



# Sumitomo Mitsui Trust Holdings, Inc.

## IR DAY

March 18<sup>th</sup>, 2022

Sumitomo Mitsui Trust Holdings, Inc.

# Today's agenda

## 1. SuMi TRUST Group's climate change initiatives

**Riro Sato**

Executive Officer, Sumitomo Mitsui Trust Holdings, Inc.

## 2. TBF business initiatives

### ■ Introduction of Technology based finance team

**Riro Sato**

Executive Officer, Sumitomo Mitsui Trust Holdings, Inc.

### ■ Our Impact business and examples

**Minoru Hayashida, Ph.D.**

Senior Manager, Sustainability Management Dept., Sumitomo Mitsui Trust Holdings, Inc.

### ■ Our hydrogen related business and strategy

**Takahide Haneda, Ph.D.**

Senior Manager, Sustainability Management Dept., Sumitomo Mitsui Trust Holdings, Inc.

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## SuMi TRUST Group's climate change initiatives

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Riro Sato

Executive Officer

Sumitomo Mitsui TRUST Holdings, Inc.

# Reason for Existence (“Purpose”)

The SuMi TRUST Group’s reason for existence, or “Purpose”

Our ideal  
vision

Creating new value with the power of trusts and  
let prosperous future for our clients and society bloom

Roles expected  
by society

From our very founding, the SuMi TRUST Group has strived to be the “Best Partner” most trusted by our clients based on our unwavering client-oriented philosophy. Our reason for existence (“Purpose”) incorporates our positive commitment to solving social issues going forward, as well as the idea that we can achieve sustained growth for ourselves through such contributions.



*Our inspiration,  
pride, and  
motivation*



Creation of value for  
clients and society

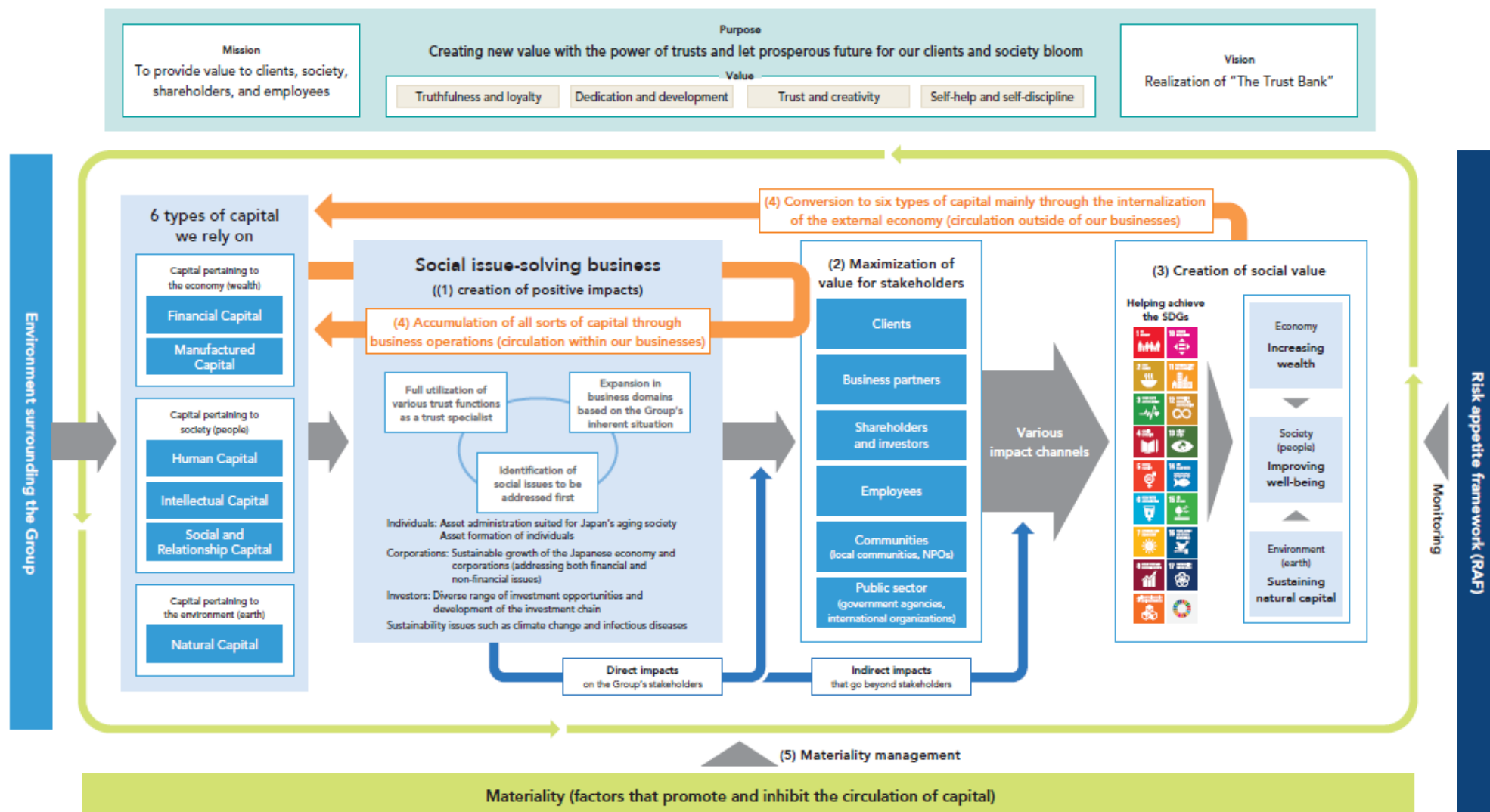
Realization  
of virtuous  
circulations

