



SuMi TRUST
SUMITOMO MITSUI TRUST HOLDINGS

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CSR REPORT
ESG
2016



Editorial Policy

Editorial Policy of the Corporate Social Responsibility (CSR) Report

This report primarily brings together in one compilation our initiatives contributing to the development of a sustainable society based on the concept of “Creating Shared Value” (CSV), and those aimed at enabling the long-term growth of the Sumitomo Mitsui Trust Group (the “Group”). Our CSV taxonomy parallels conceptually in many ways ESG (environment, social, and corporate governance) categories that long-term investors follow. Moreover, the Group has identified and ranked ESG-related themes with strong linkages to medium- and long-term corporate value creation in its materiality process (i.e., process for identifying priority issues). In the report, high-priority ESG themes are given greater emphasis and prominence.

The report is organized around six sustainability policies (basic policy on the social responsibility of the Group). Themes introduced in Sustainability Policy 1 have also been published in four feature booklets on *Climate Change*, *Natural Capital*, *Responsible Investment*, and *Environmentally Friendly Property* as well as a digest report for seniors (not available in English).

The report references G4 Sustainability Reporting Guidelines.

*There is a questionnaire at the end of this report so readers can share their forthright opinions with us concerning this report and the Group's CSR activities. Please feel free to use this questionnaire to inform us of your opinions and impressions.

Scope of This Report

Sumitomo Mitsui Trust Group (comprised of Sumitomo Mitsui Trust Holdings, Inc., Sumitomo Mitsui Trust Bank, Limited, and other group companies)

Target Readers

All stakeholders, including customers, shareholders and investors, employees, business partners, local communities, NPOs, governments, international institutions, etc.

Period Covered by This Report

October 1, 2015 to September 30, 2016

*This report also includes the most recent information on activities before fiscal year 2015 as well as after October 2016.

Reference Guidelines

Global Reporting Initiative (GRI)

“G4 Sustainability Reporting Guidelines”

*For tables comparing GRI guidelines and information in our CSR report, please refer to the section from page 141.

In response to reader needs,
our CSR report is available in three styles.



Our website carries extensive information on the CSR activities that Sumitomo Mitsui Trust Group does not cover in this report.

Specifically, the website provides more detailed information on our initiatives related to issues such as successful aging and support for the environment and living creatures.



CSR in Sumitomo Mitsui Trust Group
<http://smth.jp/en/csr/index.html>

We issue a regular report on social contribution activities (“With You” activities).

The quarterly journal “SuMi TRUST With You” reports on the “With You” social contribution activities of SuMi TRUST Bank (four issues per year).



Sumitomo Mitsui Trust Group is working for biodiversity conservation, including protection of rare species.



Cover photo: A fledging Oriental Scops Owl (Otus scops japonicus)

The classification of this Oriental Scops Owl differs by season and region, and in regions across Japan it ranges from critically endangered + endangered (CR + EN) to vulnerable (VU) and least concern (LC).

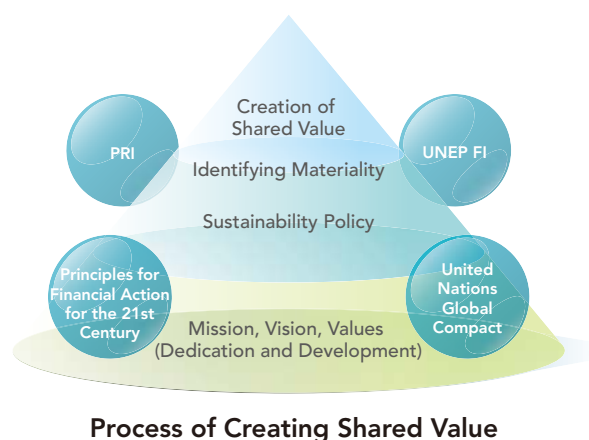
Creating Shared Value through CSR Activities

“Creating Shared Value” (CSV) is the concept of companies creating social value by addressing society’s needs and challenges while simultaneously creating their own economic value.

Sumitomo Mitsui Trust Group’s (the “Group”) pursuit of CSV is based on its Management Principles (“Mission”), Ideal Model (“Vision”), and Codes of Conduct (“Values”), as well as its Sustainability Policy—basic policy on the social responsibility of the Group. These policies identify our approach to creating economic value and social value.

Moreover, as a part of our process for realizing CSV, we identified materiality for our Group based on the perspectives of long-term investors and external experts we interviewed, and we are working to raise awareness and understanding within the Group through internal engagement methods.

Furthermore, the Group is a signatory to the United Nations Global Compact, a global policy framework for corporate sustainability, and the “Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century),” a set of voluntary guidelines established by Japan’s major financial institutions. The Group aims to create shared value while respecting these principles and guidelines, including the above two, related to social responsibility.



Management Principles (“Mission”)

- (I) Swiftly provide comprehensive solutions to our clients by fully utilizing the significant expertise and comprehensive capabilities.
- (II) Adhere to the principles of sound management based on a high degree of self-discipline with the background of fiduciary spirit and establish strong credibility from society.
- (III) Strive to fulfill all shareholder expectations by creating distinct values through fusing the various functions featuring the trust bank group.
- (IV) Offer a workplace where the diversity and creativity of its employees are more fully utilized to add value to the organization and where employees can have pride and be highly motivated in fulfilling their missions.

Ideal Model (“Vision”)

—Towards “The Trust Bank”—

Based on the fiduciary spirit and with significant expertise and comprehensive capabilities, the Sumitomo Mitsui Trust Group will create distinct values by leveraging a new business model, combining its banking, asset management and administration, and real estate businesses, and will move onto the global stage as a leading trust bank group which boasts the largest and highest status in Japan.

Codes of Conduct (“Value”)

In order to pursue the Management Principles of the Sumitomo Mitsui Trust Group, the executives and employees commit themselves to comply with the six Codes of Conduct described below.

Completely Client-oriented—Truthfulness and Loyalty

We will adhere to the highest degree of “Truthfulness and Loyalty” as well as credibility and sureness, and will carry out all our responsibilities for client satisfaction and comfort as our top priority.

Contribution to Society—Dedication and Development

We will remain dedicated in all our efforts, with “Frontier Spirit,” and continue to contribute to society.

Realization of Organizational Capability—Trust and Creativity

We will realize our organizational capabilities with full of mutual trust and creativity through improvement by mutual learning and continuous personal transformation of various people who share the enthusiasm for trust.

Establishment of Individuality—Self-help and Self-discipline

With a spirit of self-help and self-discipline as well as a sense of ownership, we will carry out our responsibilities.

Strict Compliance with Applicable Laws and Regulations

We will strictly comply with all applicable laws, rules and regulations, and will ensure that all our corporate activities meet the highest standards of social norms.

Resolute Stance against Antisocial Forces

We will continue to take a resolute stance against antisocial forces, which may threaten public order and the security of civil society.



Sumitomo Mitsui Trust Group's

Basic Policy on Social Responsibility

(Sustainability Policy)

At Sumitomo Mitsui Trust Group, based on our Management Principles ("Mission"), our Ideal Model ("Vision") and our Codes of Conduct ("Value"), we respect dialogue with all stakeholders, such as clients, shareholders, investors, employees, business partners, local communities, NPOs, government authorities and international institutions, and play an active role in building a sustainable society.

Sumitomo Mitsui Trust Holdings, Inc.

002

2016 CSR Report

1 **Contribute to Solving Social
and Environmental Problems
through Business** ▶008

2 **Serve Clients with Sincerity** ▶061

3 **Earn the Trust of Society** ▶073

4 **Address
Environmental Issues** ▶101

5 **Respect the Individual** ▶107

6 **Participate in and Contribute
to the Community** ▶121





Sustainability Policy 1

We aim to enhance our earnings by developing and marketing products and services that help address social and environmental problems.

- 004 Management Commitment
- 006 Materiality Management for Creating Shared Value at SuMi TRUST Group

- 009 Addressing Climate Change Using Our Financial Capabilities
- 019 Natural Capital-related Initiatives Using Our Financial Capabilities
- 026 Addressing the Issues of a Super-Aging Society by Using Our Financial Functions
- 035 Various Solutions Using Trust Functions
- 042 ESG-themed Initiatives in Our Asset Management Businesses
- 051 ESG-themed Initiatives in Our Real Estate Businesses



Sustainability Policy 2

A basic premise of corporate activities is obtaining the trust of customers. We work to improve client protection and customer satisfaction and ensure product reliability.

- 062 Initiatives to Earn the Trust of Clients
- 062 Initiatives regarding Fiduciary Duty
- 065 Client Protection Management
- 068 Efforts to Enhance Customer Satisfaction
- 072 Delivery of Reliable Financial Products and Services



Sustainability Policy 3

We are bolstering the foundations of corporate value creation such as corporate governance, CSR, compliance, and risk management.

- 074 Corporate Governance
- 085 Compliance and Conducting Business Activities Fairly
- 090 Risk Management
- 096 Environmental and Social Considerations in Project Finance
- 099 CSR Procurement
(Procurement that Gives Consideration to the Environment and Society)



Sustainability Policy 4

We are working to reduce our environmental burden with the aim of building a circular society where nature co-exists with human communities.

- 102 Environmental Burden Reduction Measures



Sustainability Policy 5

We value people that form communities. We create workplace environments that enable people to achieve peak form in putting their capabilities to use.

- 108 SuMi TRUST Group's Human Resources Strategy
- 109 Enhancing Human Capital to increase Corporate Value
- 116 Initiatives regarding Human Rights



Sustainability Policy 6

We believe sound local communities underpin a healthy client base. We contribute and participate in the communities where we do business through our local "With You" activities.

- 123 Initiatives to Promote "With You" Activities
- 126 Promoting Activities Fostering Employee Participation
- 127 Our Activities Supporting National Trusts
- 128 Education for Sustainable Development (ESD) Projects
- 130 Supporting Education for Children through ISAK
- 132 CSR Activities at Group Companies
- 138 Reconstruction Support for Regions Afflicted by Earthquakes

- 140 CSR of Sumitomo Mitsui Trust Group:
Accession to International Guidelines for
Corporate Conduct, etc., and Related Activities
- 141 GRI Content Index
- 149 Financial Highlights
- 150 Basic Information of Sumitomo Mitsui Trust Group

Contents



Kunitaro Kitamura
President

Hitoshi Tsunekage
Chairman

Management Commitment

Improving Functions that Illuminate Our Entire Operations, Attracting Public Interest via an ESG Filter

Growing Interest in ESG

Interest in ESG (environment, social, and corporate governance) themes has increased recently. Principles for Responsible Investment (PRI), supported by the United Nations, aims to foster integration of ESG factors into the long-term investment perspective institutional investors are increasingly urged to adopt. We think what underlies the growing interest in ESG is a global trend of seeking more non-financial disclosure and progress in capital market and corporate governance reforms enacted by governments championing more constructive dialogue between companies and institutional investors.

