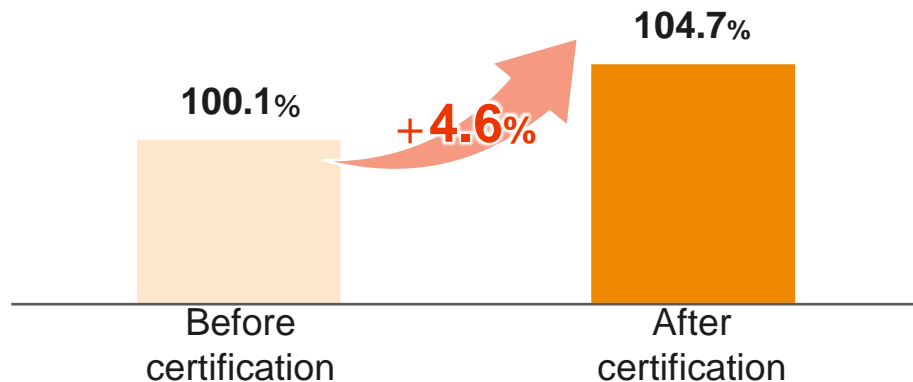
Estimation of the relationship between environmental performance and economic benefits

(Joint research by SuMi TRUST Bank and SuMi TRUST Research Institute)



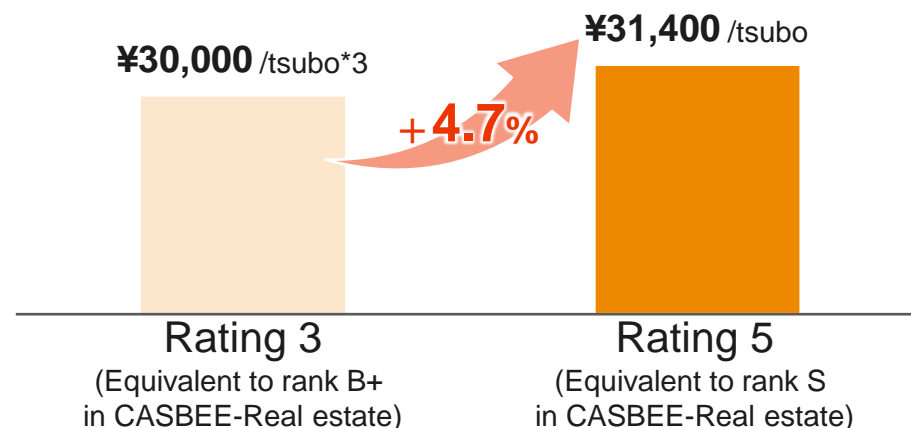
Effect of Rent Increase due to Certification

(Comparison within the same building category*1)



Effect of rent increase due to ratings

(Comparison between buildings rated 3 and 5*2)



*1: Comparison of buildings with a rating of 5.

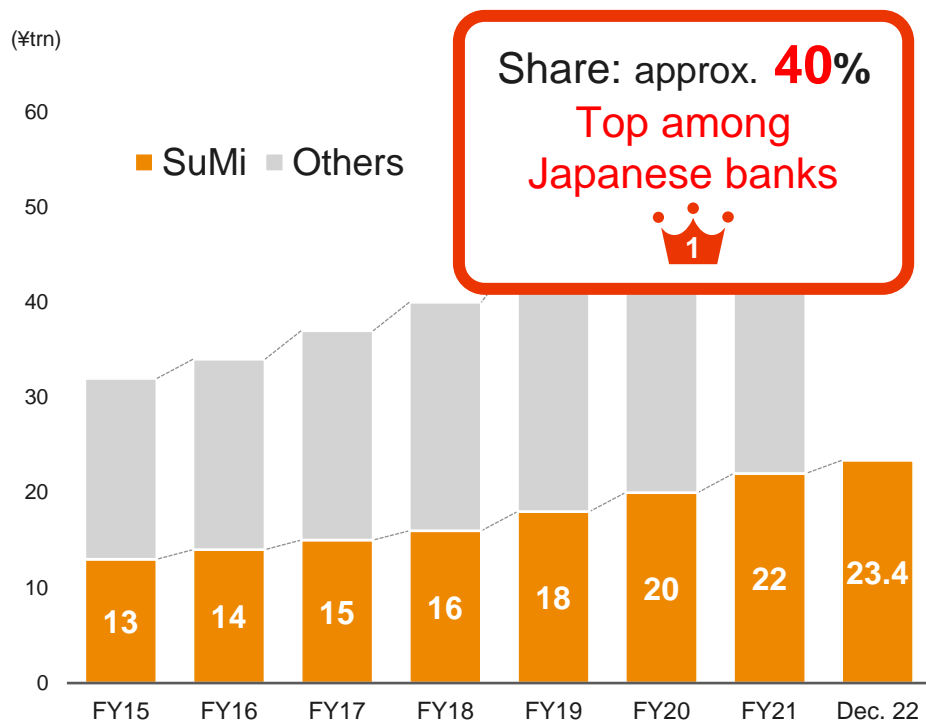
*2: Total for buildings with a total floor area of 10,000 tsubo or more, including common expenses.

*3: Approx. 3.3m²

3-3. Growth strategy | Investor clients

Further business expansion through “Investment market infrastructure” x “Added value”

Balance of entrusted real estate securitization mandates



(Source) Trust Companies Association of Japan "Shintaku Tokei Binran" and Our actual results

Added value from an ESG perspective

Real Estate ESG Survey

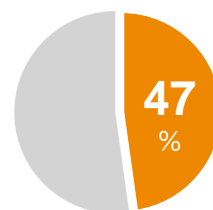


Real estate ESG progress disclosure
Visualize the client's position in the industry

GHG emissions visualization

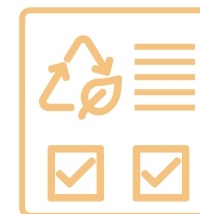


CASBEE certification support consulting



Consulting by us
431 cases *1
(total 910 cases)