Development of society, as well as enhancement  
of the Group’s corporate value



*Realization of  
prosperity, happiness,  
and well-being for all*

# Value Creation Process

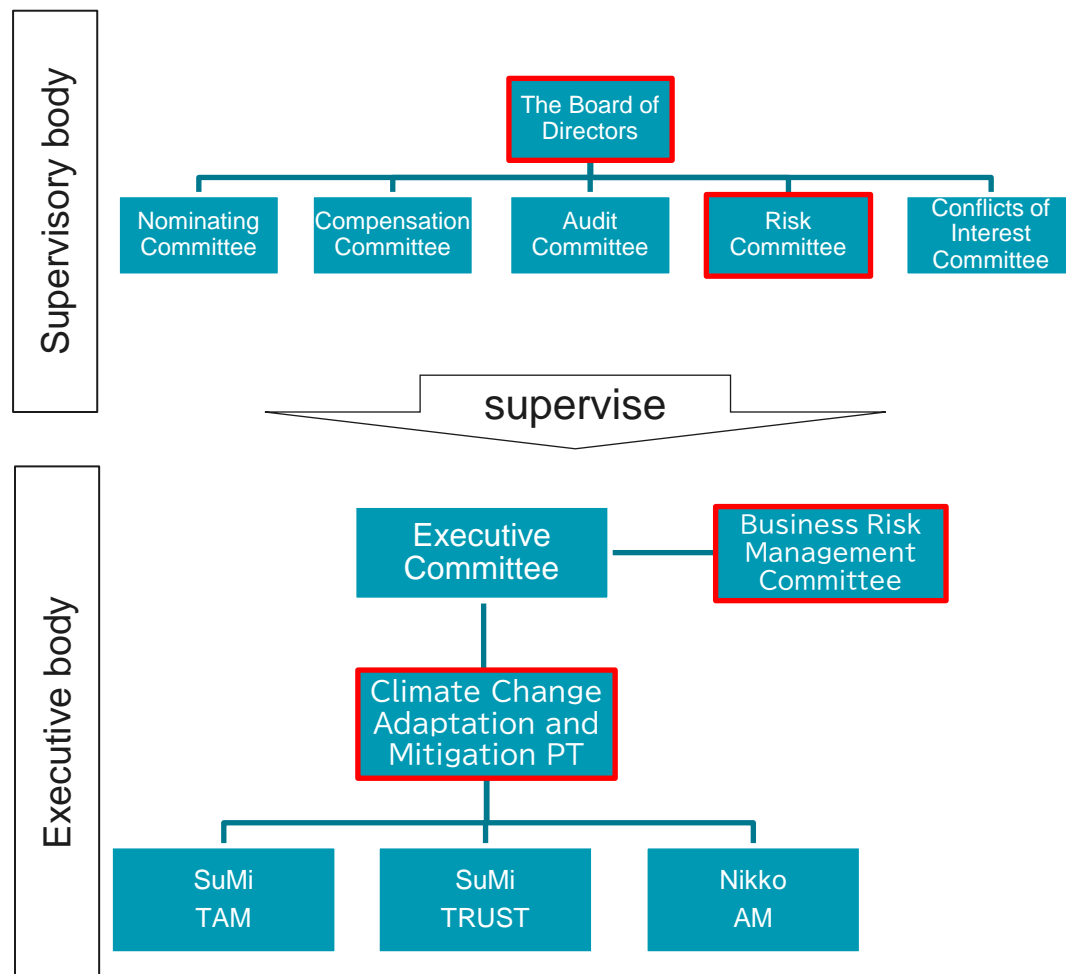


# Materiality Management



# Governance regarding Climate Change Response

- Establish a governance system of supervision and execution centered on the Board of Directors.
- A group-wide Climate Change Adaptation and Mitigation PT was established on the execution side. Progress is monitored and assessed at monthly executive committees.



## 【Initiatives for FY2021】

The Board of Directors 3 times

Risk Committee 2 times (Advisory bodies to the Board of Directors)

## Major opinions at the Board of Directors meeting

- ✓ Although it may be costly in the short term, we need to work on how we can contribute to climate change issues, differentiate ourselves from other companies, and develop new sources of revenue.
- ✓ Companies also have a role to play as organizations that exist and operate on the earth. We need to examine what we can do as a company and actively fulfill our social responsibilities.
- ✓ We need to move forward on the issue of climate change in a more positive and brisk manner than before.

Executive Committee 7 times

Business Risk Management Committee 6 times (Advisory bodies to Executive Committee)

Climate Change Adaptation and Mitigation PT 4 times (Steering committee)

# TCFD Report (2021/2022)

## Update from previous year's report

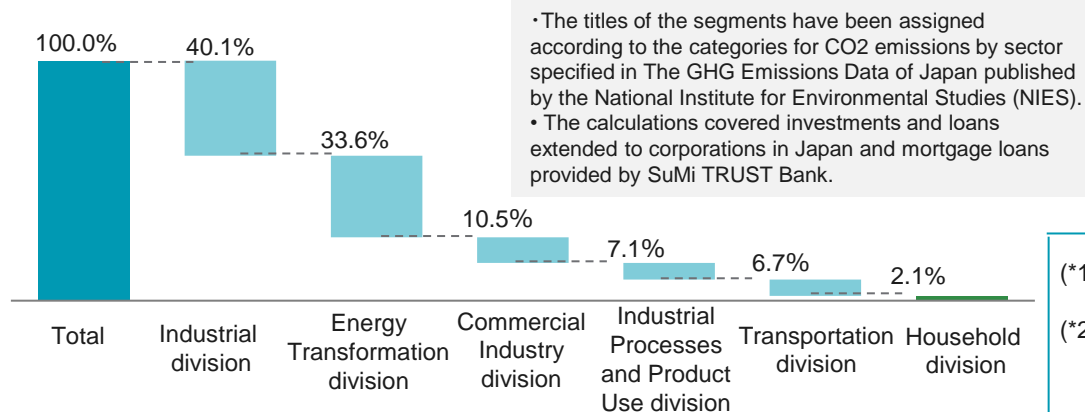
- **Carbon Neutral Commitment** see next page
- Joined the NZBA (Net Zero Banking Alliance)(\*1)
- The Group's asset management companies membership in NZAMI (Net-Zero Asset Managers initiative)(\*2)
- **Trial measurement of GHG emissions from investment and loan portfolios**
- **Scenario analysis of the shipping sector**
- Sector policy review

## Future Directions

- Establishment and disclosure of goals and roadmaps in accordance with NZBA
- Fulfillment of commitments in accordance with NZAMI
- Continuous sophistication of measurement of GHG emissions from investment and loan portfolios
- Enhancement of scenario analysis of transition risk and physical risk
- Development of an integrated risk management framework for addressing climate change issues

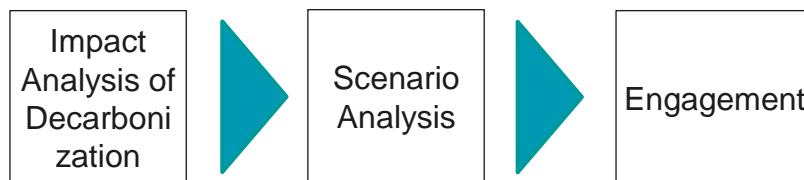
### 【Trial measurement of GHG emissions from investment and loan portfolios】

We advanced our understanding of the GHG emissions in our investment and loan portfolios in broad strokes, differences in carbon intensity between sectors, and the characteristics of carbon intensity in each sector.



### 【Scenario analysis of the shipping sector】

Support customers in their efforts to decarbonize by understanding future challenges and business opportunities



(\*1) NZBA: International initiative between banks to achieve net-zero greenhouse gas (GHG) emissions from their investment and loan portfolios by 2050

(\*2) NZAMI: International initiative, launched in December 2020, for asset managers aiming to achieve net-zero GHG emissions from their investee companies by 2050



# Carbon Neutral Commitment

## Carbon Neutral Commitment

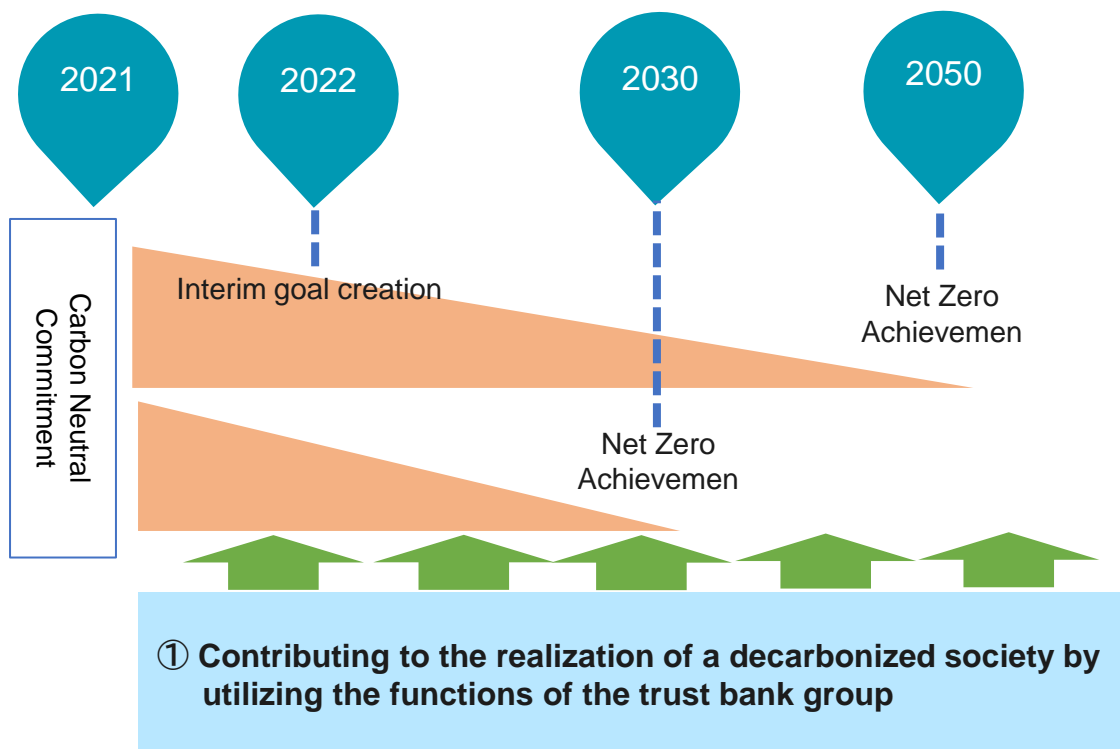
- (1) Contribute to achieving carbon neutrality in society by leveraging the trust banking group's wide-range and flexible functions
- (2) Target net-zero GHG emissions in investment and loan portfolios by 2050  
To achieve net-zero emissions by 2050, a milestone target for 2030 will be formulated in FY2022 in line with the framework of the NZBA (\*)
- (3) Achieve net-zero GHG emissions in the SuMi TRUST Group by 2030