The way companies respond to ESG issues such as corporate governance, increasingly diverse human resources, and environmental risks has a direct bearing on their management foundation resilience and thus the long-term growth that companies naturally seek. With short-termism coming under sharp criticism, it seems to us the growing focus on ESG by both investors and companies is inevitable.

Promoting Materiality Management

Since fiscal year 2015, we have identified priority themes (materiality) from the dual viewpoints of corporate value

and the degree of impact on society. The priority themes we have identified do not merely become the Group's ESG themes. Through serious engagement in them, we believe we can create pathways for the Group's long-term growth.

From this standpoint, we have also analyzed the latest ESG trends such as PRI activities and the feedback and evaluations we received from ESG research firms in fiscal year 2016. On this basis, we have cast CSR departments in the role of "in-house ESG investor" that initiates "internal engagement" exercises where they engage in constructive dialogue with departments responsible for matters relevant to high materiality themes. Climate change issues are one theme of internal engagements where risks are identified from an operational perspective based on trends following the Paris Agreement signed in December 2015 and policies are devised for a near-term response. This theme was also discussed at meetings of the Board of Directors in an effort to foster a shared understanding of related issues at the management level.

Themes Advanced in Fiscal Year 2016

In fiscal year 2016, "fiduciary duty" and "diversity & inclusion" were the themes relating to materiality where we strengthened our response, including revisions to systems.

Fiduciary duty means putting client interests ahead of everything else in running our operations. Many in the recent past have called on financial institutions to be even more rigorous in how they fulfill their fiduciary duties. The Group regards a sincere commitment to providing principled customer service a part of the Code of Conduct that executives and employees must follow. In fiscal year 2016, we further advanced a number of initiatives aimed at bolstering rigorous adoption across all Group operations, devising Group policies on fiduciary duties and establishing the Fiduciary Duties Planning and Promotion Department. We believe fiduciary duty is an idea that goes to the heart of the trust business, and starting with the provision of products and services that serve the best interests of our clients, we seek to advance initiatives in unison across the Group that improve customer satisfaction.

In contrast, diversity & inclusion is a way of thinking that encourages people to recognize individuality and diversity in the workplace that has attracted more adherents in the past few years. One of our management strategies is to harness employee capabilities unlocked by this approach to create added value. This notion is enshrined in the Group's Management Principles (Mission) and Code of Conduct (Value). As an organization, we have made strides

in building a working environment where each employee can enthusiastically do their jobs and in fostering a corporate culture premised on diverse working styles and support for employees balancing work with childcare or care for elderly relatives. While expanding globally, we have also advanced initiatives to enable women to aim higher in their careers and promoted human rights awareness. In an effort to further strengthen such initiatives in fiscal year 2016, we established the Diversity & Inclusion Promotion Office and took other steps to strengthen related systems.

Aiming for Long-term Growth

Nearly fifteen years have passed since CSR gained a wide following among Japanese companies in 2003. There is now a consensus among Japanese companies that linking CSR to their core businesses is the way forward but developing the expertise and knowhow in how to integrate CSR into the core practices of a business is not easy. From here on, however, there are no long-term growth prospects for companies unless they can find ways to expand in socially sustainable ways. Keeping this firmly in mind, we see a strategic role for CSR as we look to improve functions that illuminate our entire operations and attract public interest through the filter of ESG themes. As we continue to press ahead with CSR initiatives that open a way to long-term growth prospects, we look forward to your warm and continued support and cooperation in these endeavors.

December 2016



Hitoshi Tsunekage, Chairman



Kunitaro Kitamura, President

Materiality Management for Creating Shared Value at SuMi TRUST Group

In an effort to engage seriously with the highest priority issues (materiality) we identified in fiscal year 2015, we have stepped up “creating shared value,” going from the rollout of department-level programs up to management-level initiatives. Specifically, we have initiated “internal engagement” exercises to integrate ESG issues into operations from a long-term investor perspective. In particular, directors have put important ESG themes on the agenda for meetings of the Board of Directors and debated them from a broad-based, long-term perspective.

Steps for Creating Shared Value

Identifying Materiality and Implementing Internal Engagement

STEP 1

Selecting Themes for Identifying Materiality from a Long-term Investor Perspective

We emphasize the views of ESG investors who pursue corporate value from a long-term perspective. Based on reporting guidelines such as GRI and SASB, we select bank materiality themes emphasized by ESG research companies that provide information to investors. Taking into consideration case studies from the world's most innovative financial institutions, risks SuMi TRUST Holdings has always tracked, and ESG risks unique to Japan, we selected 28 themes from which to identify materiality.

STEP 2

Interviewing Internal and External Officers and Experts

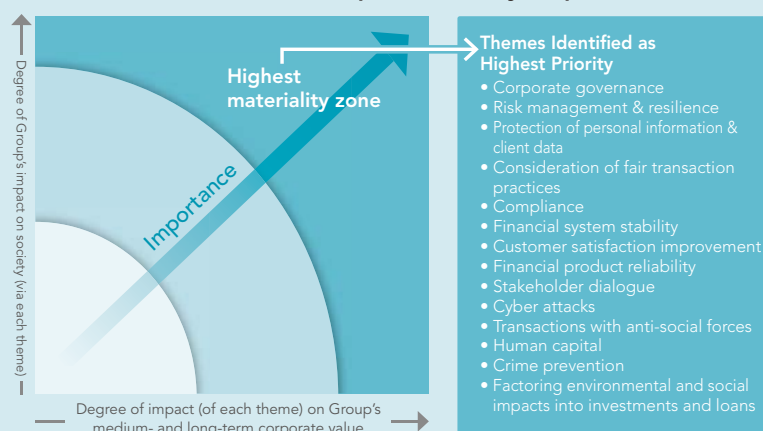
We asked the ESG Risk Response Project Team (see page 93) and all the external directors and external corporate auditors (“external officers”) of SuMi TRUST Holdings and SuMi TRUST Bank to score in points how much influence each theme identified in STEP 1 is likely to have on the Group's medium- and long-term corporate value. We asked 18 external experts and external officers to score in points how much influence these themes are likely to have on the Group's stakeholders. We tabulated these scores and calculated the average score of each theme.

STEP 3

Materiality Map Enables Shared Recognition of ESG Themes at Management Level

The average point scores for the themes from STEP 2 are plotted out on the materiality map (scatter diagram) showing the relationship between the “degree of impact of each theme on the Group's medium- and long-term corporate value” (x-axis) and the “degree of the Group's impact on society (stakeholders) via each theme” (y-axis). The themes that fall into the highest materiality zone of the map are designated the highest priority ESG issues at the Executive Committee, and then reported to the Board of Directors.

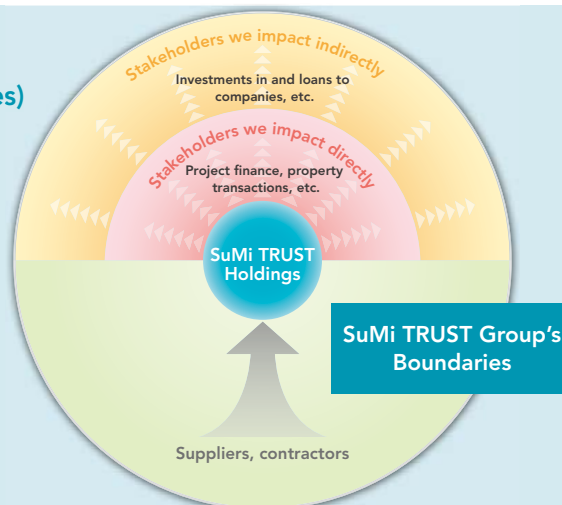
Sumitomo Mitsui Trust Group's Materiality Map



Defining the Boundaries (the scope of subjects affected by the Group's activities)

The Group identifies "boundaries" as below:

- (1) Companies belonging to the Group;
- (2) Suppliers, contractors providing services, equipment, or office supplies to the Group; and
- (3) Stakeholders we impact through our Group businesses:
 - (a) Direct-impact businesses
(e.g. project finance, property transactions)
 - (b) Indirect-impact businesses
(e.g. loans to and investments in companies)



What is "Internal Engagement"?

CSR departments are cast into the role of "in-house ESG investor" that initiate constructive dialogue with departments responsible for matters relevant to high materiality themes. This "internal engagement" process is expected to lead to improvements in operations and information disclosure.

STEP 4 Internal Engagement Exercises

In fiscal year 2016, our internal engagement exercises focused on four themes, shown below, with high investor interest selected from among our high materiality themes.

Theme 1: Corporate Governance

Department heading engagement: Corporate Administration Dept.

In view of the corporate governance reforms adopted in Japan, investor interest in the governance themes of board composition and compensation for directors and officers is exceptionally high. This department notified others of this strong interest and offered them information on how to strengthen their governance systems.

Theme 2: Bolstering Human Capital and Corporate Value

Department heading engagement: Human Resources Dept.

Reflecting human capital evaluations into investment decisions is a trend that is gaining adherents in Japan and overseas. This department notified others of the growing calls for disclosure on the connection between personnel policies and corporate value and initiated discussions on how to shed light on the connection between bolstering human capital in the Group and increasing our corporate value.

Theme 3: Preventing Bribery and Corruption Overseas

Department heading engagement: Compliance Dept.

Starting with the U.S. Foreign Corrupt Practices Act (FCPA), nations around the world are stiffening regulation against corruption and bribery overseas. This department notified others about growing investor interest in this trend and initiated discussions on what in our Group's anti-corruption, anti-bribery initiatives should be double-checked.

Theme 4: Climate Change

Department heading engagement: Wholesale Business Planning Dept.

In the wake of the adoption of the Paris Agreement on climate change, this department notified others about the swift rise to prominence of climate change risk among international financial authorities, financial institutions, and institutional investors and initiated discussions on how our businesses would be affected.