Non-fossil certificate purchase service



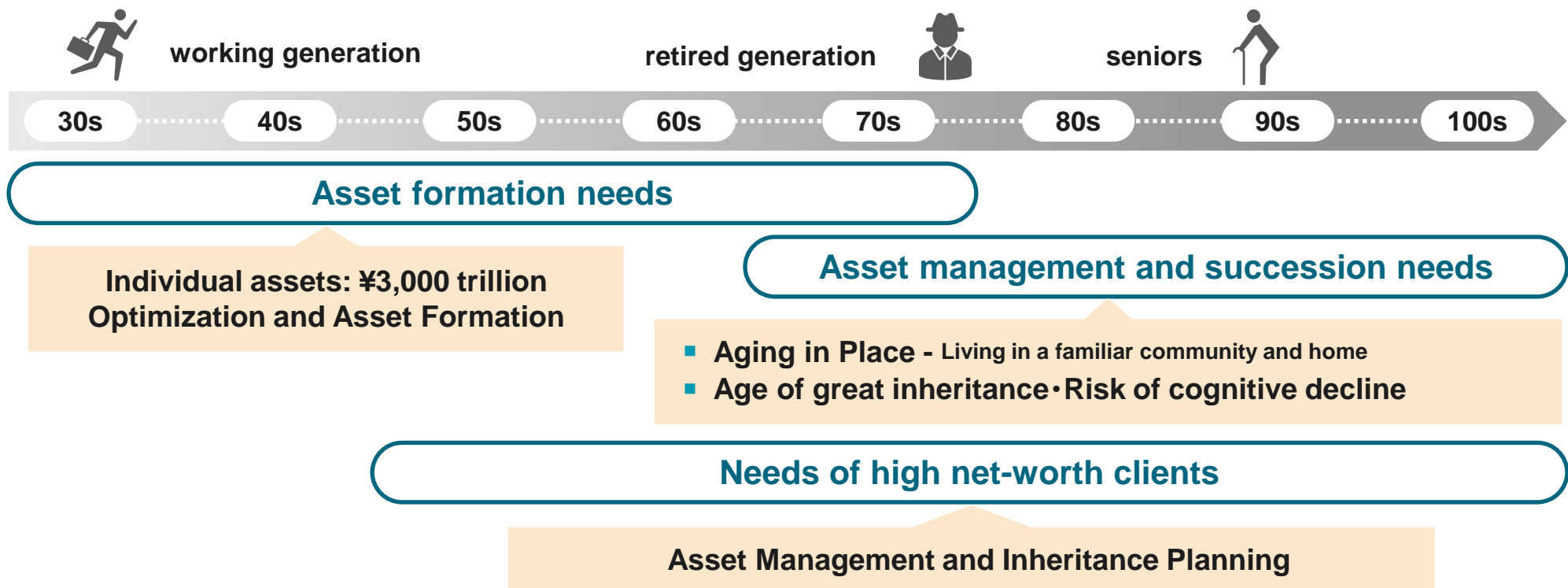
Purchased by us as trustee

entrusted property

*1: Cumulative total as of September 30, 2022 Number of certified support

3-4. Growth strategy | Individual clients

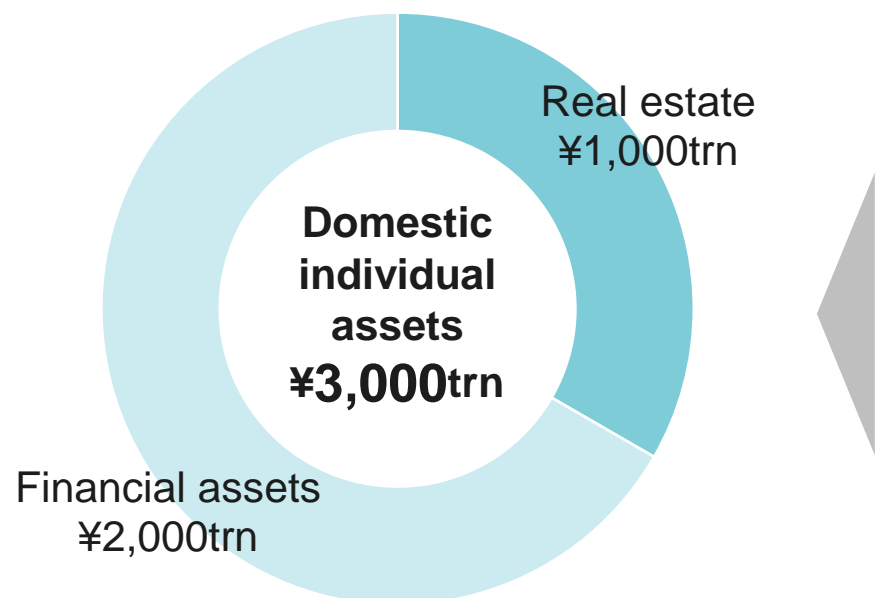
Total solutions for every stage of life in the 100-year life era



SuMi TRUST Bank × SuMi TRUST Realty
Wide range of solutions through integrated functions

3-4. Growth strategy | Individual clients

Provide total solutions based on the clients' entire assets



SuMi TRUST Bank

Financial solution

Asset management, loans, asset administration/
Inheritance, will trust, etc.

Integrate both functions

SuMi TRUST Bank • SuMi TRUST Realty

Real estate solution

Real estate brokerage, consulting, etc.



- Tools capable of AI valuation assessments, home health assessments, etc.
- Introduced at all our SuMi TRUST Bank's branches, providing solutions in cooperation with SuMi TRUST Realty
- Trial introductions at other consulting locations

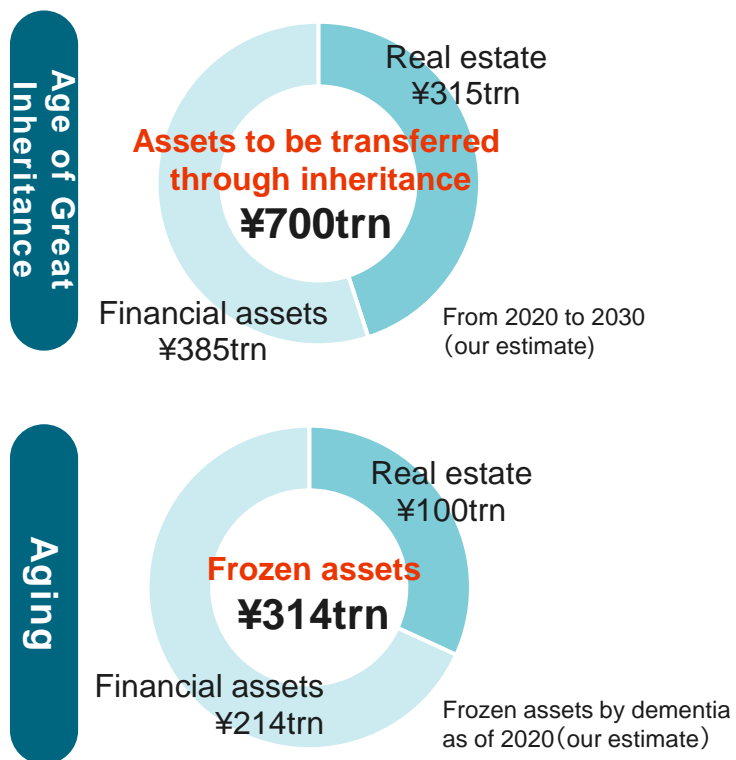
Optimizing assets to enrich the 100-Year Life Era

- (e.g.)
- Maintenance of a comfortable home
(→ Preemptive measures to prevent unoccupied houses before they become vacant)
 - Secure retirement through asset management

3-4. Growth strategy | Individual clients

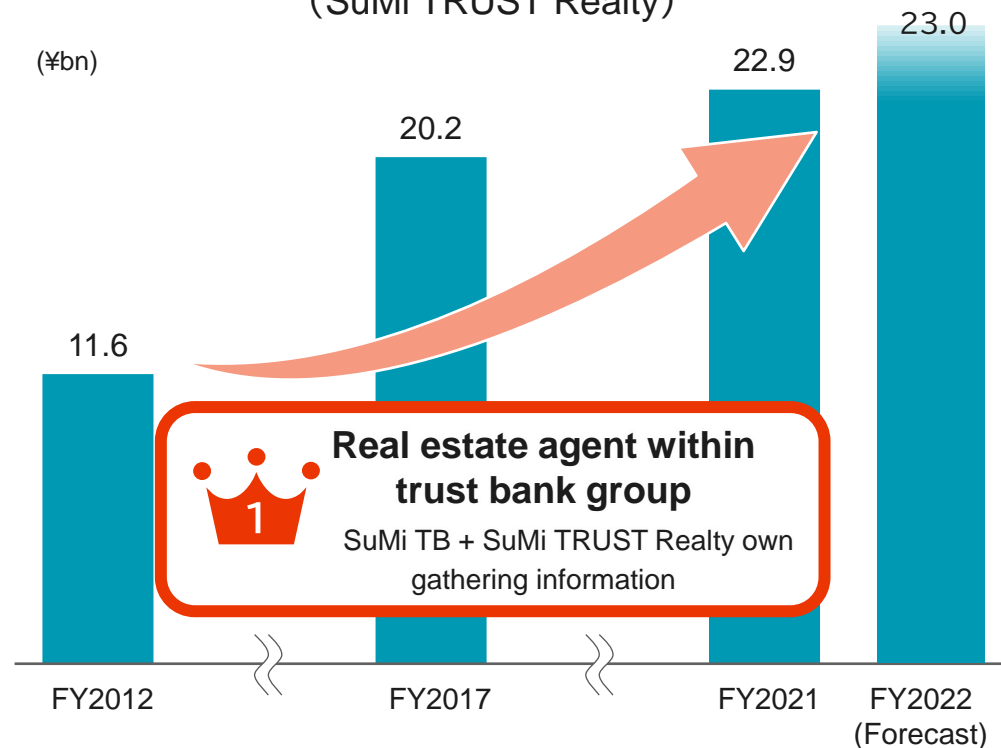
Grow earnings by responding to client issues brought about by social change