(\*) NZBA: International initiative between banks to achieve net-zero greenhouse gas (GHG) emissions from their investment and loan portfolios by 2050

### Schedule

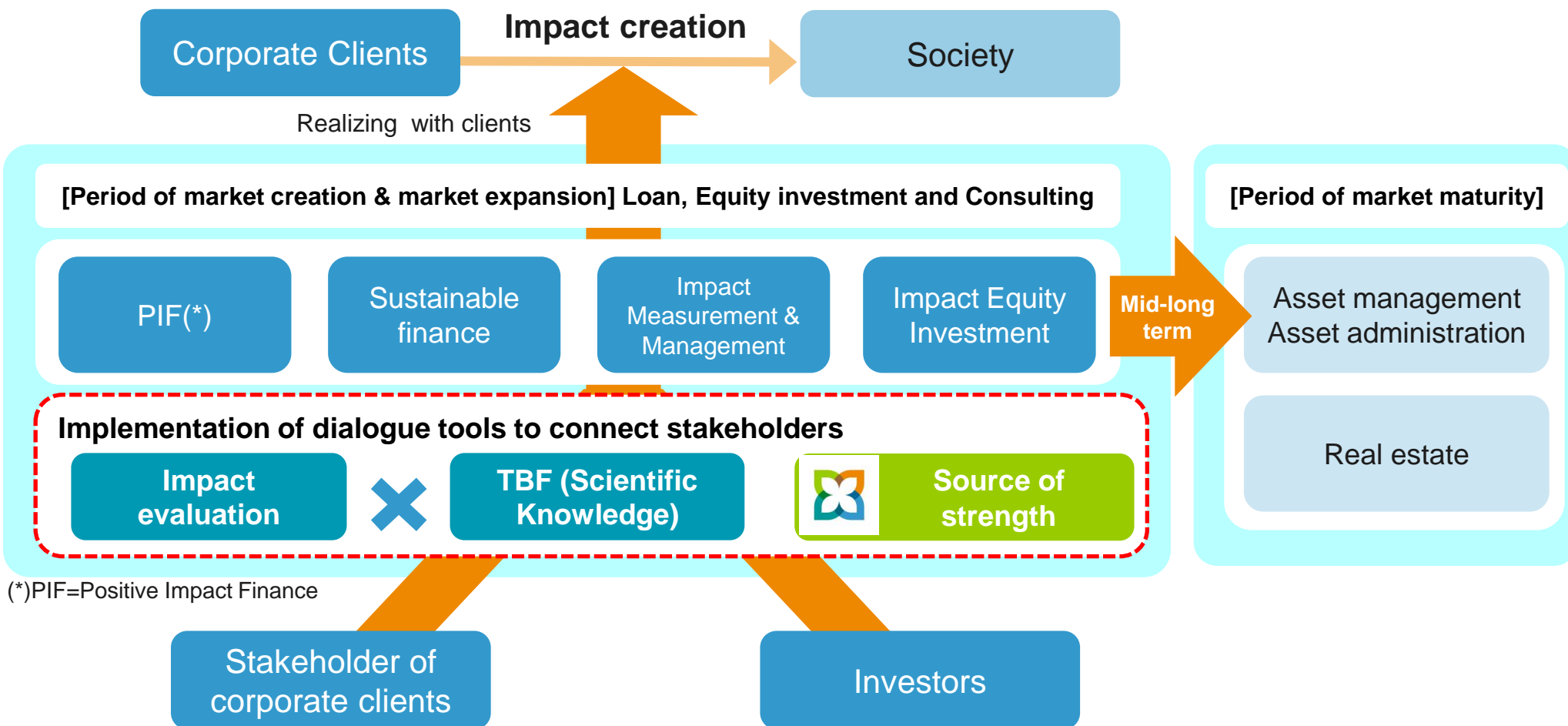
② Greenhouse Gas Emissions from Investment and Loan Portfolio (Scope 3)

③ Greenhouse Gas emissions from Group companies (Scope 1, 2)



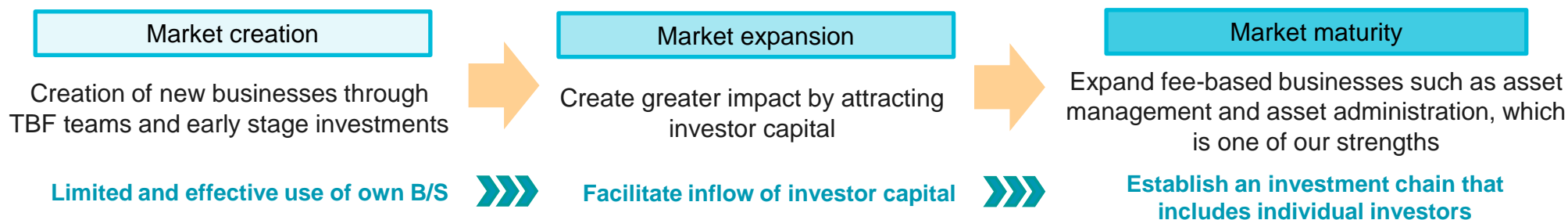
# Creating Impact in Climate Change Related Businesses

- To support clients' financial needs and business development in the short term by leveraging impact evaluation and scientific knowledge as our source of strength
- Create impact through practical implementation of superior technology, development of new markets and businesses and expand into asset management and asset administration business in the mid- to long-term.