STEP 5

Initiatives for Increasing Corporate Value in Long Term

The high materiality themes identified are not only put into practice through the internal engagement program but we regard them as "environmental and social issues linked to sustainability the Board of Directors ought to address," as prescribed in Article 3-4 of the Group's Basic Policy on Corporate Governance. At meetings of the Board of Directors, directors held wide-ranging discussions on high materiality themes across their multiple aspects and determined the direction the Group should take.

Items Implemented


In fiscal year 2016, the Board of Directors discussed high-urgency ESG topics such as climate change problems

Sustainability Policy 1

Contribute to Solving Social and Environmental Problems through Business

- We work to solve social and environmental problems from a global perspective through our core businesses.
- We integrate the diverse functions that are unique to a trust bank group and develop new business models and innovative products and services to help solve social and environmental problems.





Addressing Climate Change Using Our Financial Capabilities

Coming into effect in November 2016, the Paris Agreement establishes an international framework for addressing climate change. It aims to keep global average temperature rise to well below 2°C above pre-industrial levels and pursue efforts to limit the increase to 1.5°C in a bid to achieve a net-zero emissions society in the second half of this century.

The Group devised action guidelines on mitigating climate change with the aim of building a renewable society. “Eco-Trustution” is the concept underlying the financial solution businesses with high value added we are developing that harnesses our skills and trust bank functions. We regard climate change problems as the most important issue to be address through “Eco-Trustution.”

ECO Trustution
エコ・トラステューション

ECO Trustution:

The Group has coined the word “Eco-Trustution” to represent its environmental financial business based on the concept of providing solutions to ecological issues through the use of our trust function. We will continue to develop and provide solution-based financial instruments and services.



Climate Change Impacts on Economics and Finance

It is widely recognized that among the many social and environmental risks facing the world, climate change will have very substantial impacts on economics and finance. The response to climate change thus calls for precision.

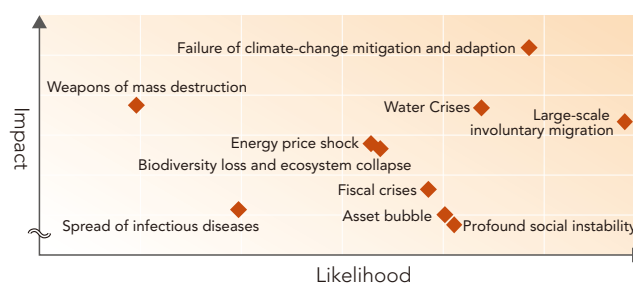
Annual Meeting of World Economic Forum in Davos

Of the global risks experts assessed, the risk with the greatest potential impact in the 2016 report was found to be a failure of climate-change mitigation and adaptation. Experts surveyed regarded it as having greater potential damage than weapons of mass destruction, water crises, large-scale involuntary migration, and severe energy price shock.

Financial Stability Board Establishes Task Force on Climate-related Financial Disclosures

At the request of G20 finance ministers and central bank governors, the Financial Stability Board established the Task Force on Climate-Related Financial Disclosures (TCFD), an industry-led advisory body. Advancing financial disclosure guidelines relating to climate change, TCFD calls on the financial sector to go beyond tracking the GHG emissions from its own business activities. Financial institutions will need to conduct multi-faceted monitoring of emissions at investee and borrower companies and projects and call for climate-related information disclosure and adoption of measures by investee and borrower companies and projects to avert and mitigate risks.

Top Ten Global Risks Ranked by Potential Impact



Source: World Economic Forum's "The Global Risks Report 2016 11th Edition"

Physical risks: Risks arising from abnormal events such as floods, typhoons and droughts. Along with direct impacts, this category encompasses indirect impacts such as agricultural damage and supply chain disruptions.

Liability risks: Risks arising from claimants seeking damages from parties for creating the conditions driving climate change or for erroneous response to climate change; this includes the risk of claims for inadequate disclosure or use of information relating to climate change.

Transition risks: Financial institutions and corporations may well be exposed to asset re-pricing risk due to technological advances or policy changes in the transition to a net-zero-emissions society.

SuMi TRUST Group Recognizes Climate Change as a High Priority

The SuMi TRUST Group recognizes that responding to climate change issues is important for building a sustainable society, and its solutions businesses are geared to addressing climate change issues.

Important Issues concerning Climate Change (Materiality)

From a risk standpoint, the Group recognizes as a financial institution that reducing the risk of climate change

impacts arising from companies and projects in which we are investors or lenders is important. We also recognize the importance of reducing CO₂ emissions from the Group's business activities.

It is our belief that helping to address climate change issues by harnessing our trust function is a matter of critical importance that will funnel more business opportunities to the Group.

The Group's climate change-related materiality issues

- Taking into account how borrowers and investees impact society and the environment
- Pursuit of business opportunities with environmental and social themes
- Climate changes (physical impacts)
- Reducing the Group's environment burden

Action Guidelines for Mitigating Climate Change

1. Implementation of Measures and Support to Help Mitigate Climate Change

In addition to actively taking measures to reduce greenhouse gas emissions in our own business operations, we are making efforts, as a corporate citizen, to support activities that mitigate and adapt to climate change.

2. Provision of Products and Services

We are working on developing and providing products and services that help mitigate climate change. Our financial functions are being leveraged to promote energy conservation and encourage the use of renewable energy.

3. Collaboration with Stakeholders

We engage in dialogue and cooperation with our stakeholders as we work to mitigate climate change.

4. Education and Training

We will ensure that these guidelines are fully implemented at group companies, and will actively conduct education and training to mitigate climate change.

5. Information Disclosure

We will actively disclose information related to our efforts to mitigate climate change.

Risks and Opportunities relating to Climate Change

In the area of climate change, financial institutions face not only direct impacts arising from their own business activities but also indirect impacts arising from investee and borrower companies and projects, and exposures from the

latter are larger. Moreover, an important element for financial institutions in evaluating corporate growth strategies is factoring in the transition to a net-zero society into their business models.

Risks Relating to Climate Change

| Risk categories* | Risk concepts | Attributes of risk linked to climate |
|------------------------------------|---|---|
| Risk arising from regulation | <ul style="list-style-type: none"> • Risk that business models and corporate strategies may be affected as the regulatory response is ramped up to reach the goal of staying below 2°C • Risk that carbon budgeting may affect economies • Growing risk financial institutions will call for greater disclosure of climate-related information from their investee and borrower companies • Risk there will be pressure for companies to factor in climate issues when procuring finance and services | <ul style="list-style-type: none"> • Financial institutions face high expectations they will seek to avert or mitigate risks from indirect impacts arising from the activities of investee or borrower companies or projects • Climate-related risk extends to impacts on the whole supply chain, so risk management in the upstream supply chains of investee and borrower companies will be important • Establishing quantitative risk assessment measures will be important |
| Risk arising from physical impacts | <ul style="list-style-type: none"> • Risk that climate change will affect land usage and natural resource procurement • Risk that natural disaster damages social infrastructure and Group assets and puts business continuity at risk • Risk that progression in global warming increases the likelihood of heat stroke and pandemics | |
| Other risks | <ul style="list-style-type: none"> • Risk of stricter regulation and technological advances disrupting industries and companies and impairing the value of the Group's loan assets and stockholdings • Reputational risk that climate change-related initiatives are deemed inadequate | |

Business Opportunities relating to Climate Change

| Opportunity categories* | Opportunity concepts | Attributes of opportunities linked to climate |
|---|---|---|
| Opportunities arising from regulation | <ul style="list-style-type: none"> • There may be more opportunities to offer advisory services and finance to projects and companies that are helping to slow or mitigate climate change • Changeover to new social systems on spread of renewable energy may open up profitable opportunities over the medium and long term | <ul style="list-style-type: none"> • Climate-related businesses promoting a switch in social systems in areas such as energy and transportation may become the economic mainstream • A social infrastructure changeover in the longer term on the spread of renewable energy may translate into an increase in stable profit opportunities for the Group over the longer term |
| Opportunities arising from physical impacts | <ul style="list-style-type: none"> • There may be more opportunities to offer finance for infrastructure and technological development that enhances adaptive capacity to climate change | |
| Other opportunities | <ul style="list-style-type: none"> • Positive social evaluation as a financial institution helping to address climate change may translate into more business opportunities • Greater social awareness of climate change may support sales of the Group's financial products that factor in environmental considerations | |

*Framework is based on Carbon Disclosure Project categories.

Climate Change Risk Management for Investments and Loans

Investments and loans funding companies and projects are exposed directly and indirectly to climate change, so climate change is intimately linked to social issues such as water and food problems and human rights. In the future, the Group's assets may face impairment risks, so it is increasingly important we develop a clear grasp of these risks and manage them as an ESG risk response measure.

Climate Change Risk Management for Investing (ESG investing)

SuMi TRUST Bank is a signatory to the Principles for Responsible Investment (PRI), which was jointly established by the UN Global Compact and the United Nations Environment Programme Financial Initiative (UNEP FI). These principles require institutional investors such as pension funds and asset managers to take ESG factors into account when making investment decisions, including impacts on environmental (E) and social (S) considerations.

Through engagement with investee companies, SuMi TRUST Bank promotes pro-active information disclosure of initiatives and policies concerning climate change, specific actions to avert and mitigate impacts from climate change,

and the use of certification systems. We also propose initiatives aimed at increasing the corporate value of investee companies (for details, see page 46).

Climate Change Risk Management for Loans (Equator Principles)

SuMi TRUST Bank is aware that financing large-scale projects such as mine development, oil and gas development, power plants, petrochemical plants and infrastructure development may indirectly have an adverse effect on climate change. We also believe it is the responsibility of trustworthy financial institutions to avert or mitigate risks of deterioration in the value of loan receivables due to project suspensions originating in environmental or social problems.

Since February 2016, SuMi TRUST Bank has integrated use of the Equator Principles, guidelines for private-sector financial institutions, into its decision-making processes for loans in project finance and related risks for risk management purposes. In the Equator Principles process, climate change is one of the most important themes (for details, see page 96).