Social change/client issue



Driver of further earnings growth

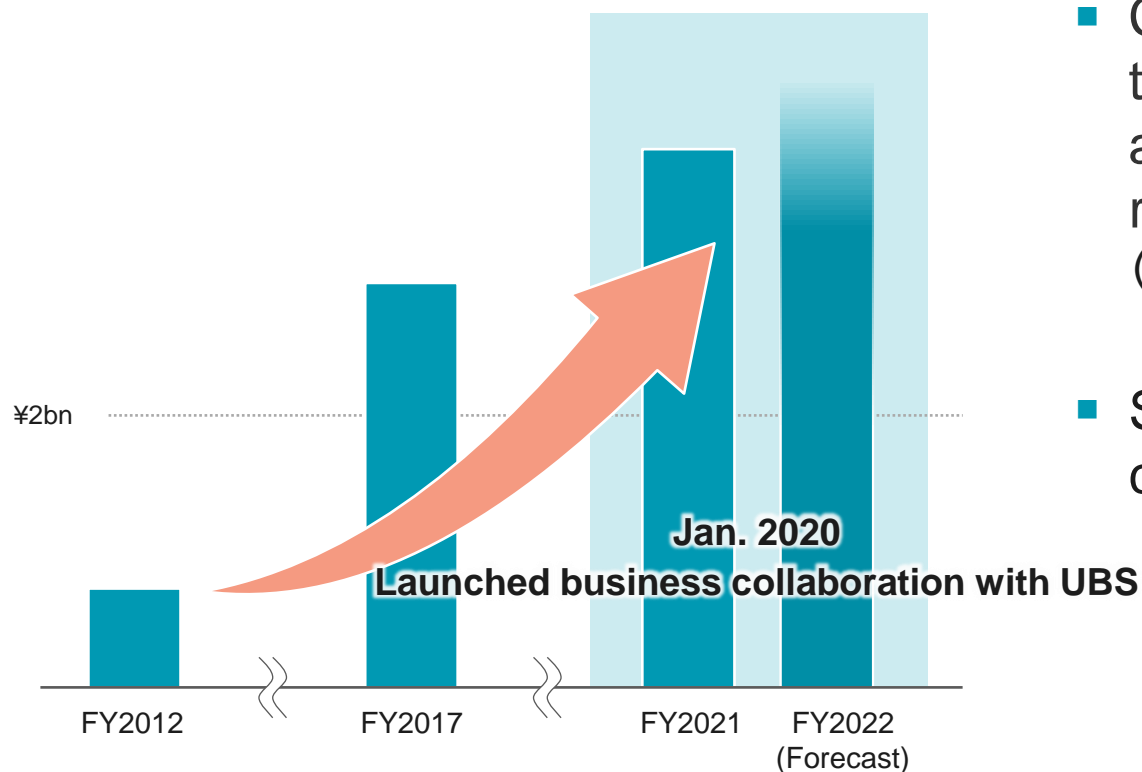
Real estate brokerage fee (SuMi TRUST Realty)



3-4. Growth strategy | Individual clients

Strong real estate investment needs from high net-worth clients

Real estate earnings from high net-worth clients*¹



- Covid-19 pandemic caused temporary slowdown, but investors' appetite in real estate assets remains strong (Asset management, inheritance etc.)
- Steady progress in business collaboration with UBS

UBS | SuMi TRUST

*1: Real estate earnings from PB cross-sectional business since FY2017. Data for FY2012 is for reference.

(Appendix) Booklets introducing our strengths

Various real estate functions

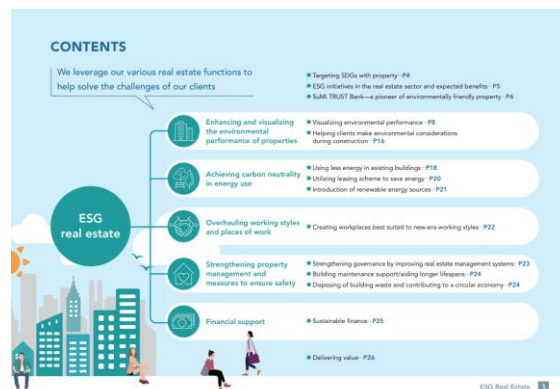


(Japanese text only)



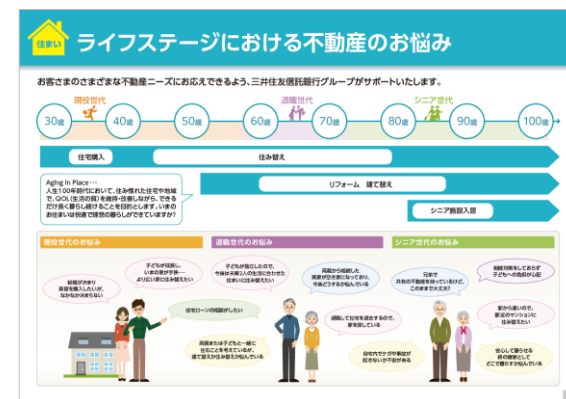
<https://www.smth.jp/-/media/th/investors/presentation/230221-2.pdf>

Real estate ESG initiatives



<https://www.smth.jp/english/-/media/th/english/investors/presentation/E230221-3.pdf>

Real estate in the age of 100 Year of Life



(Japanese text only)



<https://www.smth.jp/-/media/th/investors/presentation/230221-4.pdf>

3-5. Growth strategy | Business foundation (Digital transformation strategy)

Promote “operational efficiency” and “enhancement of user experience” in parallel

Phase of digital transformation strategy and summary

Operational efficiency

- Enhance current system
- Workflow automation by RPA
- Utilize SaaS

Building data base

- Gathering internal information (brokerage)
- Strategic data utilization

Enhancement of user experience

- Review workflow
- Build platform

Launched

- **SuMi TRUST Realty AI assessment*1**



*1: Use the AI software for valuation of real estate, developed by SRE AI Partners

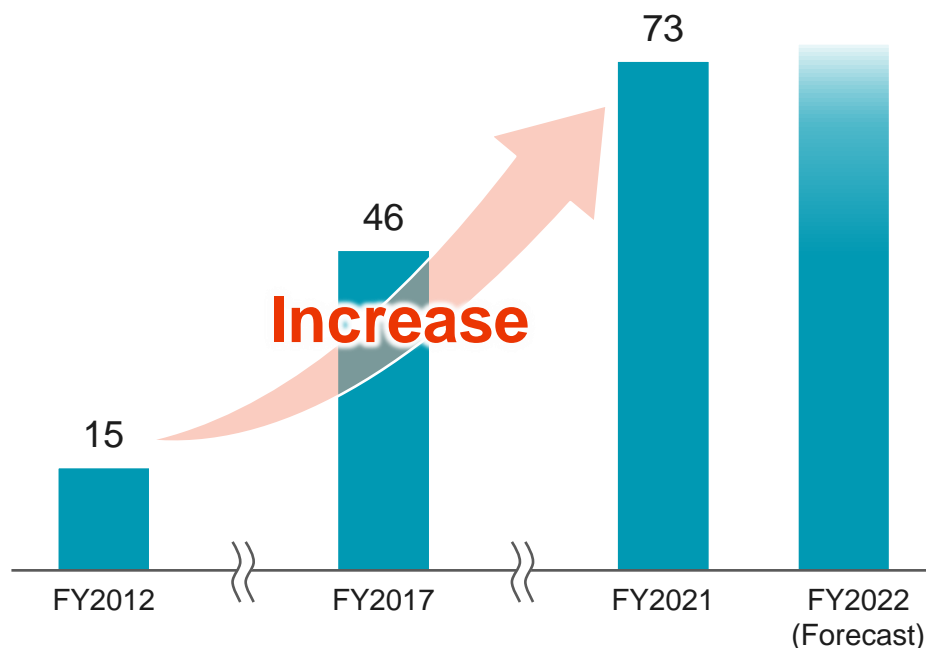
3-5. Growth strategy | Business foundation (network)

From building scale through expanding alliances with regional banks to new phase of deepening relationships with each bank