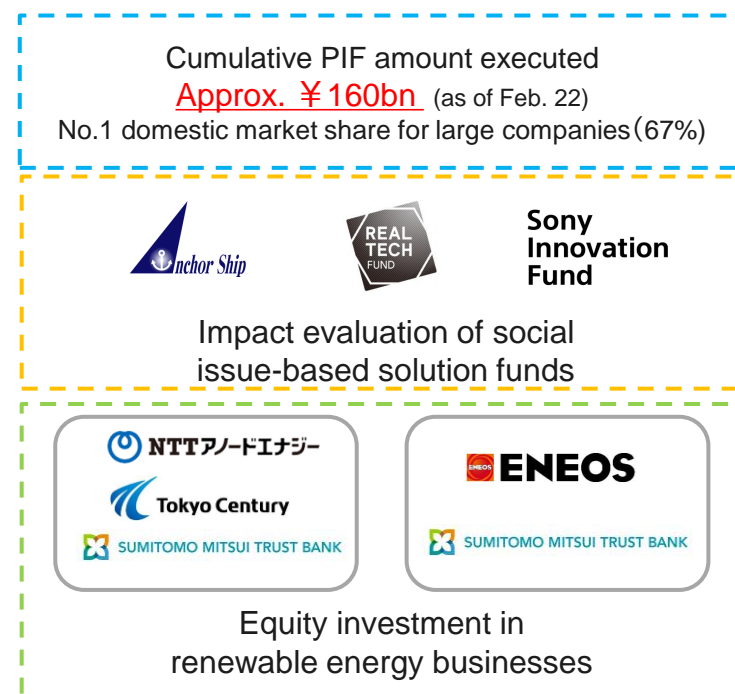
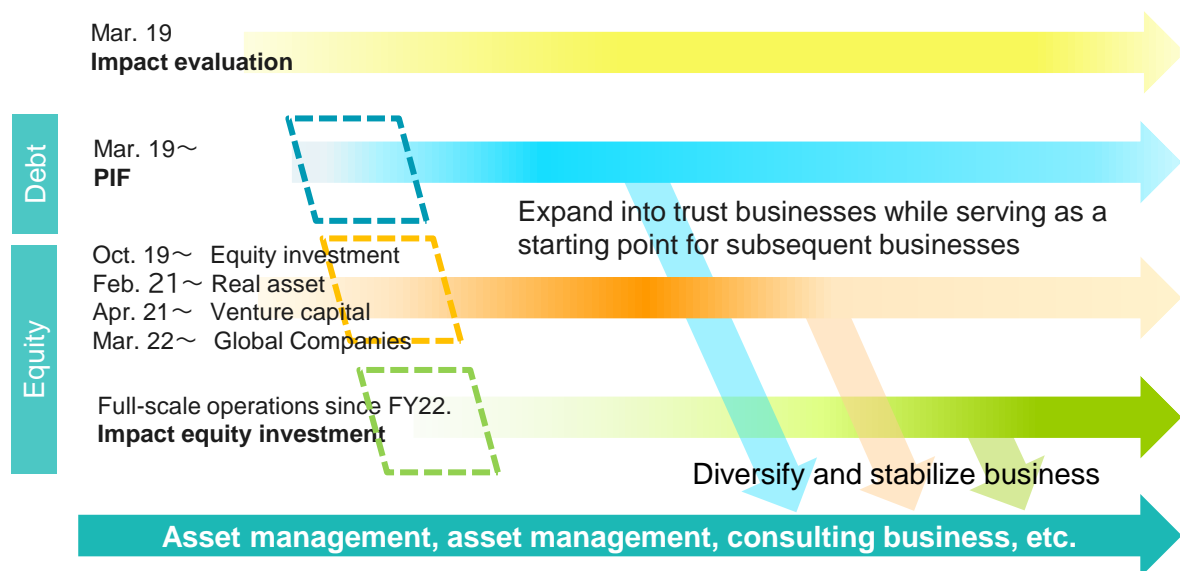


# Initiatives to Expand Climate Change Related Businesses

- Create business opportunities in new areas to expand eventually into trust-related businesses, which is our area of expertise
- Aim for seamless and sustainable business development through a combination of diversified expansion and early-stage investment

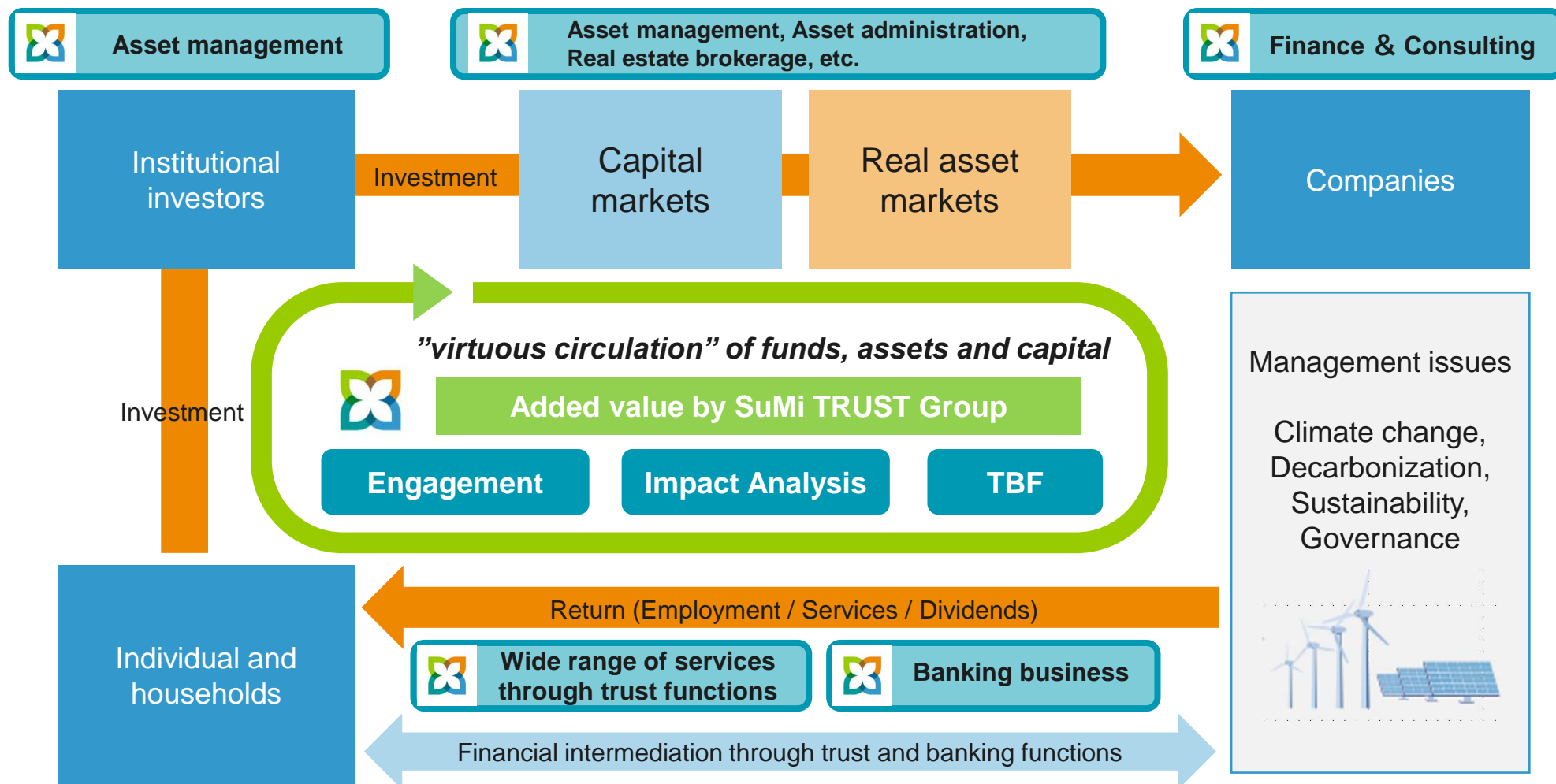


[ Status of efforts to create new businesses ]



# Virtuous Circulation in Sustainability in Areas of Our Focus

- Unique sustainable business by adding scientific knowledge to asset management and banking operations
- Create a virtuous circulation of funds, assets and capital by leveraging our strength of possessing various contact points with many market participants (institutional investors, corporations, individuals and households)



## 2 TBF business initiatives

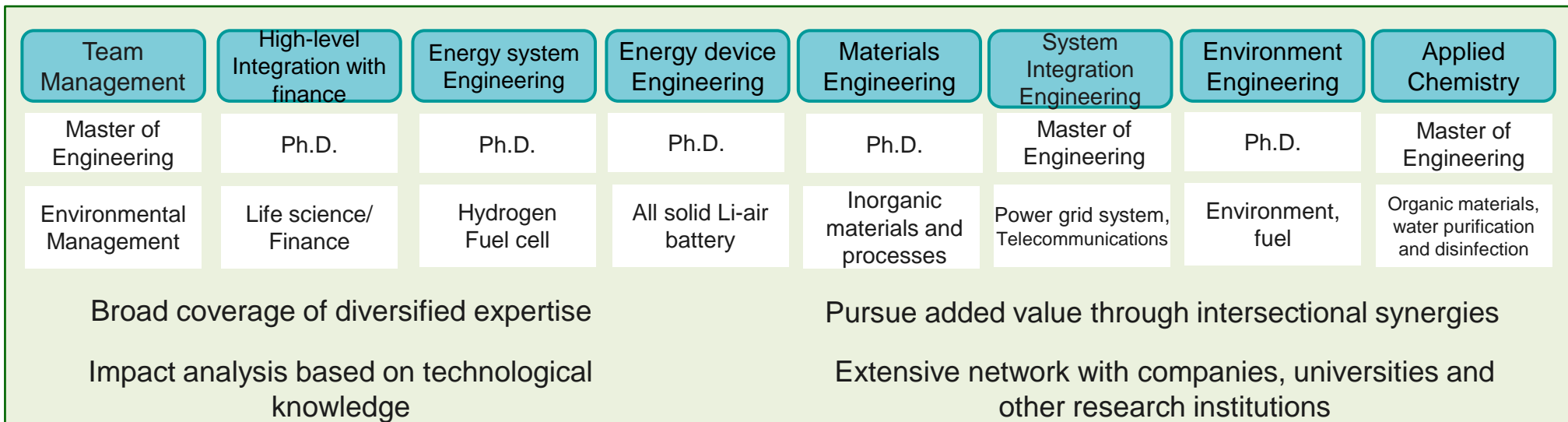
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- Introduction of Technology based finance team
- Our impact business and examples
- Our hydrogen related business and strategy