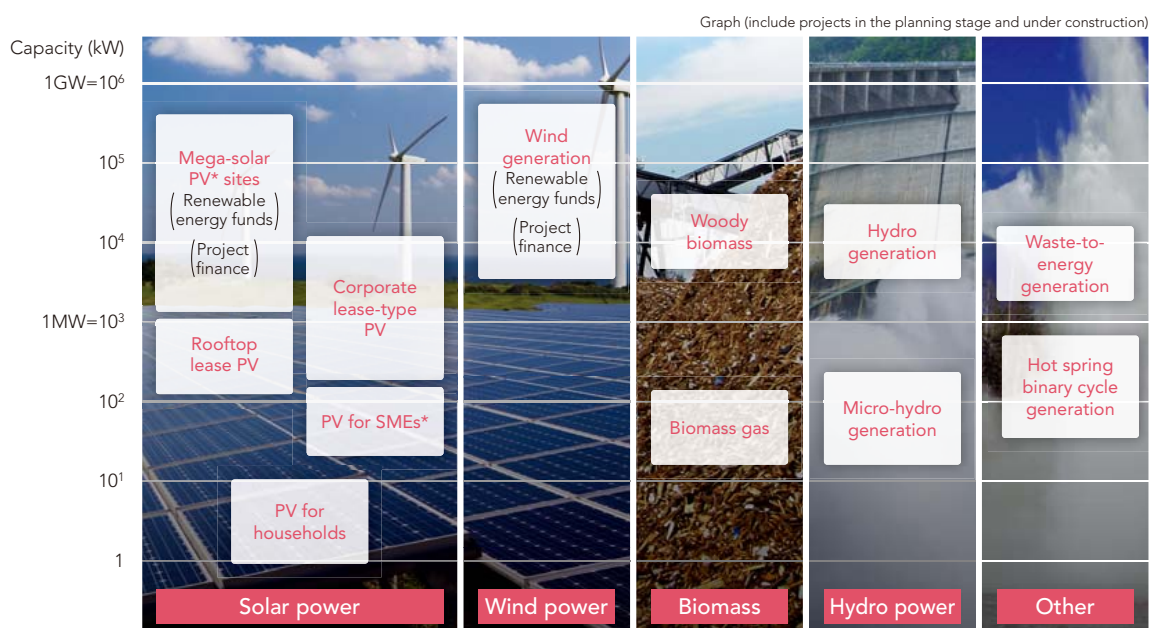
Spread and Growth of Renewable Energy

Our Renewable Energy Initiatives

SuMi TRUST Group is working to develop financial products that facilitate the spread and growth of diverse forms of renewable energy. These include schemes for business scales that range from micro scales such as micro-hydro

generation to large-scale generation exceeding 100MW.

The Group provides finance in forms that match a wide variety of funding needs from leases to project finance and renewable energy funds.



*SMEs: small and medium-sized enterprises; PV: photovoltaic

Renewable Energy Project Finance

We are promoting the adoption of renewable energy such as wind and solar power through project finance.

In renewable energy projects, both offshore and onshore wind power generation are increasingly large-scale enterprises. In Japan, mega-solar PV sites grew further from the level of the previous fiscal year. The total potential generation capacity of these projects where SuMi TRUST Bank is a financier stands at 4,154MW with annual power

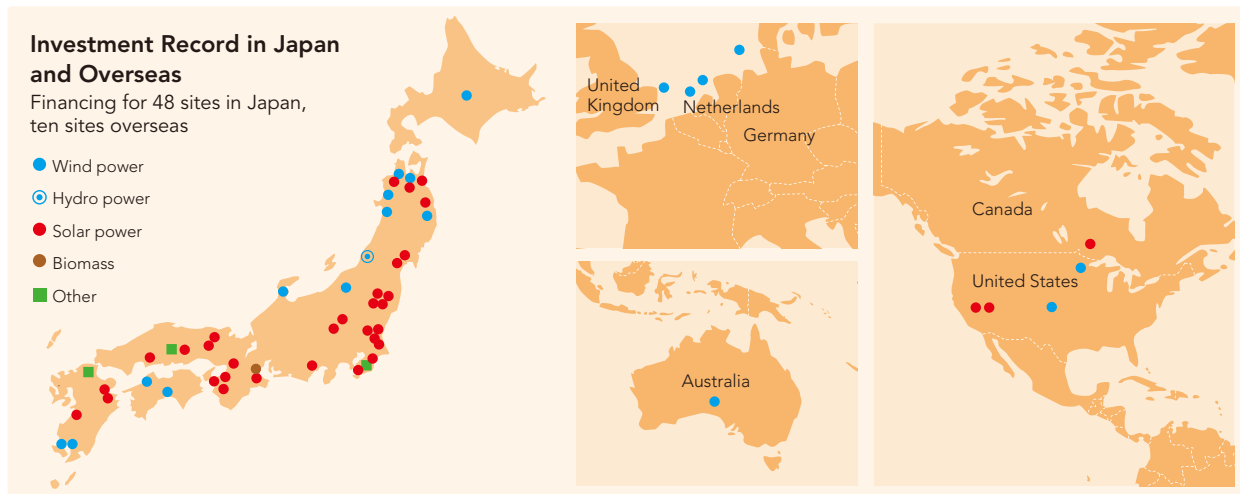
output of 7,637GWh.

It has been widely remarked that one factor that enabled international ratification of the epoch-making Paris Agreement was recognition of renewable energy's economic rationality. The emission reduction plans of both developed and developing nations rely on adopting renewable energy sources, so we believe expectations for project finance to play a role will grow from here.

Investment Record in Japan and Overseas

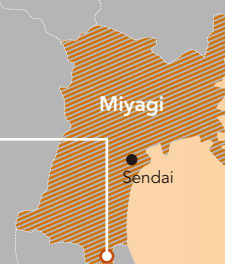
Financing for 48 sites in Japan, ten sites overseas

- Wind power
- Hydro power
- Solar power
- Biomass
- Other



Mega-solar in Japan

Solar panels with total potential generation capacity of about 19MW were installed at a former golf course that was closed and sold after the Great East Japan Earthquake, opening the way for conversion of the site into a mega-solar PV farm. SuMi TRUST Bank arranged project finance in the form of a syndicated loan for building on the site. With estimated annual output of 65,000MWh, the project uses the feed-in-tariff (FIT) system to wholesale electricity at a fixed price to the electricity supply system.



Offshore Wind Farm Overseas

In Europe, where shallow expanses of continental shelf extend far from the coastline, projects to build large-scale offshore wind power farms are increasing. At a site about 80 kilometers off the Dutch coast at water depth of about 30-35 meters is one of the world's largest offshore wind power farms with about 150 large-scale turbines that have total potential capacity of 4MW each. In addition to generating and wholesaling electricity, the project encompasses the operation of submarine transmission cables.



Renewable Energy Funds

Renewable energy funds have been set up exclusively for the purpose of investing in and operating large-scale renewable energy projects.

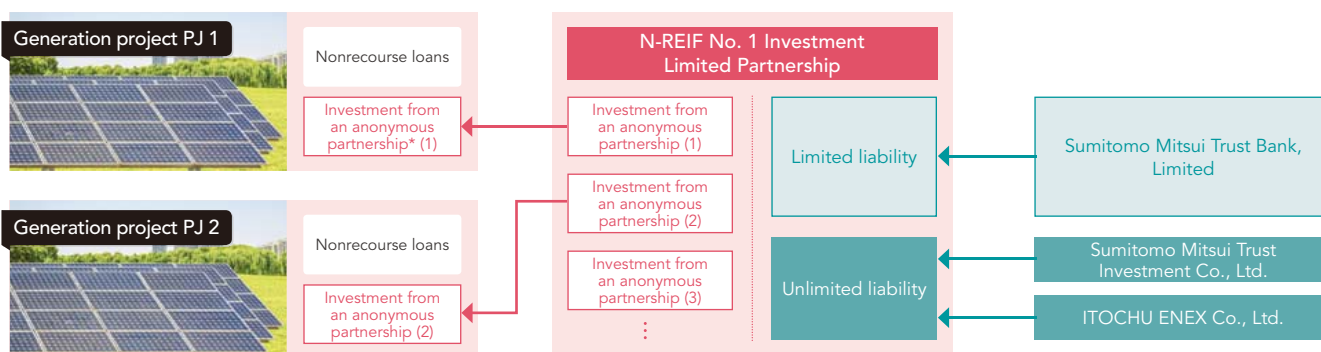
As of September 2016, our funds have become investors in multiple large-scale solar power generation projects with total potential capacity of 113MW. Of the 51.9 billion yen in

total investment supplied to these projects, the aggregate investment of our funds stands at 4.15 billion yen.

These projects, with annual power output of 136GWh, reduced CO₂ emissions by more than 73,000 metric tons, an amount equivalent to the emissions of 21,000 ordinary households in Japan.

*For calculating CO₂ emissions, we referenced the electricity utility emission coefficient (fiscal 2014) for off-takers of each project, and for the CO₂ emissions of an ordinary household, we referenced the per-household CO₂ emissions in the Ministry of the Environment's national greenhouse gas inventory (fiscal 2014).

Fund Schemes



*Anonymous partnerships are called "tokumeikumiai" in Japanese.

- We contribute by providing equity-like funding for the spread of renewable energy projects.
- We are expanding assets under management in our funds and building up an investment track record in solar power, and plan to broaden the scope of our renewable energy investments to include biomass, wind, and other sources.
- We are working to develop investment products for individuals and institutional investors and pension funds that seek stable income gains.

Mega-Solar Projects Using Leases

Sumitomo Mitsui Trust Panasonic Finance supports financing for mega-solar facilities.

Using leases to fund solar facility installations keeps the upfront investment costs for mega-solar PV project construction at zero, and projects can earn stable income by using the feed-in-tariff (FIT) system to wholesale at a fixed price the electricity it generates to the power supply grid. Leases are thus an effective method of financing for mega-solar projects that ensures business plan soundness.

Compared with other renewable energy sources, solar power generation has three advantages: 1) procedures for assessment etc. are straightforward and simple, 2) the construction phase is relatively short, and 3) there are established technologies that were originated and developed domestically. As a result, mega-solar projects have been sited and built in Japan since the FIT system came into effect. Sumitomo Mitsui Trust Panasonic Finance Co., Ltd.

has supported the installation of 40.4MW of total potential capacity in 23 projects since the FIT system's introduction, which attracted entry into this field from an array of companies from startups to those in related sectors such as electric power, construction, and energy that sought to diversify.

Changes to the FIT system that factor in the unique properties of mega-solar projects such as the introduction of purchase price auctions and the addition of operation and maintenance criteria for certification has increased the business reliability of mega-solar power providers. Combined with advances in solar technologies and the establishment of new forms of financing, investors are expected to develop more mega-solar projects as businesses with stable, long-term prospects. We are working together with panel manufacturers, engineering, procurement, and construction (EPC) vendors and others to provide total support to investors entering the solar power generation field.