Number of alliances

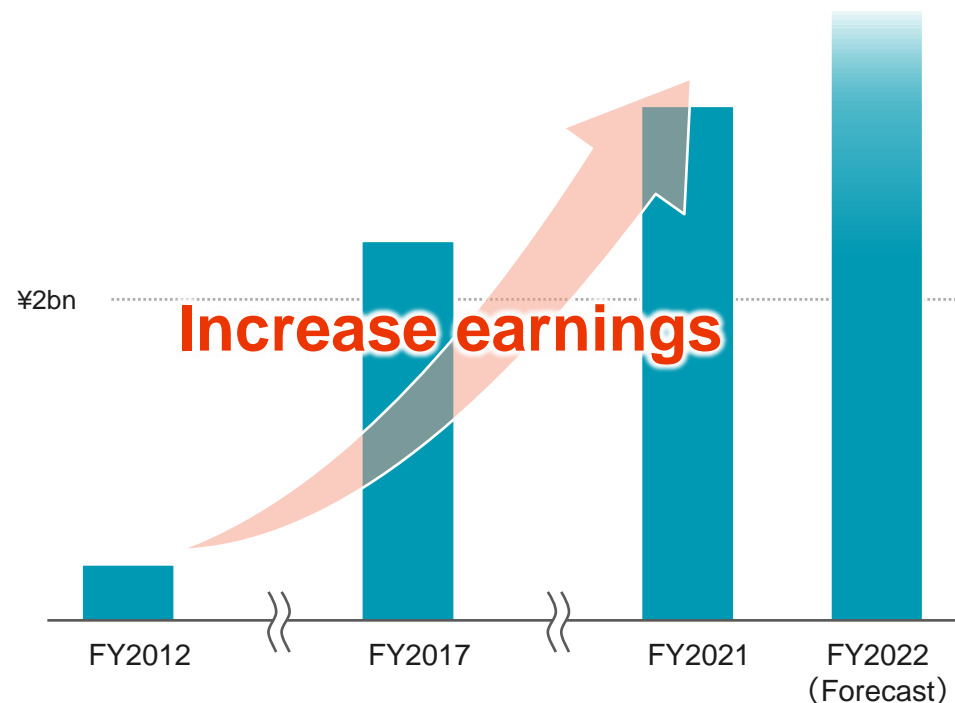
Expand alliances
expand networks throughout Japan

Deepen relationship



Earnings from partners

Number of information
approx. 7,000
transactions/ year



4. KPIs on Real estate business

			FY21 (Mar. 22)	FY22 (Mar. 23)	FY25 (Mar. 26)	Goals for FY30 (Mar. 31)	
			Actual	Forecast	Numeral image(*1)	Numeral image(*1)	Compared to FY22 (Compared to Mar. 22)
SuMi TRUST Bank	Substantial gross business profit	(¥bn)	39.3	① 40.0	44.0	② 50.0	+10.0
	Substantial G&A expenses	(¥bn)	▲9.9	▲10.0	▲11.0	▲12.0	▲2.0
	Net business profit	(¥bn)	29.3	30.0	33.0	38.0	+8.0
	Balance of entrusted real estate securitization mandates	(¥trn)	22.0	23.7	26.0	30.0	+6.3
	Balance of assets involved in consultation	(¥trn)	1.5	1.9	2.1	③ 3.6	+1.7
Group companies (SuMi TRUST Realty)	Fee income (based on contract- based commissions)	(¥bn)	22.9	① 23.0	26.0	② 30.0	+7.0
	Net business profit	(¥bn)	6.8	7.0	7.5	9.0	+2.0

*1: Figures are subject to change as they are currently under discussion in the formulation of the next medium-term management plan to be announced in May 2023

Today's agenda 2

Corporate Governance

Isao Matsushita

Sumitomo Mitsui Trust Holdings, Inc. External Director



Isao Matsushita

Career Summary

- Apr. 1970 Joined Nippon Mining Co., Ltd. (currently, ENEOS Corporation ("EC"))
- Sep. 2002 Appointed Director of Nippon Mining Holdings, Inc. ("NMH") (currently, ENEOS Holdings, Inc. ("EH")), in charge of the finance of the Financial Group
- Jun. 2004 Appointed Director (Senior Vice President and Executive Officer) of Japan Energy Corporation ("JEC") (currently, EC)
- Jun. 2006 Appointed Representative Director and President of JEC (currently, EC)
- Jun. 2012 Appointed Representative Director and President (President and Executive Officer) of JXH (currently, EH)
- Jun. 2015 Appointed Senior Executive Advisor of JXH (currently, EH)
- Jun. 2016 Appointed External Director of INPEX Corporation
- Jun. 2016 Appointed External Director of Matsumoto Kiyoshi Holdings Co., Ltd. (currently, MatsukiyoCocokara & Co.)
- Jun. 2017 Appointed Director of SuMi TRUST Holdings (Current Position)

Sumitomo Mitsui TRUST Group ~changes in institutional design~

○ Apr. 2011 **Established Sumitomo Mitsui Trust Holdings**

- Implemented “Holding Company” structure
- Selected “Company with a Board of Auditors” as the institutional design.

Company with a
Board of Corporate
Auditors

○ Jun. 2015 **Sumitomo Mitsui Trust Holdings**

- Established “Nominating and Compensation Committee” and “Audit Committee” as voluntary committees

○ Jun. 2017 **Sumitomo Mitsui Trust Holdings**

- Transitioned to “Company with Three Committees”
 - Appointed external director as chair of the Board of Directors
 - Established “Risk Committee” and “Conflicts of Interest Committee” in line with the Group’s business model
- **Transitioned to monitoring board**

Company with
Three Committees

○ Oct. 2018 **Sumitomo Mitsui Trust Asset Management**

- Transitioned to “Company with an Audit and Supervisory Committee”

Company with an Audit
and Supervisory
Committee

○ Jun. 2019 **Sumitomo Mitsui Trust Bank and Nikko Asset Management**

- Transitioned to “Company with an Audit and Supervisory Committee”

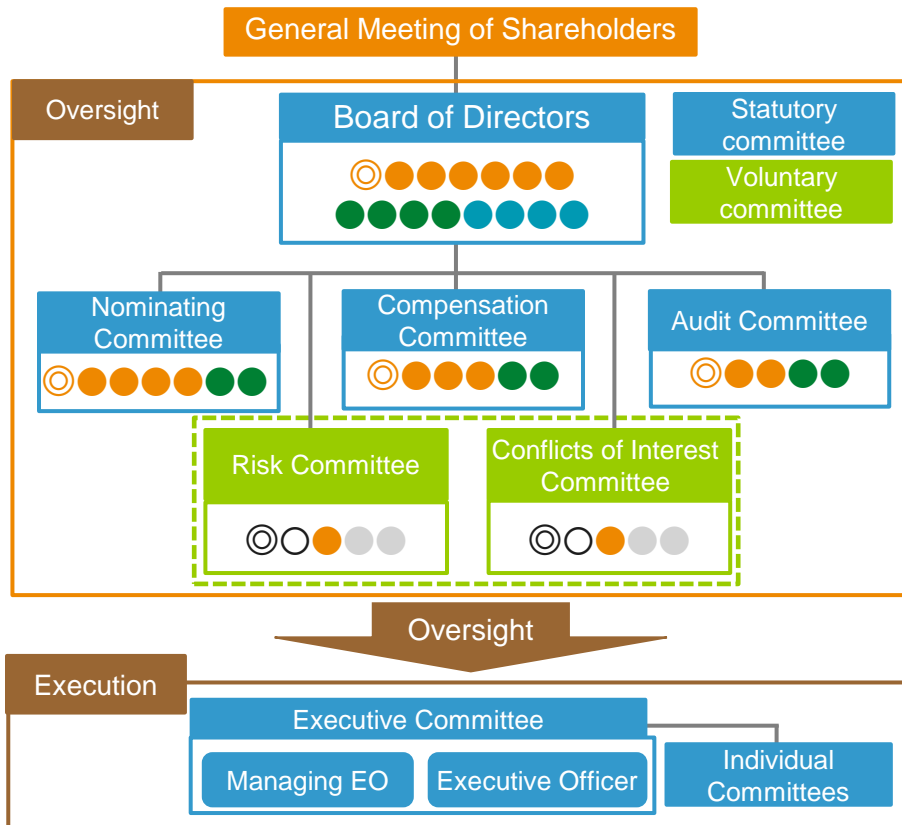
Company with an Audit
and Supervisory
Committee