Riro Sato  
Executive Officer  
Sumitomo Mitsui TRUST Holdings, Inc.

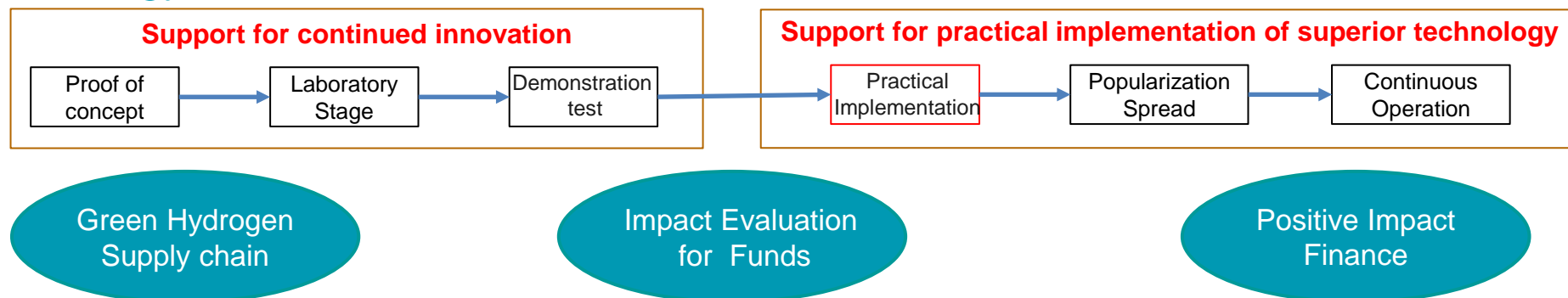
# Technology Based Finance Team

- Established TBF team to support social implementation of technology from financial perspective
- Achieved financing based on scientific perspective by understanding our clients' latest technologies and extensive dialogue
- Received Silver Prize (Minister of Environment Award) in the indirect finance category at the ESG Finance Awards Japan 2022



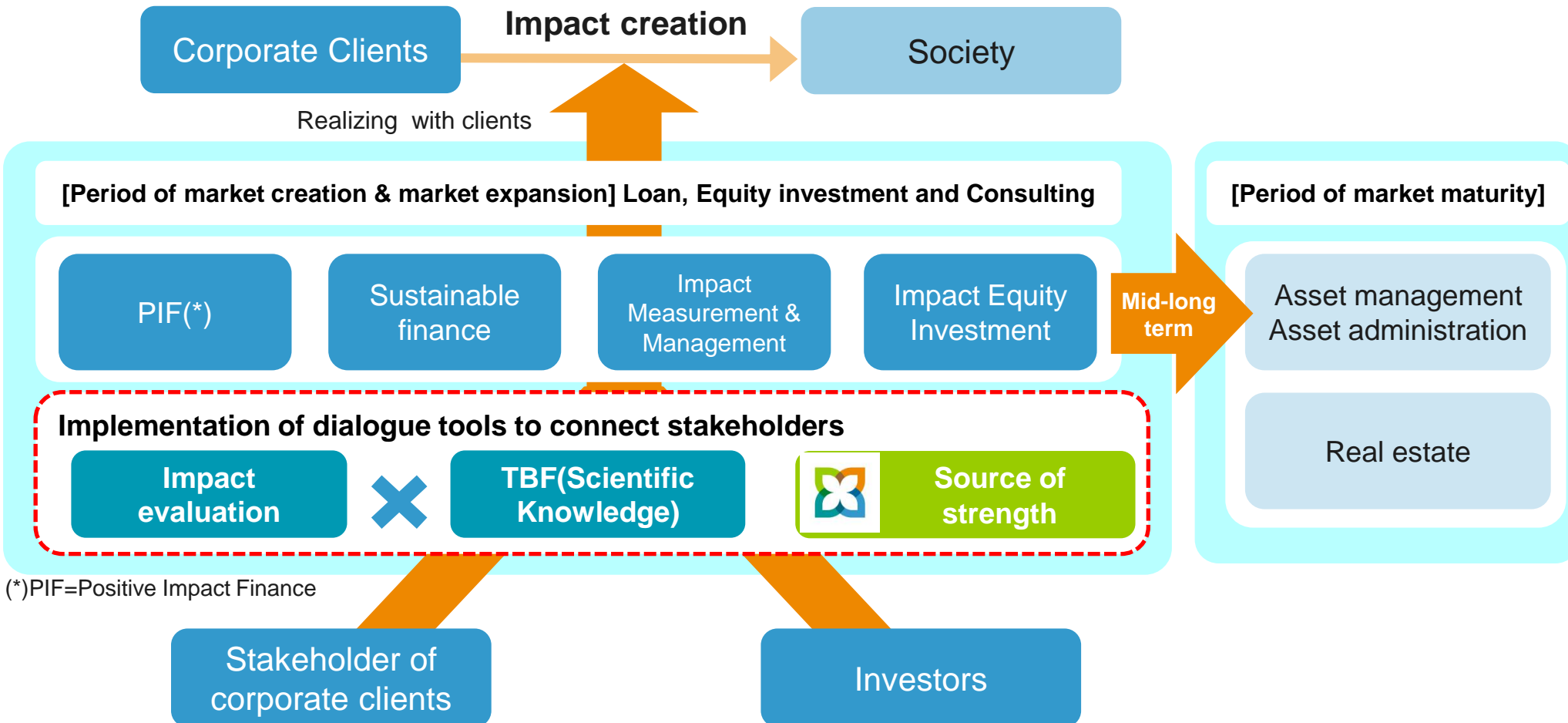
## Technology

## Finance



# Creating Impact in Climate Change Related Businesses (re-posted)

- To Support clients' financial needs and business development in the short term by leveraging impact evaluation and scientific knowledge as our source of strength
- Create impact through practical implementation of superior technology, development of new markets and businesses and expand into asset management and asset administration business in the mid- to long-term.



## 2 TBF business initiatives

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Senior Manager, Minoru Hayashida, Ph.D.  
Sustainability Management Department  
Sumitomo Mitsui TRUST Holdings, Inc.