Future pathways for solar power

- Pursue energy management linked to electric vehicles and storage batteries
- Realize net-zero energy buildings (ZEBs), net-zero energy house (ZEH), and virtual power plants (VPP)
- Expand local production-consumption models and energy self-sufficiency
- Reduce power generation costs further via technological development
- Tap into new funding supplies via infrastructure investment funds



Micro-Power Generation in Water Supply Systems

Sumitomo Mitsui Trust Panasonic Finance supports the adoption of power generation systems that tap into latent energy sources in water supply systems across Japan. We help promote execution of global warming mitigation plans in concert with regional public authorities.

In Japan's water supply systems, an increasing amount of energy is released without being harnessed such as untapped use of vertical drop in gravity-flow supply pipes and the release of surplus pressure in pumped supply pipes via pressure-reducing valves. The Group promotes ways to

tap into these wasted sources of energy as a renewable energy source that can generate electricity.

In the past, the introduction of new power generation systems that tap into such sources was impeded by the need to reduce device costs, achieve higher efficiencies, and realize more compact sizes but these obstacles have been resolved. We support introducing such systems with lease finance and the use of leasing agreements for water supply systems with local authorities.

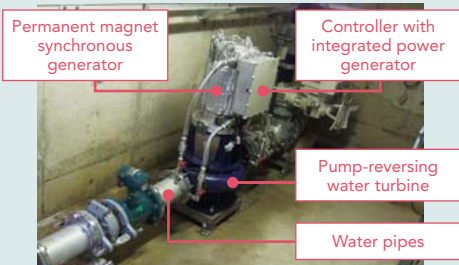
Specific properties of micro-power generation in water supply systems

- Keep costs low via use of standardized parts, general-use pumps and low-cost magnets
- Develop water turbines that efficiently generate power in response to water flow velocities
- Integrate power generation and water supply control systems, install water turbines in a vertical configuration on top of pipes to realize a much more compact footprint

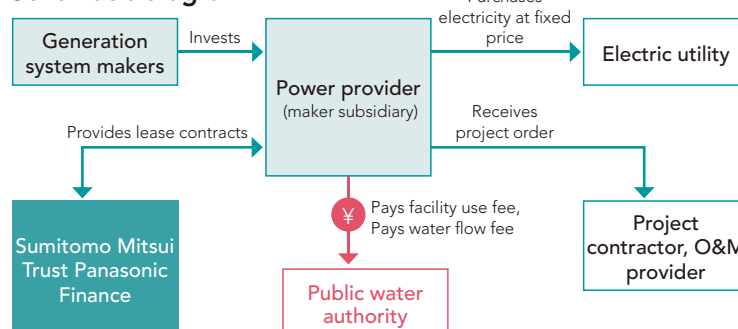
Specific properties of leases

- Projects can be launched with no upfront investment costs
- Power provider is responsible for constructing the power generation system and its operation and maintenance (O&M)
- Lease can earn stable revenues

Newly developed micro-power generation system for water supply systems



Schematic diagram

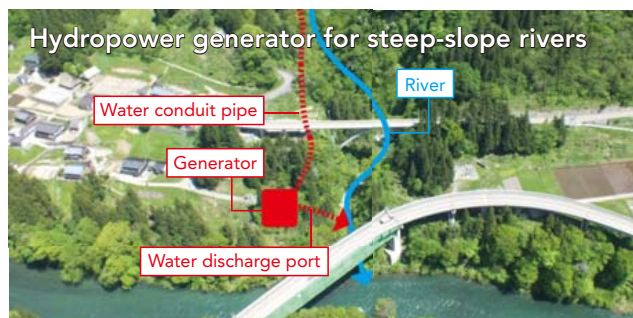
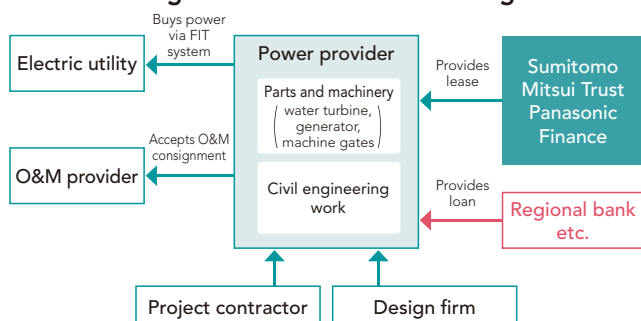


Small and Mid-sized Power Generation in Rivers

Japan's river systems have the potential to generate 14GW of electricity through the installation of small or mid-sized generators and its agricultural water supply channels 300MW, according to the results of a Ministry of

the Environment survey. Sumitomo Mitsui Trust Panasonic Finance is helping to revitalize regional communities through joint initiatives with regional banks that aim to use each region's untapped hydropower potential.

Schematic diagram of collaboration with regional banks



Hydropower generation could be a source of renewable energy for Japan, which is blessed with many high-flow, steep-slope rivers. In cases where the feed-in-tariff (FIT) system is used, the maximum aggregate potential from installing small and mid-sized hydropower generators is estimated at 4.3GW.

Small and mid-sized power generators approved for installation since the FIT system's introduction have total output of 780MW, and of those, the ones in use have 190MW, indicating there is still scope for new installations.

It is possible to install hydropower generators that factor in the environment such as run-of-the-river small and mid-sized hydropower generators that use the shape of rivers or existing agricultural water supply channels and do not require building large dams.

Small and mid-sized hydropower potential, actual adoption capacity

| | Potential aggregate output | Breakdown by category |
|---|----------------------------|---|
| Maximum aggregate potential in Japan*1 | 14.3GW | River systems 14GW Agricultural supply channels 300MW |
| Potential with FIT system*1 | 1.06~4.3GW | River systems 900M~4.06GW Agricultural supply channels 160~240MW |
| Approved for installation post-FIT adoption*2 | 780MW | |
| Installations post-FIT adoption*2 | 190MW | |

*1 Ministry of the Environment's fiscal 2010 survey report on the adoption potential for renewable energy

*2 Agency for Natural Resources and Energy's website (accessed in June 2016)

Biomass Gas Generation

We support adoption of biomass facilities that convert food waste and other organic waste into biogas for electricity generation.

At a biomass power generator, organic waste—such as food waste, livestock urine and manure, and organic sludge from sewage and wastewater—is fermented and combustible gases, mainly methane, are extracted

and used as fuel to generate electricity. Under the Food Recycling Law, the recovery of heat from food waste is recognized as a form of recycling provided certain conditions are met, and the power generated can be resold at a fixed price using the FIT system. This system's value is in improving overall energy efficiency through the effective use of both electricity and heat.

Merits

- Curtails volume of waste produced, reduces waste disposal costs
- Earns income from reselling electricity via the FIT system
- Curtails putrid odors due to fermentation, reduces release of bad smells to nearby areas
- Byproducts like post-fermentation, digested slurry can be recycled as a liquid fertilizer

Wastes eligible for usage

- Food waste, food residues
- Livestock urine and manure
- Organic sludge, etc. from sewage and wastewater

Flow diagram of a Biomass Gas Generation System



Support for Energy Efficiency

Renovation Loans for Smart Houses

We support remodeling homes into “smart houses” through our home renovation loans. Homes are becoming places where families wisely use energy they generate. A smart house can efficiently generate and store energy by combining solar PV panels, a storage battery unit, and a household fuel cell. Functions enabling dwellers to control electricity consumption to match their lifestyle and weather conditions have improved.

With the liberalization of retail sales of electricity and gas to households in Japan, many hope energy and telecommunication sector companies will partner to offer bundled services that combine telecom, broadcast TV etc. with electricity. Moreover, electric vehicle batteries may increasingly be used to store energy, and there has been progress in developing services that integrate the functions of housing, home appliances, and vehicles.

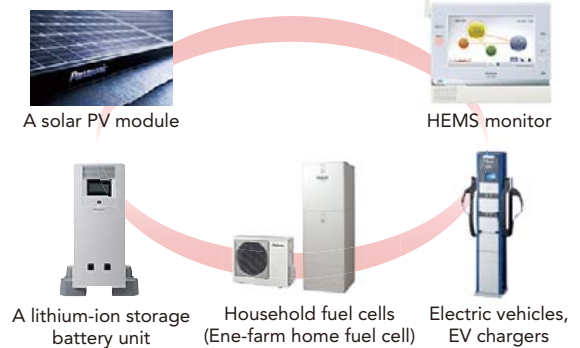
Since a system for purchasing surplus electricity from solar panels was established, Sumitomo Mitsui Trust Panasonic Finance has contributed to



A smart house

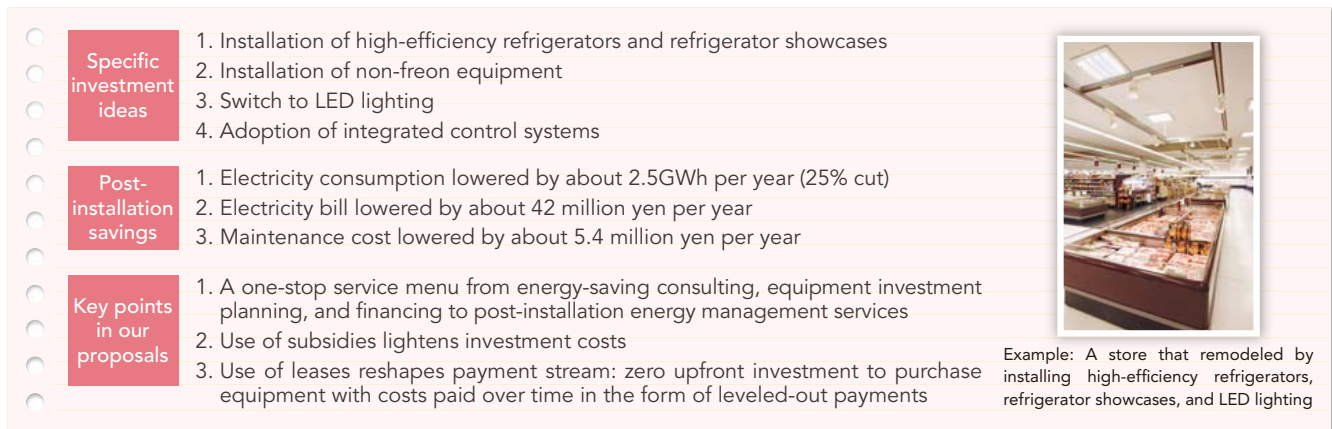
the spread and adoption of solar power generation by households with its solar loans. Our solar loan portfolio as of September 2016 stood at 64.5 billion yen. Through our partnerships with equipment vendors and installers, we support remodeling homes into “smart houses” with our renovation loans.