Sumitomo Mitsui TRUST Holdings corporate governance ~oversight structure~

Oversight structure

- Company with Three Committees
- The Board of Directors' meeting and other committees to be chaired by external directors

◎: External (Director Chairman) ●: External (Directors) ⊙: External (Experts, Chairman)
 ○: External (Experts) ●: Internal・Non-executive ●: Internal・Executive
 ●: Executive officer (non-director)



Composition of Board of Directors (As of Feb. 1, 2023)



Breakdown of 15 directors: 13 men, 2 women

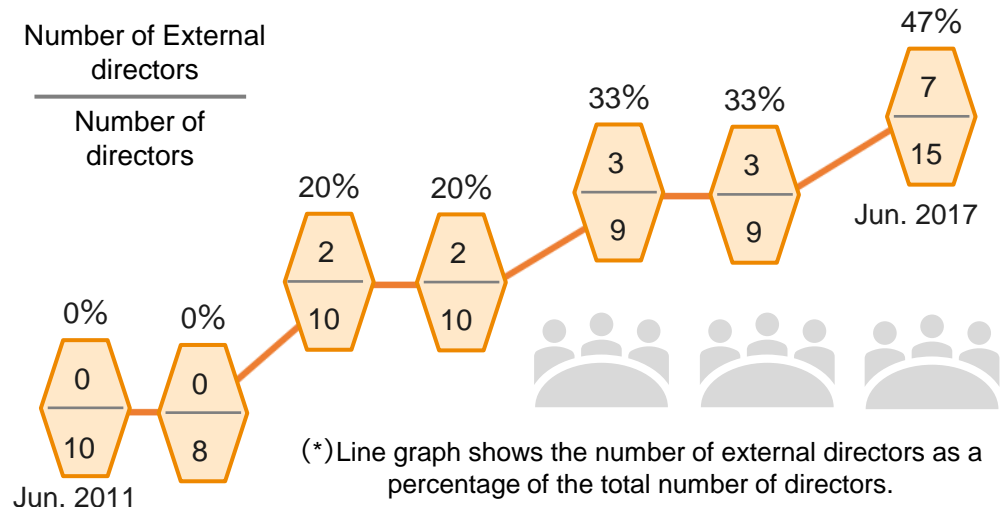
External directors: 47%



Non-executive directors: 73%



Change of composition of Board of Directors



Issues and initiatives to enhance the effectiveness of the Board of Directors

Issue: What kind of board of directors should we aim for?

Initiatives (1): Our Group's future vision of the Board

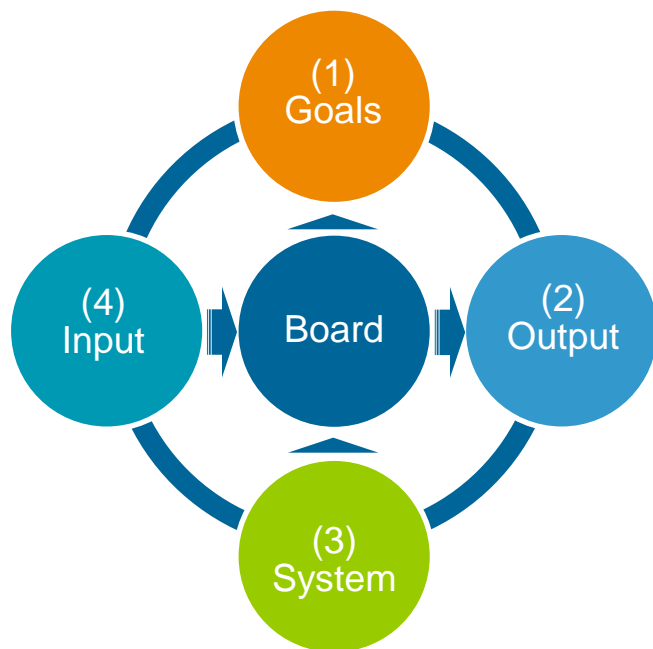
Issue: How to improve the effectiveness of the supervisory function?

Initiatives (2): Function of Boards at subsidiaries in Group Governance

Initiatives (3): Enhance supervisory functions through committee

Initiative (1): Our Group's future vision of the Board

Functional Framework of our group's Board of Directors

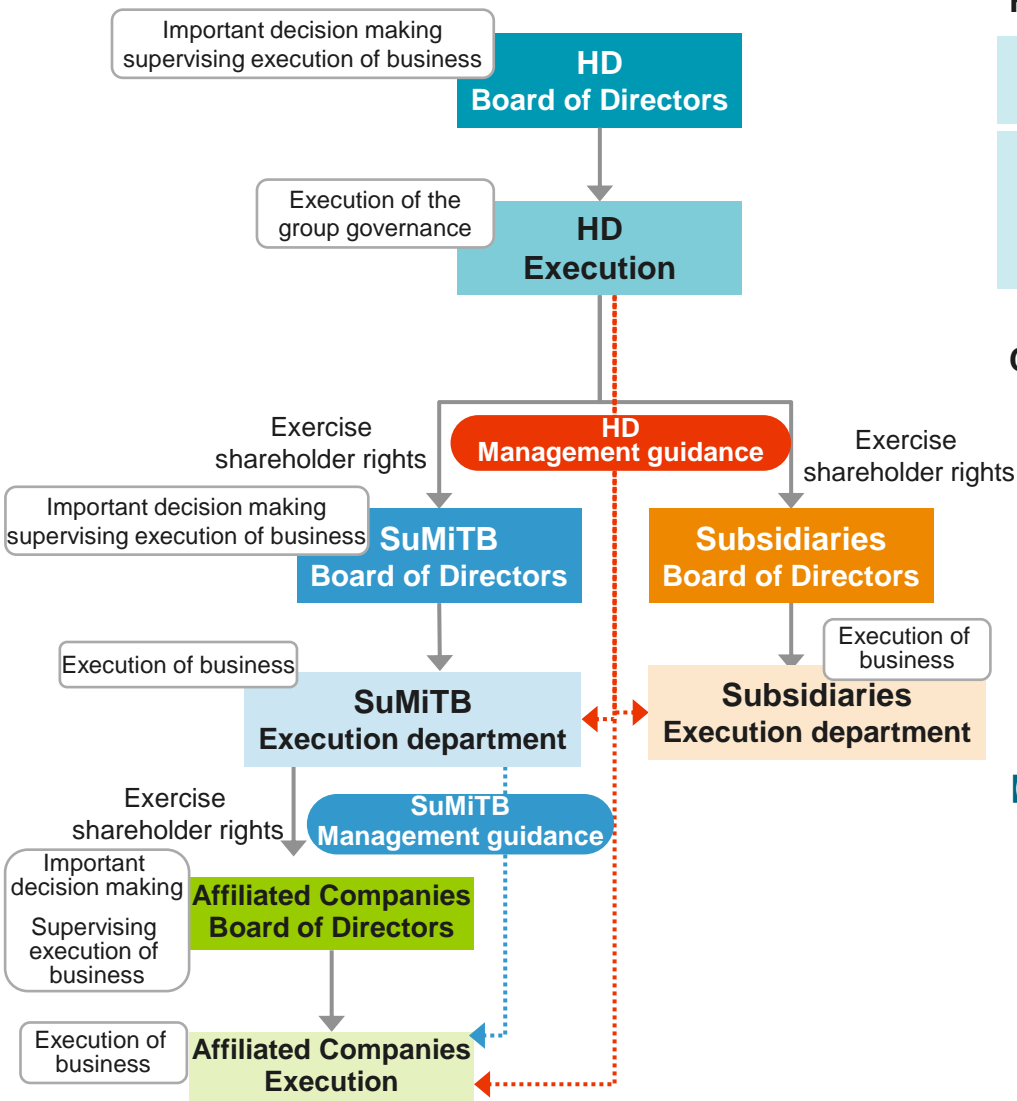


Defined the effective Board of Directors as "a Board of Directors that is continuously improving toward future vision".