# Impact Oriented Financing Expected of Banks

- SuMi TRUST group is Founding signatory to “The Principles for Responsible Banking”
- Positioning "balanced creation of both social value and economic value" by creating positive impact to solve social issues as the foundation of our management

April 2006  
United Nations (UN)  
The Principles for Responsible Investment (PRI)



ESG



September 2019  
United Nations Environment Programme Finance Initiative (UNEP FI)  
The Principles for Responsible Banking (PRB)



Impact

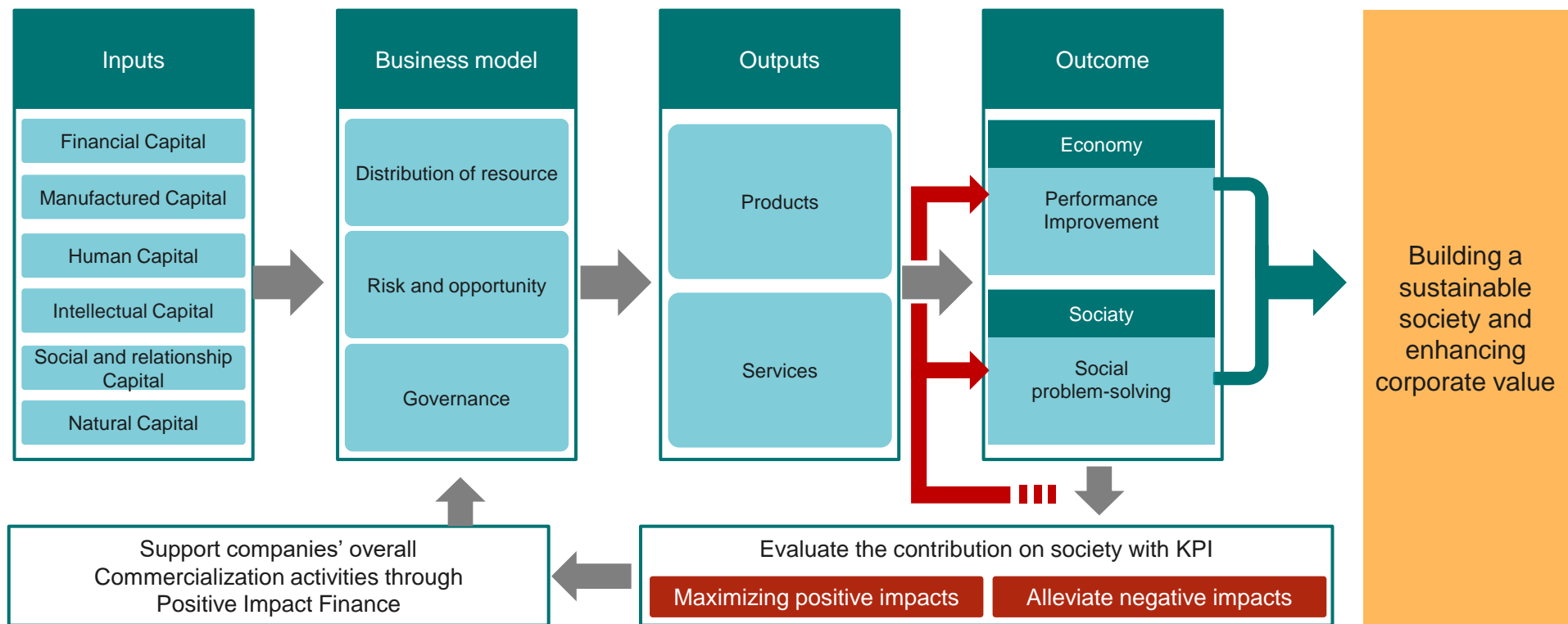
←Core idea→

The Principles for Responsible Banking “PRINCIPLE 2: IMPACT & TARGET SETTING”

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

# Positive Impact Finance (PIF)

- To support value creation process of client companies, measure the environmental, social, and economic impact of them
- Set goals through engagement with companies and support their efforts to achieve them



# Case Study of PIF - Sumitomo Rubber Industries, Ltd. -

- Identify challenges that truly create social impact through engagement with customers
- With better understanding of clients, support corporate value enhancement (e.g., decarbonization) through assessment of clients' activities and engagement

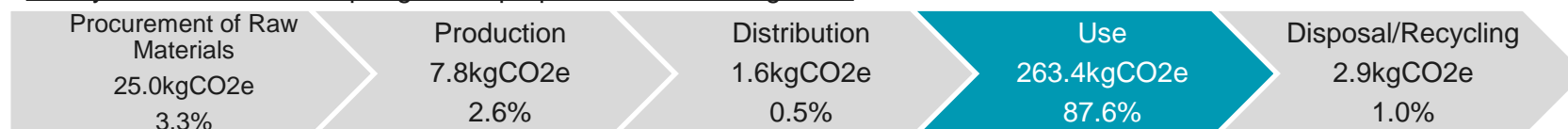
## Background

Sumitomo Rubber Industries, Ltd. is implementing various initiatives to reduce CO2 emissions, including energy efficiency improvements at its plants and tree-planting activities, etc. Discussed which initiatives to focus on for impact assessment and monitoring to be most effective in reducing CO2 emissions and to ensure accountability to stakeholders.

## Identification

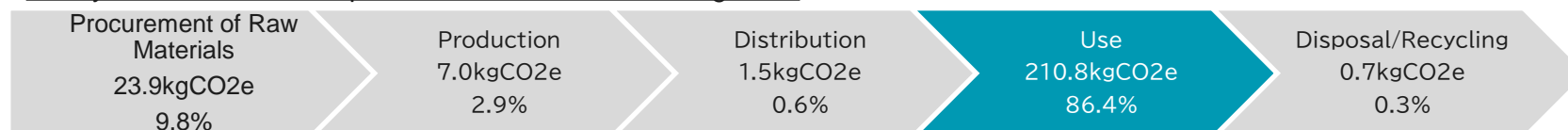
Identified that during the life cycle of a tire, the driving process accounts for 80-90% of the total CO2 emissions.

Life cycle GHG emissions per general-purpose tire = 300.6 kgCO2e



\*GHG emissions from disposal/recycling stage: Emissions = 15.9 kgCO2e, reduction = -13.1 kgCO2e

Life cycle GHG emissions per fuel efficient tire = 243.9 kgCO2e



\*GHG emissions from disposal/recycling stage: Emissions = 13.1 kgCO2e, reduction = -12.5 kgCO2e

Source: The Japan Automobile Tyre Manufacturers Association, Inc. Tyre LCCO2 Calculation Guidelines (Ver. 2.0)

## Goal setting/monitoring

Sumitomo Rubber Industries, Ltd. is focusing on "lower fuel consumption" to reduce lifecycle CO2 emissions, and agreed to set KPI as the rate of progress against milestones, and began monitoring KPI over the loan period.

# Building Partnerships with Social Issue-based Solution Funds

- Achieve “balanced creation of both social value and economic value” by creating positive impact through partnerships (SDGs Goal 17)
- Contribute to the realization of a sustainable society through impact measurement and management support



- Supporting transitions toward carbon neutrality in the shipping industry



- Supporting R&D startups from local regions that contribute to solving social issues

**Sony  
Innovation  
Fund**

- Supporting startups that contribute to solving social issues to achieve sustainability in global society

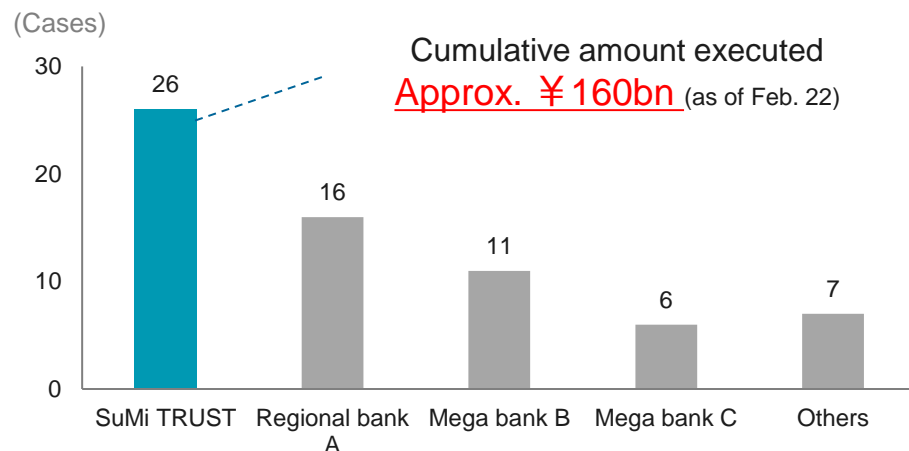
**SUSTAINABLE  
DEVELOPMENT GOALS**



# (Reference) Climate Change Related Businesses

## PIF (Mar. 19～)

### Number of deals by Financial Institution



Gold Award in Loan at the 1st  
“ESG Finance Awards Japan”