Equipment for Upgrading to a Smart House

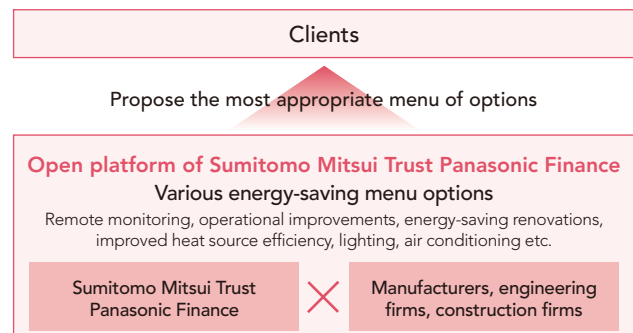
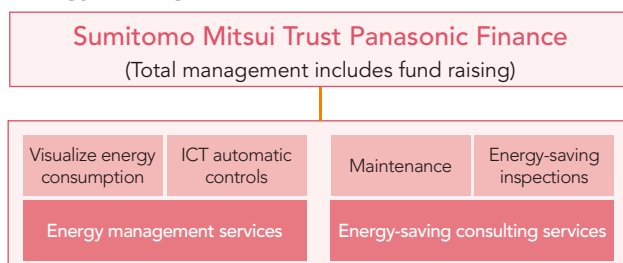


Energy Management Systems Using Leases: Example

We offer comprehensive support from the planning and installation stages through to energy management services.



Energy-Saving Consulting: Energy Management Services

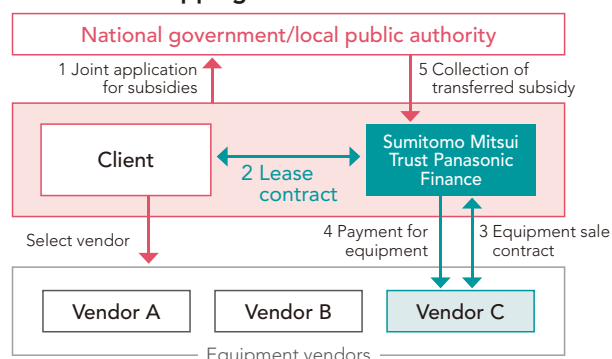


One-Stop Services for Energy-Saving Investment: Subsidy-Eligible Leases

We offer one-stop services that support all processes from planning for energy-saving investments to asset operation.

- Our one-stop service menu ranges from energy-saving assessments, examinations to identify energy-saving measures, equipment selection, subsidy applications, and securing financing to maintenance services.
- Using leases enables installation of energy-saving equipment without upfront investment cost.
- Securing subsidies lowers upfront investment costs, enabling recipients to benefit even more from energy savings and cost reductions.
- We offer tailored proposals through partnerships with manufacturers and installers.

Flow Chart Mapping Out the Use of Subsidies



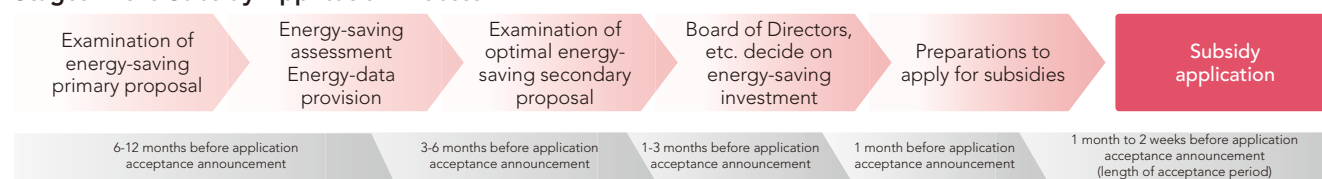
Main subsidy systems

- Subsidy support for rationalizing energy use at SMEs
- Zero net energy building (ZEB) project: Subsidies to promote adoption of innovative energy-saving technologies in housing and buildings
- Subsidies for facilities that sharply cut CO₂ emissions via efficient execution of advanced countermeasures (ASSET project)
- Promotion of energy-saving measures for existing buildings

*1 Certain conditions must be met to be eligible to apply for subsidies

*2 Subsidy systems may change

Stages in the Subsidy Application Process



Our Response to New Regulations on Refrigerants

In October 2016, an international coalition of nations agreed to amend the Montreal Protocol to regulate production volume of hydrofluorocarbons (HFCs), an alternative to ozone-destroying Freon*, in a series of steps, announcing their decision at the 28th meeting of the parties to the protocol. Together with the Paris Agreement, this accord represents a major step forward in the international effort to address climate change.

In the wake of the amended Montreal Protocol, Japan has amended domestic laws to regulate HFC production and strengthen usage regulations. The major equipment categories subject to the stricter regulations are air conditioners, refrigerators, and freezers. Switching to equipment that uses non-freon or natural alternative refrigerants is now an urgent priority.

*Freon alternatives have been used in place of specified Freon, which has been identified as an ozone layer destroyer. HFCs do not deplete the ozone layer but they have a large greenhouse gas effect and so have high global warming potential.



A non-freon freezer unit and a non-freon freezer showcase

The Group's leases focus on equipment using non-freon alternatives as refrigerants, so we are contributing to the adoption and spread of non-freon equipment.

Japan Machinery Leasing and Sales Co., Ltd., a Group member, works to safely retrieve and dispose of leased, Freon-using equipment after the lease has expired.

Kigali Amendment to Montreal Protocol to Regulate Freon Alternatives

| | Developed nations | Group 1 developing nations* ¹ | Group 2 developing nations* ² |
|--|---|---|---|
| Base year | 2011—2013 | 2020—2022 | 2024—2026 |
| Baseline value (CO ₂ equivalence) | Avg. HFC volume in each year + 15% of HCFC* ³ baseline value | Avg. HFC volume in each year + 65% of HCFC* ³ baseline value | Avg. HFC volume in each year + 65% of HCFC* ³ baseline value |
| Launch year for regulation | 2019 | 2024 | 2028 |
| Target year | 2036 | 2045 | 2047 |
| Target reduction | 85% | 80% | 85% |

*1 Group 1 developing nations are still developing and do not belong to Group 2

*2 Group 2 developing nations are India, Pakistan, Iran, Iraq, and Gulf nations

*3 HCFC: Hydrochlorofluorocarbons

Other Contributions to Climate Change Mitigation

Farming systems that use renewable natural resources

We support energy-efficient farming that uses natural forms of energy such as sunlight, water, and wind to control the environment inside greenhouses. Sensors can track key environmental metrics such as the atmospheric temperature and the temperature of things inside greenhouses and automatically adjust controls to effectively balance the overall environment.

We seek to improve annual production efficiency such as the volume of produce for each unit of energy consumption and upfront investment.



A passive house-based farming system

Industrial-use storage batteries

Storage batteries can be used for many purposes such as peak shifting, leveling out load shifts, a power source for emergencies such as a blackout, support for self-sufficient facility operation, curtailing load-shifts from adding renewable energy to the grid, and storage for regenerative energy from electric motors. They also perform useful roles for stable facility operation and integration of renewable energy sources into the grid.



Electricity storage system

Picture: Panasonic Eco Solutions Condominiums & Apartments Engineering Co., Ltd.

Supporting Community-level Climate Change Mitigation Efforts

We support the use of leases and private-sector funding to combat climate change at the level of communities and local public authorities.

Regional public authorities are responsible for promoting measures to combat climate change that are responsive to the environmental and social attributes of their regions. We

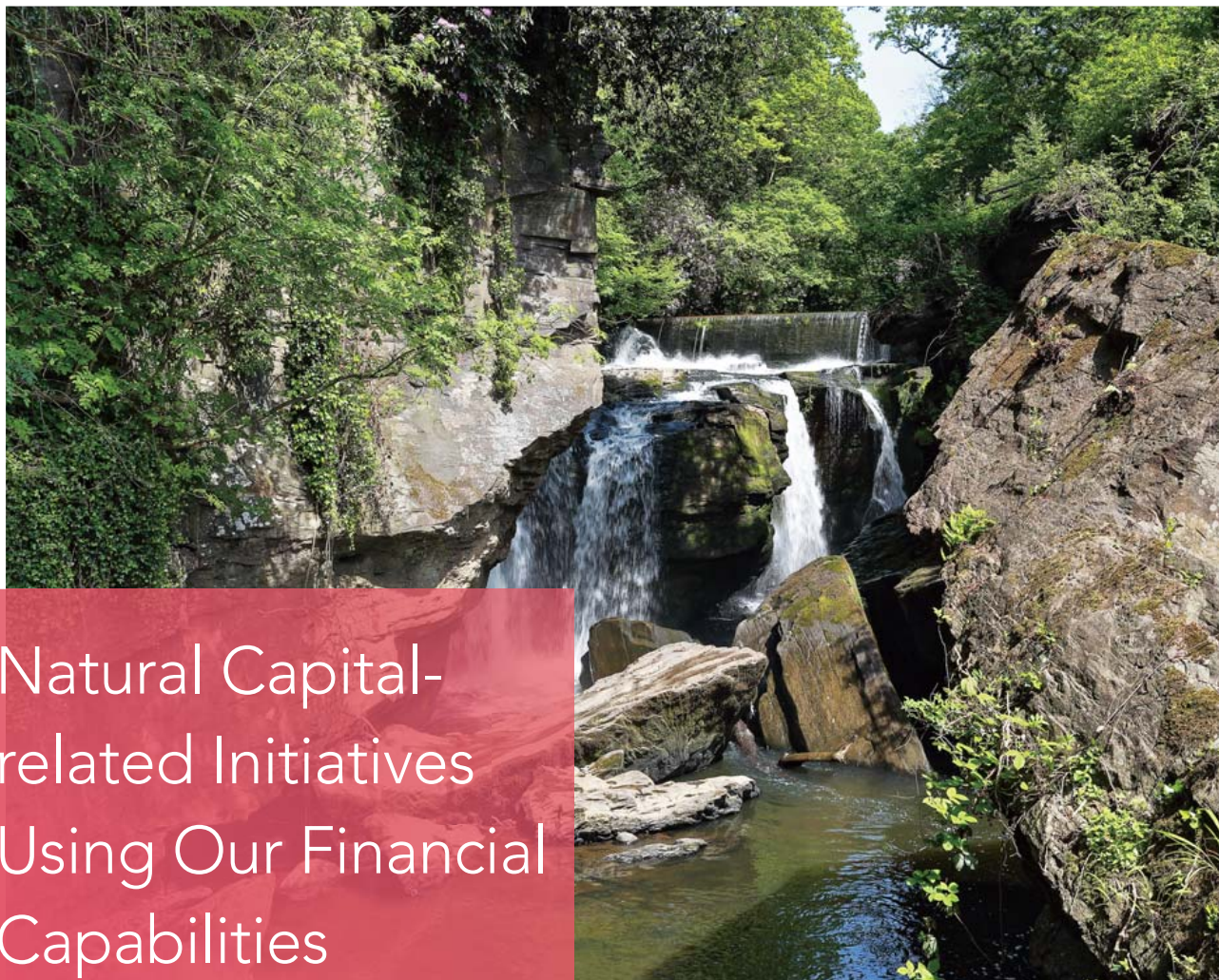
support such efforts with supply schemes that use leases and private-sector funding to promote comprehensive energy-saving measures, encourage maximum adoption of renewable energy sources and systems for recouping wasted energy, and foster town planning and development and integrated management of public facilities.