Item		Questions to enhance effectiveness	Future vision of the Board : the Board of Directors of stakeholderism
(1)	Goals	What should the BoD aim for?	<ul style="list-style-type: none"> Realizing "Purpose" Fair capital allocation to stakeholders (capital agenda) Sustainability as a corporation ⇒ Gaining the trust of all stakeholders as a fiduciary
(2)	Output	What is the role of the BoD?	<ul style="list-style-type: none"> Improving the quality of important decision making Important decision making (determining a basic management policy) <ul style="list-style-type: none"> Purpose/materiality/value creation process Policy on establishing desirable stakeholder relationships Medium- to long-term management strategies Basic policy on internal controls Supervising execution of important business matter
(3)	System	Is the System well functioned to achieve our Goals and Output?	<ul style="list-style-type: none"> Organizational structure for enhancing quality of important decision making and monitoring functions Stakeholder-oriented mindset and skills for addressing issues of materiality
(4)	Input	What should we request to the execution department?	<ul style="list-style-type: none"> Autonomous management Board accountability *Accountability <ul style="list-style-type: none"> Business activities and value creation Business portfolio/capital allocation Internal controls Establishment of desirable stakeholder relationships

Initiatives (2): Function of Boards at subsidiaries in Group Governance

(3)
System



Function and Roles of SuMi TRUST Holdings' Board of Directors

Companies Act (Article 416)

Banking Act (Article 52-21)

- The Stock Company performs the duties of the development of systems necessary to ensure the properness of operations of a group of enterprises
- A bank holding company must carry out business management of a bank holding company group to which it belongs.
- A bank holding company must endeavor to ensure the sound and appropriate management of services at any bank that is its subsidiary company.

Classification of Group governance and management policy

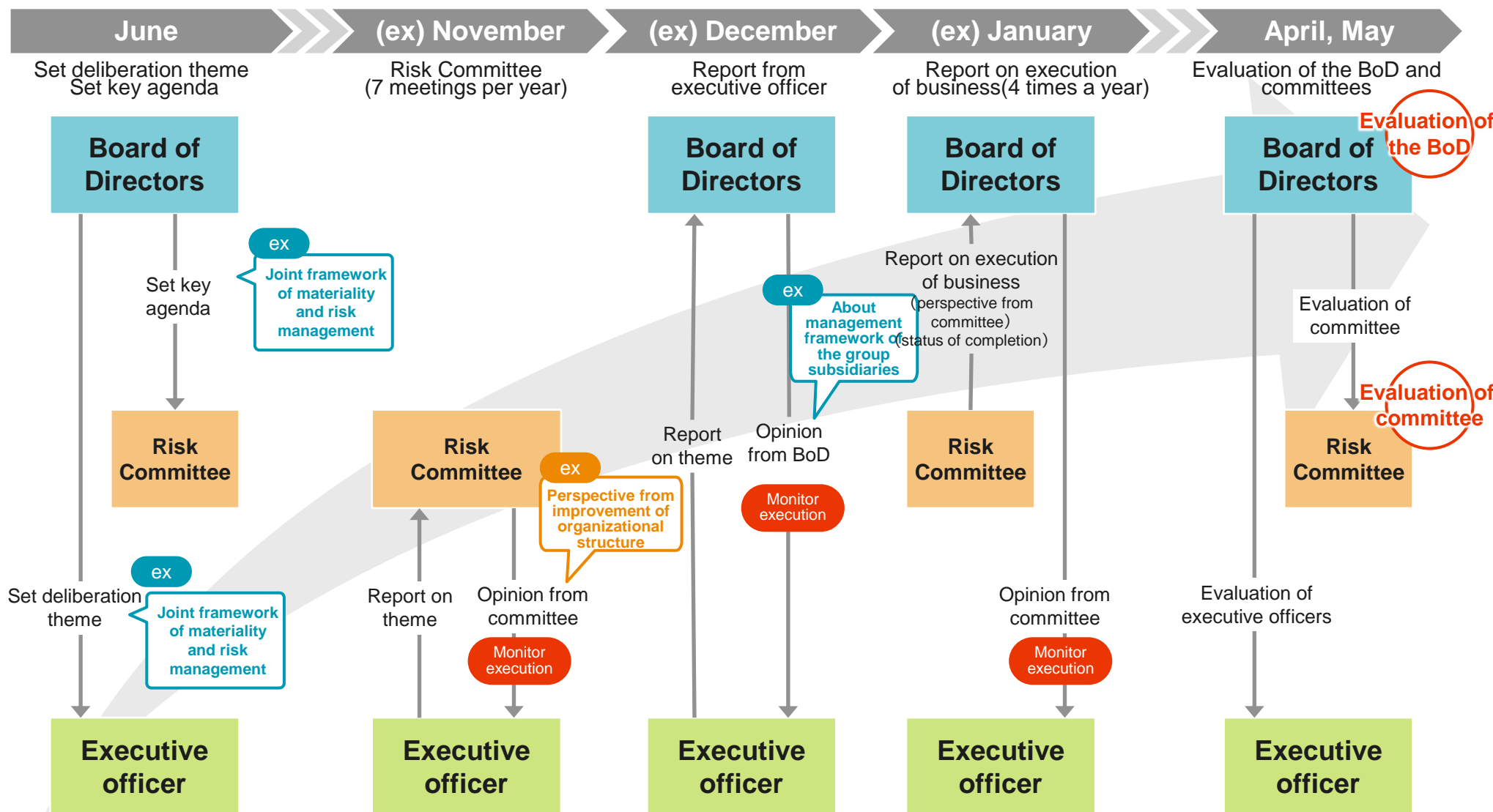
	Impact	Key subsidiaries with significant impact on group management	
Autonomy	Subsidiary managed with high autonomy and internal control	Low Autonomy Need for support from parent company	Low → High
Group management	Management Strategy Control by Supervisory board	Management Strategy Guidance of the high risk areas	
Companies	SuMiTB, SuMiTAM, NikkoAM	...	

【 Expected Function of Boards at subsidiaries based on the above 】

Expected role	Autonomous Supervisory function	Certain dependence on parent company control
Function	Monitoring board (Autonomous control framework)	Conventional Board (Controls including support from parent company)
Supervision	Management strategy, and execution Internal controls Operational evaluation by supervisory board	Management strategy, and execution Internal controls Evaluation of controls from parent company

Initiatives (3): Enhance supervisory functions through committee (example)

(3) System

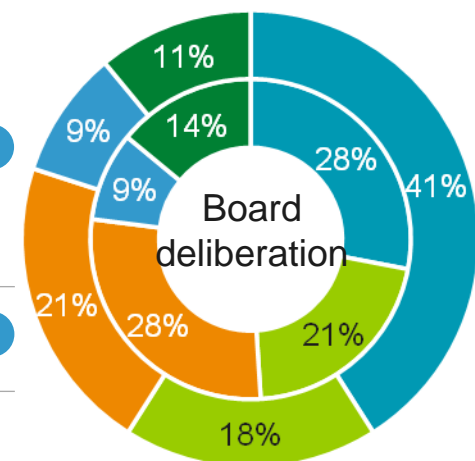


Topics set by the Board of Directors for output (FY2022)

(2) Output

Category	Major Topics
Purpose/ materiality/ value creation process	<ul style="list-style-type: none"> Materiality management Penetration of “Purpose” throughout the group <p>See P.10</p>
Policy on building desirable stakeholder relationships	<ul style="list-style-type: none"> Policy on dialogue with stakeholders Policy on sustainability Clients’ best interests Reduction of strategic shareholdings and results of proxy voting Policy and thoughts on climate change and human rights Well-being/D&I/work-style reform <p>See P.11</p>
Medium-Term Management Strategy	<ul style="list-style-type: none"> Medium-Term Management Plan <p>See P.9</p>
Disciplines of capital allocation	<ul style="list-style-type: none"> Human capital DX strategy Capital policy
Supervisory functions	<ul style="list-style-type: none"> Evaluation of the Board of Directors
Basic policy on internal control	<ul style="list-style-type: none"> Group governance Materiality management and risk management Group’s conduct risk management Conflicts of interest Fiduciary duties Cyber security Resilience of business continuity

Inside : FY2020
Outside : FY2021



- Management strategies and monitoring
- Governance
- Risk management
- Finance
- Relationships with stakeholders