External Evaluation of the  
Significance of PIF Initiatives

Chairman’s Award at the  
17th LCA Japan Forum



External evaluation of PIF quality

## Impact evaluation (Mar. 19～)



Sony  
Innovation  
Fund

Impact evaluation of social issue-based  
solution funds

## Impact equity investment (Full-scale operations since FY22)



Equity investment in renewable energy projects

## (Reference) Positive Impact Finance results

Timing	Borrower	Lender
Mar-19	FUJI OIL HOLDINGS INC.	SuMi TRUST Bank
Dec-19	J. FRONT RETAILING Co., Ltd.	SuMi TRUST Bank
Mar-20	Sumitomo Metal Mining Co., Ltd.	Syndicated Loan Arranged by SMTB
	SUBARU CORPORATION	Syndicated Loan Arranged by SMTB
	Sumitomo Forestry Co., Ltd.	SuMi TRUST Bank
	Nippon Paper Industries Co., Ltd.	SuMi TRUST Bank
	Toyo Aluminium K.K.	SuMi TRUST Bank
May-20	Sumitomo Rubber Industries, Ltd.	SuMi TRUST Bank
Jun-20	Mitsui Chemicals, Inc.	Syndicated Loan Arranged by SMTB
Aug-20	Toray Industries, Inc.	Syndicated Loan Arranged by SMTB
Sep-20	Rengo Co., Ltd.	Syndicated Loan Arranged by SMTB
	DIC Corporation	SuMi TRUST Bank
Dec-20	RICOH LEASING COMPANY, LTD.	SuMi TRUST Bank
	Sumitomo Dainippon Pharma Co., Ltd.	SuMi TRUST Bank

Timing	Borrower	Lender
Jan-21	Sapporo Holdings Limited	SuMi TRUST Bank
Mar-21	Furukawa Electric Co., Ltd.	SuMi TRUST Bank
	Tokyu Fudosan Holdings Corporation	SuMi TRUST Bank
Aug-21	Kawasaki Heavy Industries, Ltd.	SuMi TRUST Bank
Sep-21	Tokyu Fudosan Holdings Corporation	SuMi TRUST Bank
	MEIDENSHA CORPORATION	SuMi TRUST Bank
Nov-21	Mitsubishi Estate Co., Ltd.	SuMi TRUST Bank
Dec-21	ORIX JREIT Inc.	SuMi TRUST Bank
	FP Corporation	SuMi TRUST Bank
Jan-22	Nankai Electric Railway Co., Ltd.	SuMi TRUST Bank
	KAJIMA CORPORATION	SuMi TRUST Bank
Feb-22	Hulic Reit, Inc.	SuMi TRUST Bank

Number of positive impact finance initiatives from April 2018 to February 2022

## 2 TBF business initiatives

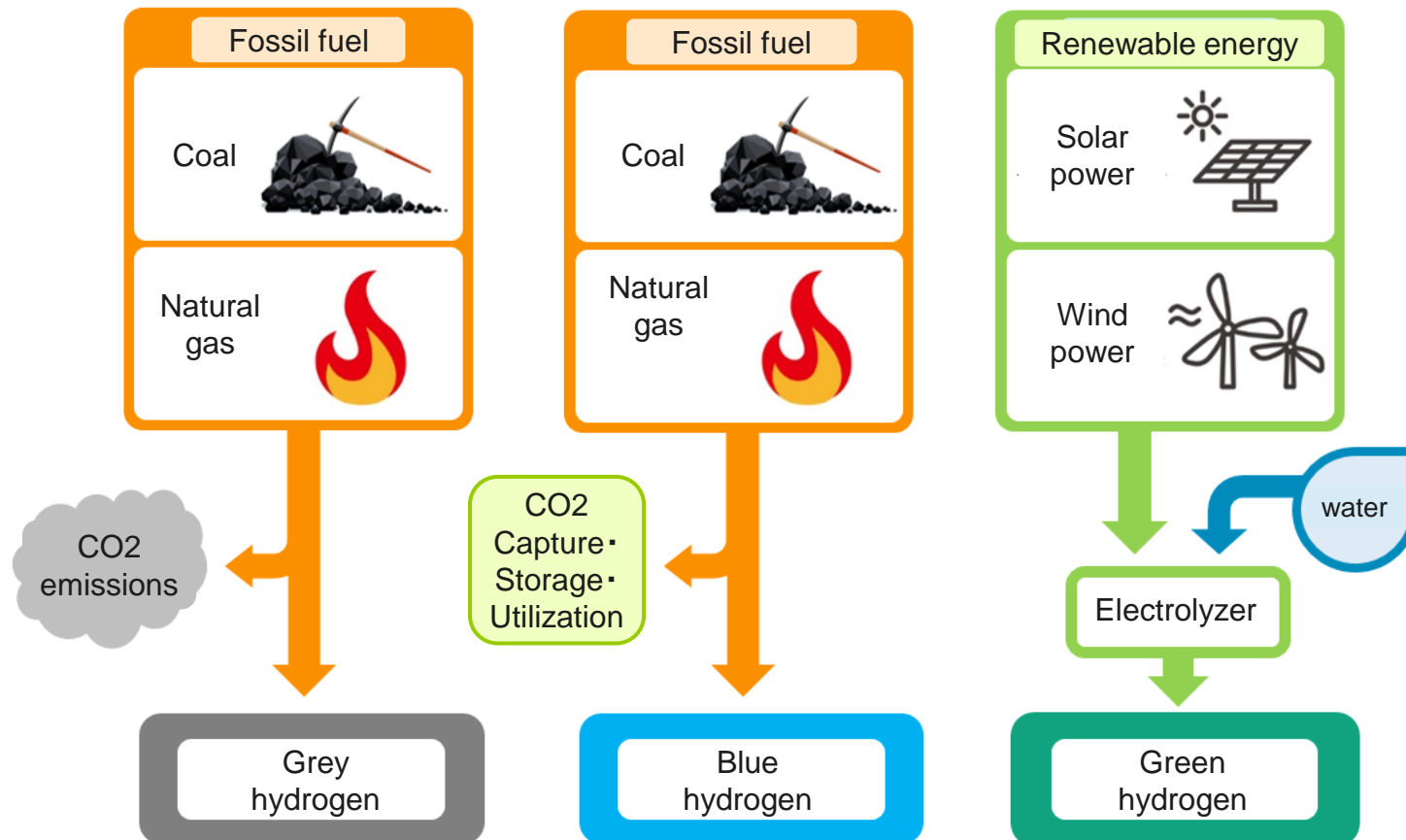
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- Introduction of Technology based finance team
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- Our hydrogen related business and strategy

Senior Manager, Takahide Haneda, Ph.D.  
Sustainability Management Department  
Sumitomo Mitsui TRUST Holdings, Inc.