Main benefits from using leases

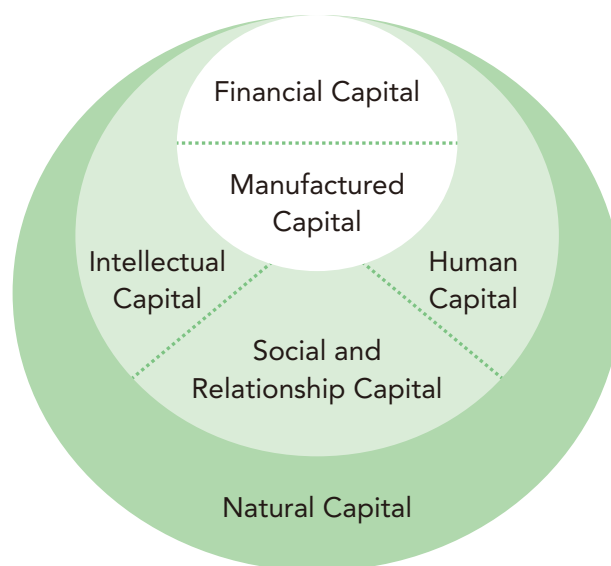
- **Effective use of fiscal resources**
Lower upfront costs, multi-year contracts are possible
- **Easier cost management, including leveling out O&M costs**
Operation and maintenance (O&M) costs can be included in lease contracts, enabling leveled-out monthly payments that make budget management simpler
- **More efficient administration of personal effects**
Enables more efficient record-keeping and administration that comes with ownership such as attaching insurance to personal effects in general

*Energy service companies (ESCOs) provide comprehensive energy-saving services from adoption of energy-saving equipment to operation and maintenance.



Natural Capital-related Initiatives Using Our Financial Capabilities

The concept of natural capital is attracting growing interest. Natural capital is positioned as one of the six forms of capital that organizations depend on when creating value in an integrated reporting framework, which is a new trend in non-financial information disclosure. It is defined as “all renewable and non-renewable environmental resources and processes that provide goods and services that are the basis of the past, current or future prosperity of an organization.” Specifically, natural capital includes air, water, soil, and minerals, as well as the health of forests, biodiversity, and ecosystems.



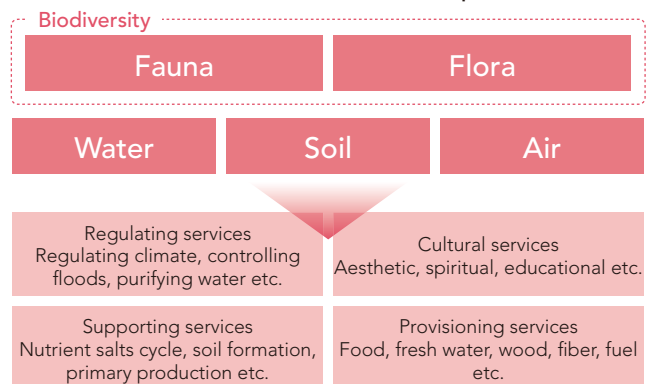
Natural Capital: Foundation for All Environmental, Social, and Economic Spheres

Natural capital is made up of diverse living creatures and the water, soil, and air that sustain them. These are the foundation sustaining life on earth and conserving them needs to be prioritized ahead of everything else.

Natural Capital's Blessings

The way we live depends on natural capital and the ecosystem services they provide. We thus feel continued wise use of natural resources emanating from natural capital over the long run goes beyond mere environmental conservation. It must extend to putting communities on a solid social foundation to enable sustainable economic development.

Five elements of natural capital



Four categories of ecosystem services

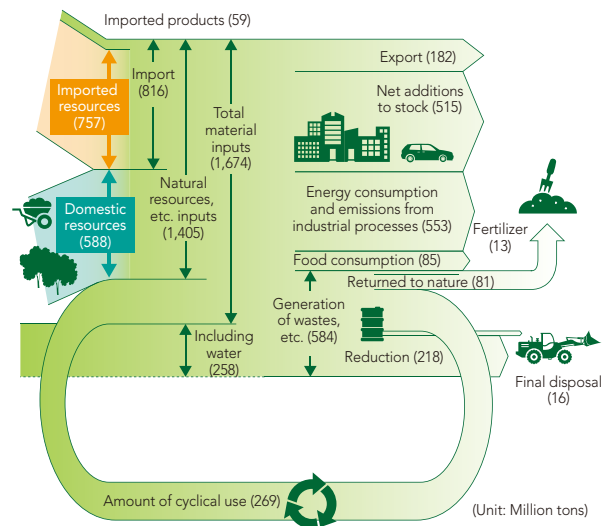
Global Supply Chain: Natural Capital Risks Facing Japan's Economy

Of the total material inputs into Japan's economy, about 84% are natural resources. Of those, Japan imports about 760 million tons, or about 54% of the natural resources used in its economy. Japan has halved natural resource inputs sourced in Japan going back a little more than the past ten years but its reliance on global procurement has steadily increased.

Adding imported products to natural resource imports increases import tonnage to about 820 million tons. The production and distribution of these import categories require large amounts of natural capital usage such as water. In such ways, Japanese companies rely on importing raw materials from overseas, so the size of the environmental impacts and the natural capital dependence in their supply chains may form hidden risks for corporate management.

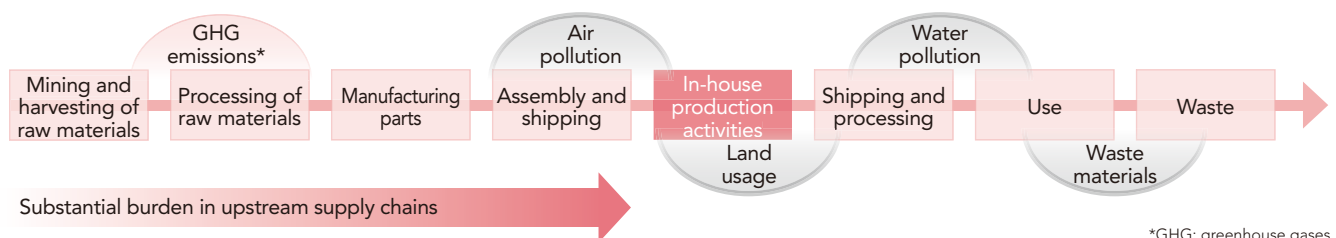
Two important factors (materiality) for sustainable corporate management are properly identifying the scale of water use, materials use, and CO₂ emissions across supply chains and managing natural capital impacts, especially in the upstream supply chain.

Material Flow in Japan (Fiscal year 2013)



Source: Annual Report on the Environment, Sound Material-Cycle Society, and Biodiversity 2016

Natural Capital Should be Managed Globally



*GHG: greenhouse gases

Our Natural Capital Initiatives and Policies

Natural Capital Finance Alliance (formerly The Natural Capital Declaration)

SuMi TRUST Holdings became a signatory to the Natural Capital Declaration (NCD) proposed by the United Nations Environment Programme Finance Initiative (UNEP FI) at the United Nations Conference on Sustainable Development “Rio+20” held in Rio de Janeiro in June 2012. SuMi TRUST Holdings is the only financial institution in Japan to have signed the declaration when it originally promulgated.

NCD signatories are working toward implementing NCD commitments through Natural Capital Finance Alliance (NCFA)

projects overseen by a steering committee of signatories and supporters and supported by a secretariat.



Commitment of Financial Institutions under the Natural Capital Finance Alliance (Excerpt)



We will support the development of methodologies that can integrate natural capital considerations into the decision-making processes for all financial products and services including loans, investment, and insurance policies.

- (a) We will apply a holistic approach to the evaluation of bonds and stocks by integrating natural capital considerations in environmental, social, and governance (ESG) risk analysis in short-, medium-, and long-term growth forecasts of investee companies.
- (b) We will systematically incorporate the consideration of evaluating natural capital into the credit policies of specific sectors, including commodities, that have a major impact on natural capital, either directly or indirectly through the supply chain.

Sumitomo Mitsui Trust Holdings Action Guidelines for Preserving Biodiversity

1. Implementing Measures and Providing Support for Biodiversity Preservation

We will strive to actively protect endangered and native species. In our role as a corporate citizen, we will work to support activities for the preservation of biodiversity.

2. Providing Products and Services

We will endeavor to develop and provide products and services that contribute to the preservation of biodiversity, by conducting appropriate economic and social evaluations of the ecosystem and encouraging the sustainable use of living resources through our financial functions.

3. Collaboration with Stakeholders

We will engage in dialogue and cooperation with our stakeholders while working to preserve biodiversity.

4. Education and Training

We will ensure thorough implementation of these action guidelines at all Group companies and will work to provide education and training aimed at the preservation of biodiversity.

5. Information Disclosure

We will actively disclose information about our efforts to preserve biodiversity.