- Continued to deliberate the direction of medium- to long-term management strategies toward SuMi TRUST Vision 2030 since FY2021
- In the process of developing the next Medium-Term Management Plan, significant themes are set as “management themes and deliberation themes”. The Board of Directors and the execution departments mutually review and discuss the plan through a “rallying process” with two-way dialogues

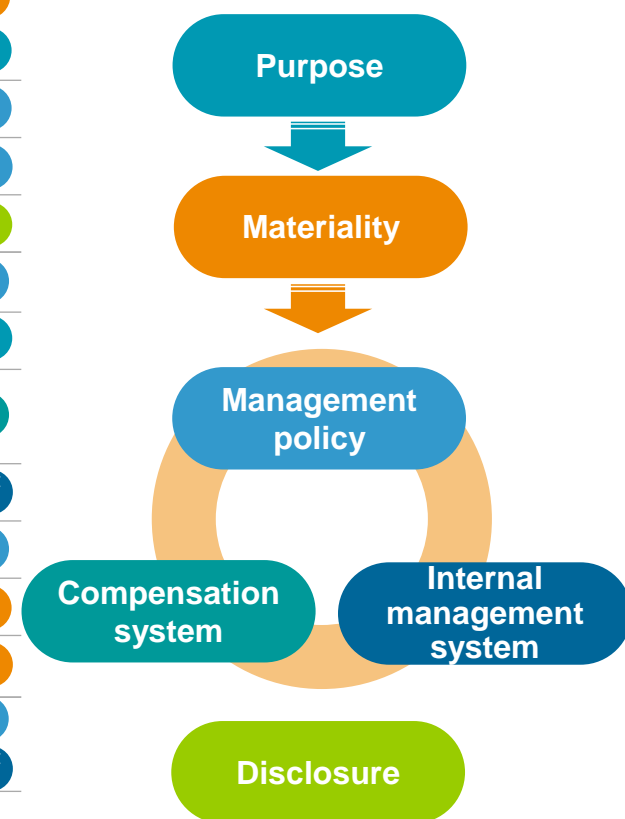
Deliberation by the Board of Directors related to next medium- term management plan

Month and Year		Deliberations	Rallying process of developing strategy	
2021	Jul.	Business portfolio analysis as part of the value creation process	Management theme	Dialogue related strategy
	Oct.	Status of business portfolio analysis study	Management theme	
	Nov.	(TB BoD) managerial significant issues at each business	Deliberation theme	Develop strategy
	Dec.	Status of business portfolio analysis and reorganization	Management theme	
2022	Jul.	Sophistication of management accounting that contributes to group-wide profitability analysis and management resource allocation	SuMi TRUST Vision 2030	Board of Directors
	Aug.	the status of consideration of the next mid-term management plan	Management theme	
	Oct.	Discussion on planning next mid- term management plan	Management theme	
	Dec.	Direction of next mid- term management plan of SuMi TRUST Group		
2023	Jan.	Direction of asset management business strategy as a group	Management theme	Execution department
(scheduled)	Feb.	(TB BoD) Direction of business managerial key strategic areas	Deliberation theme	
(scheduled)	Mar.	SuMi TRUST Group medium term management plan		

- (*)management theme and deliberation theme**
- At HD Board of Directors meetings, in addition to matters required by law and regulations, materiality management issues and other management themes from a mid- to long-term point of view are selected as "management theme". External directors of SuMi TRUST Bank also participate in deliberations on management theme without the requirement to reach any specific conclusions.
 - At TB Board of Directors meetings, Important management themes which are also discussed with HD external directors, are set as "deliberation theme"

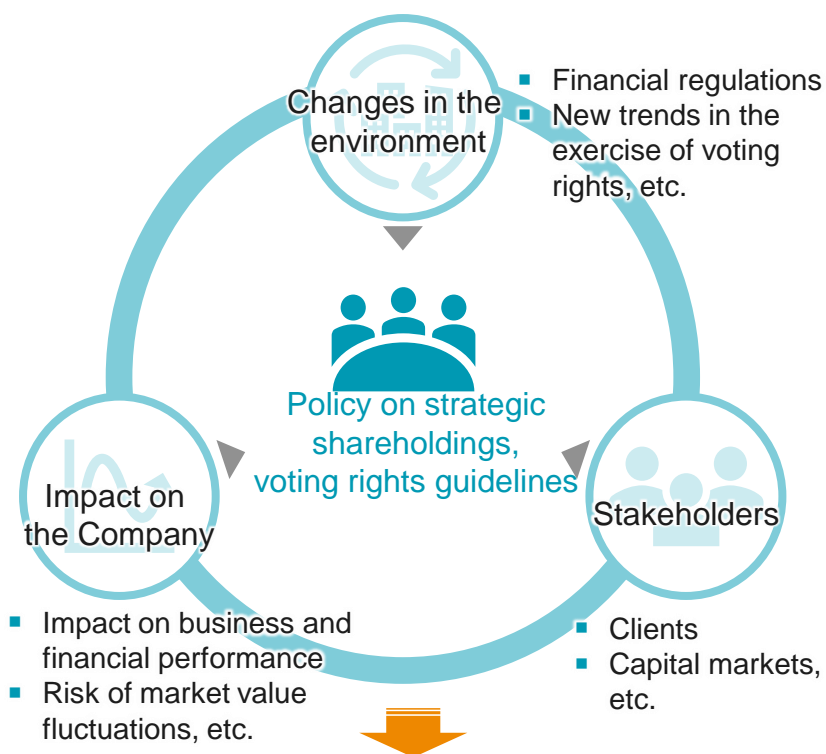
- Approved SuMi TRUST Group's reason for existence ("Purpose") and monitoring its penetration among employees
- Identified the Group's high-priority issues (Materiality) for realization of our "Purpose", and deliberate on measures to integrate them with the Group's management plan

Month and Year		Deliberations	Diverse themes of the sustainability	
2021	Mar.	■ Materiality management and Basic policy on sustainability	Materiality	<pre> graph TD Purpose[Purpose] --> Materiality[Materiality] Materiality --> ManagementPolicy[Management policy] ManagementPolicy --> CompensationSystem[Compensation system] ManagementPolicy --> InternalManagementSystem[Internal management system] CompensationSystem --> Disclosure[Disclosure] InternalManagementSystem --> Disclosure </pre>
		■ Penetration of "Purpose" Management theme	Purpose	
	Aug.	■ Guidelines on climate change Management theme	Management Policy	
	Sep.	■ Carbon Neutral Commitment and joined the related initiatives	Management Policy	
	Dec.	■ Sustainability Report/ TCFD Report	Disclosure	
2022	Mar.	■ Policy on sustainability Management theme	Management Policy	
	May	■ Penetration of "Purpose"	Purpose	
	Jun.	■ (Compensation Committee) Review method for reflecting ESG performance in executive remuneration	Compensation System	
	Sep.	■ Enhance the risk management framework of human rights	Internal Management System	
	Oct.	■ Developing climate change policies and the risk management framework	Management Policy	
	Nov.	■ Reviews of materiality Management theme	Materiality	
	Dec.	■ Reviews of materiality (approval)	Materiality	
2023	Jan.	■ Revisions and status of our initiatives against Human Rights Policy ■ Joint framework of materiality management and risk management	Management Policy Internal Management System	
	(scheduled) Feb.	■ Key strategic areas for management Deliberation theme (Age of 100-year life, ESG/Sustainability management, etc.)	Management Policy	



- In May 2021, under the new management, we announced a new policy that SuMi TRUST Group shall not hold any “strategic shareholdings as a conventional stable shareholder”
- In September 2021, based on the consultation and reports to the Conflicts of Interest Committee, we established policy on exercising voting rights for strategic shareholdings considering the enhancement of each stakeholder’s medium- to long-term value