# Three Classifications of Hydrogen

- Hydrogen can be produced from a variety of feedstocks including fossil fuels, biomass and water
- Depending on differences in feedstocks and manufacturing methods, hydrogen is broadly classified by color, such as grey, blue and green



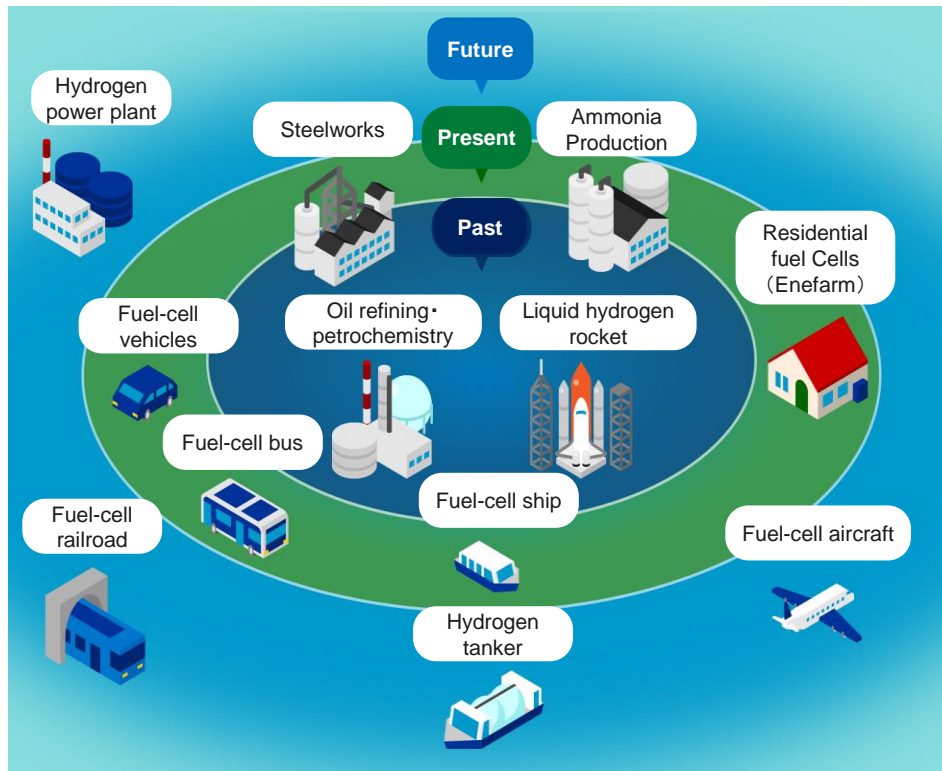
(Source) Agency for Natural Resources and Energy website



# Positioning of Hydrogen for Achieving Carbon Neutrality in 2050

- Hydrogen is expected as a fuel for large-scale power generation and other applications required to achieve carbon neutrality by 2050
- However, carbon-neutral hydrogen is currently expensive, and full-scale hydrogen deployment is expected to begin after 2030

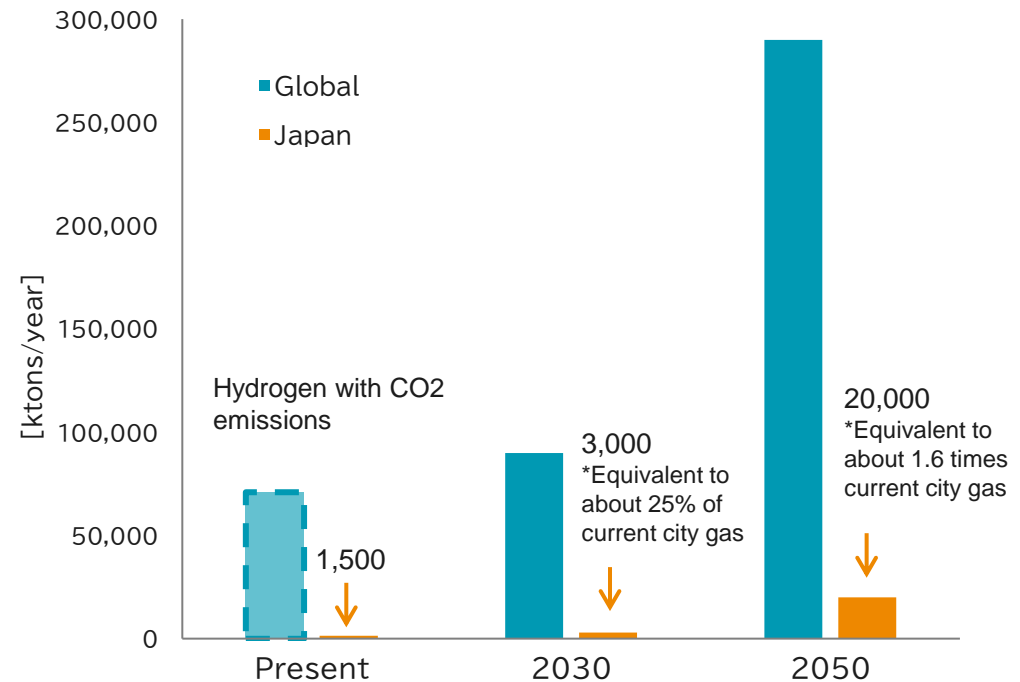
## Hydrogen Applications



(Source) Ministry of the Environment: Hydrogen Supply Chain Platform

## Global and Japanese Hydrogen Demand Projections

By 2050, the number of such products in the world is expected to increase by around 4 times compared to the current level, and by around 13 times in Japan.



(Source) IEA: Energy Technology Perspectives 2020

## Example: Hydrogen related Project Originating from SuMi TRUST (MoE's supporting business)

- Launched a project to lower the cost of hydrogen production within 6 months of the establishment of TBF team
- Enhance our presence and build alliance with other companies in the hydrogen field by promoting business development

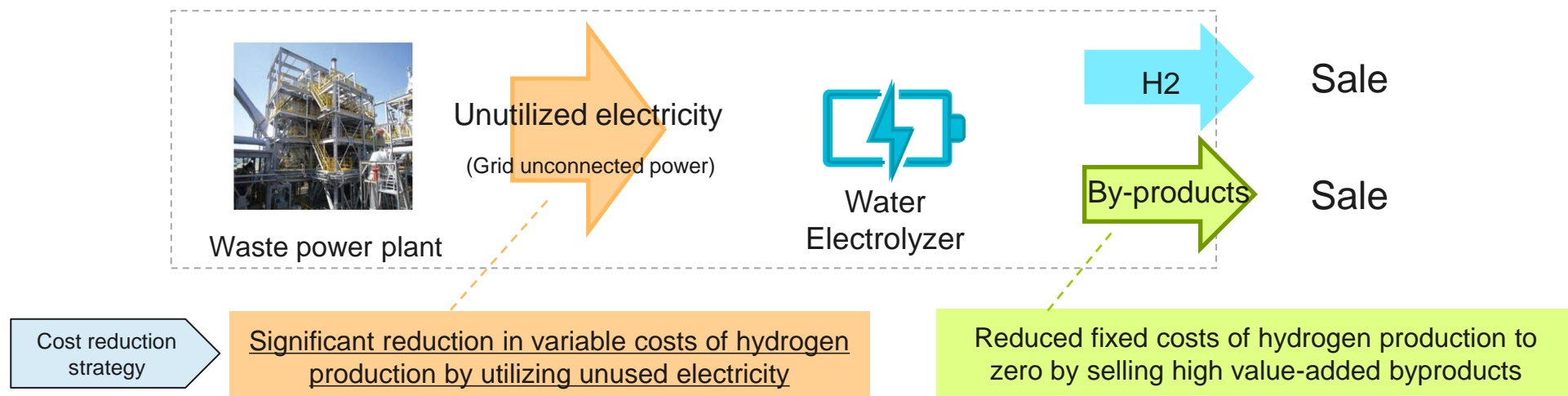
Creating new business opportunities with TBF team participation

Inexpensive electricity supply company



Companies with by-products production technology

[Ministry of the Environment] Low Carbon Technology Research, Development and Demonstration Program(\*)



(\*) Technology Development Representative: Asahi Pretec Corp.  
Co-implementer: FC Development Co., Ltd, X-Scientia Co., Ltd, SuMi TRUST Bank  
SuMi TRUST Bank's role: Development of hydrogen supply chain and business scheme

# Hydrogen Business Strategy of SuMi TRUST Group

- Leverage impact equity investments proactively, and establish our position as the best partner in the hydrogen sector from early stages of its development
- Aim to participate in 10,000 ktons/year of hydrogen projects during the period of full-scale deployment, participating in large-scale projects in Japan and overseas