Month and Year		Major deliberation theme
2021	Jan.~Feb.	<ul style="list-style-type: none"> ■ Policy on strategic shareholdings reduction ■ Hedging policy against stock price fluctuation risks of strategic shareholdings
	Mar.	<ul style="list-style-type: none"> ■ Validity of the policy that the Group shall not hold any strategic shareholdings as a conventional stable shareholder
	Apr.	<ul style="list-style-type: none"> ■ Direction of disclosure policy that the Group shall not hold any strategic shareholdings as a conventional stable shareholder
	Jun.	<ul style="list-style-type: none"> ■ Revision and disclosure of Basic Policy on Corporate Governance
	Jul.~Aug.	<ul style="list-style-type: none"> ■ Establishment of voting rights guidelines ■ At Conflicts of Interest Committee (exercising voting rights guidelines and framework for exercising voting rights)
	Sep.	<ul style="list-style-type: none"> ■ Revision to the Basic policy on strategic shareholdings ■ Revision to the Basic policy on exercising voting rights for strategic shareholdings
	Oct.	<ul style="list-style-type: none"> ■ Direction of disclosure of voting rights guidelines, etc.
	2022 Jan.	<ul style="list-style-type: none"> ■ Framework for exercising voting rights of strategic shareholdings
	Sep.	<ul style="list-style-type: none"> ■ Conflicts of Interest Committee (Results of proxy voting) ■ Direction of disclosure policy of the results of proxy voting

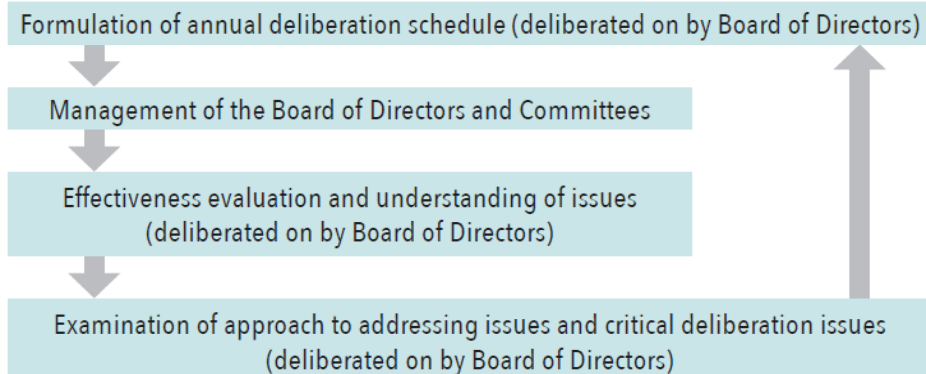


Established a framework for exercising voting rights and monitor the status of exercise based on dialogue with corporate clients
 → Certain engagement effects confirmed through monitoring

Appendix

Sustainable PDCA Cycle of the Evaluation of the Board of Directors

Board PDCA Cycle



Multifaceted evaluation of the BoD(who evaluates what)

Who? \ Assessing what?		Directors	Committee members	Executive officers
Meeting body assessment	Board of Directors	○	—	○
	Committees	○	○	—
Self-assessment	As directors	○	—	—
	As executive officers	—	—	○
Interviews		○	—	—

Comprehensiveness of the viewpoints of the effectiveness evaluation (Evaluation outline of FY2021)

Bodies to be evaluated	The BoD, the Nominating Committee, the Compensation Committee, the Audit Committee, the Risk Committee, the Conflicts of Interest Committee		
Respondents	Directors and executive officers, members of each committee		
Method of inquiry	1) Questionnaires to directors, executive officers, and members of each committee (five-scale multiple choice questions and essay-type questions) 2) Interviews with directors by a third-party organization		
Evaluation items	1) Future vision of the Board	2 items	Free-form response, etc.
	2) Roles and functions of the Board (incl. self-assessment of individual directors)	15 items	Purpose, stakeholders, sustainability, management strategies, internal controls, Group governance, etc.
	3) Framework of the Board	4 items	Composition, liaison, acceptance, etc.
	4) Operation of the Board	4 items	Operation, enforcement and reflection of proposals, training opportunities, etc.
	5) Executive accountability	5 items	Autonomy, explanations, materials, etc.
	The demonstration of functions of each committee	6 items	The demonstration of functions/utilizing proposals, etc.
	Self-assessment items for the following committees are also evaluated		
	6) Nominating Committee	11 items	
	Compensation Committee	12 items	
	Audit Committee	24 items	
	Risk Committee	12 items	
	Conflicts of Interest Committee	10 items	
	7) Items concerning themes for deep discussion at the Board of Directors	1 items	Free-form response
	Total	106 items	

*Executive officers evaluated 14 items among 1) through 6) of the evaluation items concerning the Board of Directors.

Additional disclosure of “Area of Expertise of External Directors”

- Additional disclosure of breakdown of “Creativity Expertise” of seven external directors

	External directors						
	Isao Matsushita	Shinichi Saito	Hiroko Kawamoto	Mitsuhiro Aso	Nobuaki Katoh	Masanori Yanagi	Kaoru Kashima
Corporate management	●	●	●		●	●	●
Finance, Accounting	●	●					●
Legal affairs, risk management, and compliance		●	●	●			●
Creativity(*1)	●	●	●	●	●	●	●
Trust, Investment		●				●	
Internationality(*2)	●	●		●	●		
Sustainability	●	●	●	●	●	●	●
Environment(*3)	●	●			●	●	
Social(*4)	●			●	●		
Empowerment of women, D&I			●				●

breakdown

- (*1) Including digital technology/IT. “Digital/IT” discussions were conducted based on opinions from external experts in the IT Committee, which is on the execution side.
 (*2) Including experience of working overseas, academic activities in cooperation with overseas universities, and studying at universities and graduate schools
 (*3) Including ESG investment/environmental rating finance and supply chain management
 (*4) Including human rights and supply chain management

Indicators (KPIs) for performance-linked compensation

- Revised evaluation system to better reflect medium- to long-term contributions and ESG-related contributions

New performance assessment system for stock-based remuneration (Applied on July, 2022)

Indicators (KPIs) for performance-linked compensation		Assessment weighting	
Linked to near-term earnings	(1) Consolidated net business profit	33.3%	22.2%
	(2) Consolidated net profit attributable to owners of the parent		11.1%
Linked to medium-term financial metrics	(3) Consolidated shareholders' equity and ROE	33.3%	11.1%
	(4) Consolidated CET1 ratio (common equity tier 1 capital ratio)		11.1%
	(5) Consolidated overhead ratio (OHR)		11.1%
Linked to ESG	(6) ESG overall assessment (categories: climate change, FD & CS activities, employee engagement, D&I (empowerment of women, etc.), ESG assessment organizations)(*5)	33.3%	

NEW 1

NEW 2

(*5) MSCI, FTSE, and Sustainalytics

< Main changes >

Please see to [Annual report P95](#) for more information.

Members of each committee of the Board of Directors

(3)System

	Name	Career	Nominating Committee	Compensation Committee	Audit Committee	Risk Committee	Conflict of interest Committee
External	Director	Isao Matsushita	Former Representative Director and President (President and Executive Officer) of ENEOS Holdings	◎	○		
		Shinichi Saito	Former Representative Director, CO-CEO of Japan Industrial Solutions Co., Ltd			○	
		Hiroko Kawamoto	Former Executive Vice President of All Nippon Airways Co., Ltd.	○	◎		
		Mitsuhiro Aso	Former Superintending Prosecutor of Fukuoka High Public Prosecutors Office	○		◎	
		Nobuaki Katoh	Former President & CEO of DENSO CORPORATION	○	○		○
		Masanori Yanagi	Former President and CEO of The Development Bank of Japan	○	○		
		Kaoru Kashima	Former Managing Director of Ernst & Young ShinNihon LLC			○	○
	Expert	Hideki Kanda*	Emeritus Professor of the University of Tokyo Professor of Professional School of Law (Law School) of Gakushuin University				◎
		Kenji Fujii	Former Managing Executive Officer of Mizuho Securities Co., Ltd.			◎	
		Haruyuki Toyama	Former Director General of International Department of the Bank of Japan			○	
		Akiko Hosokawa	Baker & McKenzie(Gaikokuho Joint Enterprise)				○
Internal		Tetsuo Ohkubo	Chairman of SuMi TRUST Holdings	○	○		
		Masaru Hashimoto	Chairman of SuMi TRUST Bank	○	○		
		Kuniyuki Shudo	Full-time Audit Committee member			○	
		Kouji Tanaka	Full-time Audit Committee member			○	
		Yasuyuki Suzuki	Managing Executive Officer				○
		Yuki Takada	Executive Officer				○

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