Business and Biodiversity Initiative: Activities based on Leadership Declaration

SuMi TRUST Holdings signed a leadership declaration under the Business and Biodiversity Initiative “Biodiversity in Good Company” at the ninth meeting of the Conference of the Parties to the Convention on Biological Diversity (COP 9) held in May 2008 in Germany. Since then, we have continued to carry out activities in line with the principles of the declaration, which was led by the German government.



| Declaration | Status of initiatives during 2015-2016 |
|---|--|
| 1. Analyzing corporate activities with regard to their impacts on biological diversity | We continued to provide investment trusts that assess impact on biodiversity and loan products that include impact on natural capital in their assessment criteria. |
| 2. Including the protection of biological diversity within their environmental management system | In our CSR promotion system, we draw up a plan for each fiscal year on efforts related to natural capital and review their performance semiannually. |
| 3. Appointing a person in the company responsible for steering all activities in the biodiversity sector and reporting to the Management Board | The Chief Sustainability Officer in the Corporate Planning Department supervises all activities and reports to the Executive Committee. |
| 4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years | We have set objectives in the CSR Midterm Plan for measures including those related to natural capital, and we review performance at the Executive Committee. |
| 5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report | We publish a yearly Natural Capital feature report. We disclose our biodiversity initiatives in our CSR report and at various events. |
| 6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step | We apply our procurement policy regarding illegal logging in tropical rain forests, which has a large detrimental impact on biodiversity, beyond copier paper to a broader range of office supplies. |
| 7. Exploring the potential for cooperation with scientific institutions non-governmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-à-vis the biodiversity domain. | We strengthen our relationships with NGOs focused on tropical rain forests and biodiversity as a part of our approach to risk management. |

Caring for Natural Capital: a Global Perspective

Evaluating Supply Chain Impacts on Natural Capital

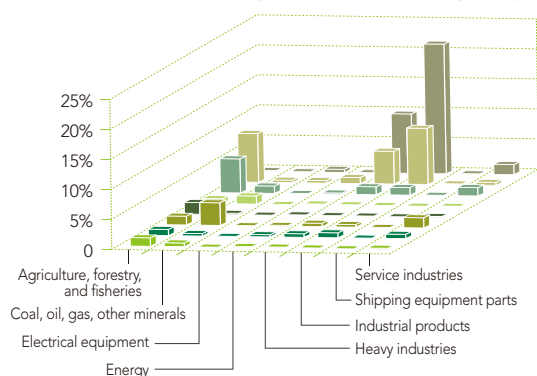
Natural Capital Evaluation

Natural capital evaluation is a service that calculates natural capital dependence arising from corporate activities and estimates the degree of impact for each input item

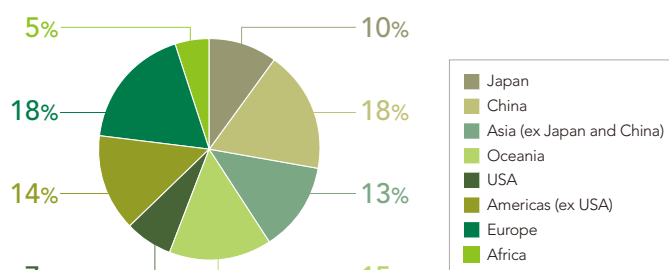
sourced and for each country and region, tracing back through supply chain levels.

Example of output from a Natural Capital Assessment Tool

Breakdown of water usage volume in each region by sector



Ratio of land usage area by region



GHG emissions volume is likewise calculated by sector and region.

Benefits of Natural Capital Evaluation

(1) Gaining quantitative risk data related to the supply chain that can be used for management judgments

Can obtain previously hidden risk data related to environmental impacts and the use of resources that are essential to global supply chain management

(2) Obtaining quantitative data on environmental impacts that can be used for information disclosure

Can use scope 3 disclosure responses to surveys such as the Carbon Disclosure Project (CDP) and disclosures in integrated corporate reports

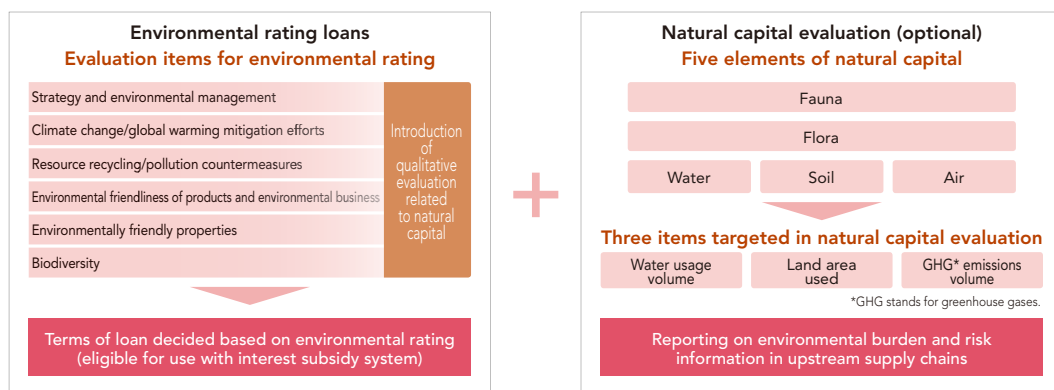
Initiatives for Loans

Environmental Rating Loans with Evaluation of Natural Capital Preservation

The sustainable use of natural capital as resources is vital for a company to continue its business. There is a growing awareness that efforts to address issues related to natural capital across the global supply chain as well are an indispensable part of management strategy.

In April 2013, SuMi TRUST Bank launched its Environmental Rating Loans with Evaluation of Natural Capital Preservation, which embed the concept of evaluating impacts on natural

capital and a company's initiatives into the environmental-rating evaluation process that assesses its environmental measures. This is the world's first attempt to incorporate natural capital evaluation into loan criteria, and our efforts have been cited in Japanese government environmental white papers and European Commission reports as an example of leading-edge practice.



Note: "Optional" refers to ESCHER calculations provided by PwC Sustainability Co., Ltd. that are not available without loan products.

Natural Capital Risk Management for Loans (Equator Principles)

SuMi TRUST Bank is aware that financing large-scale projects such as mine development, oil and gas development, power plants, petrochemical plants and infrastructure development may indirectly have an adverse effect on natural capital. We also believe it is the responsibility of a trustworthy financial institution to avert or mitigate risks of deterioration in the value of loan receivables due to project suspensions

originating in environmental or social problems.

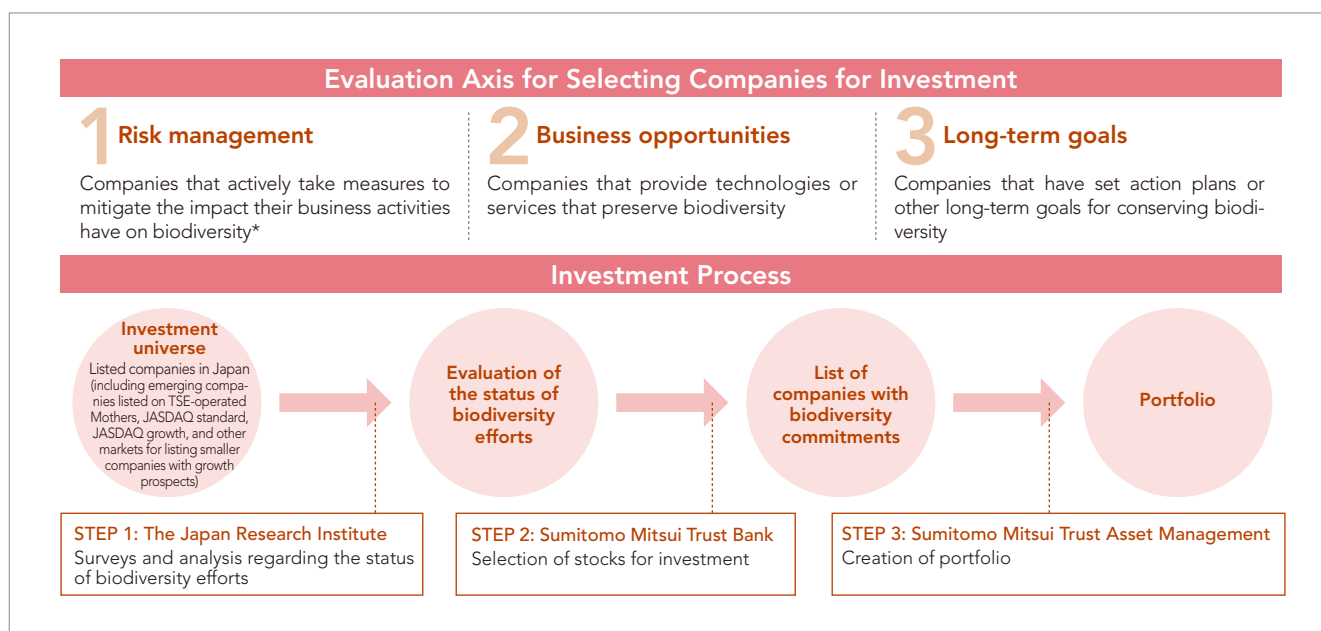
Since February 2016, SuMi TRUST Bank has integrated use of the Equator Principles, guidelines for private-sector financial institutions, into its decision-making processes for loans in project finance and related risks for risk management purposes. In the Equator Principles process, natural capital is one of the most important themes (for details, see page 96).

Initiatives for Asset Management

Biodiversity Companies Support Fund

In 2010, SuMi TRUST Group developed the world's first Japanese equity fund that evaluates the status of biodiversity efforts at companies from a global perspective such as sustainable use and conservation of biological diversity,

an important component of natural capital, and uses those evaluations to screen and select stocks for investment. According to our research, no other Japanese equity fund is designed around such a concept.



*We use a risk metric to measure the capacity of companies to respond to natural capital risk, referencing the Natural Capital Efficiency Index (NCEI) factors in the relationship of net sales to energy & water use and waste generated). The metric is an index of the magnitude of natural capital risk that could lower NCEI (NCEI/amount of goods or services per unit of natural capital). It draws on material balance reports companies in Japan issue that show amount of resources used (fuel etc.) and outputs (CO₂ emissions etc.) generated at each stage (development & design, procurement, production, distribution, sales, consumer use and after-sales collection).

Natural Capital Risk Management for Investing (ESG investing)

SuMi TRUST Bank is a signatory to the Principles for Responsible Investment (PRI), which was jointly established by the UN Global Compact and the United Nations Environment Programme Financial Initiative (UNEP FI). These principles require institutional investors such as pension funds and asset managers to take ESG factors into account when making investment decisions, including impacts on environmental (E) and social (S) considerations.

Through engagement with investee companies, SuMi TRUST Bank promotes pro-active information disclosure of initiatives and policies concerning natural capital, specific actions for usage and to conserve natural capital usage, and the use of certification systems. We also propose initiatives aimed at increasing the corporate value of investee companies (for details, see page 46).

How We Contribute to Conserving Japan's Bountiful Natural Capital

Why Ecological Networks Matter

Our everyday lives and economic activities rely on abundant biodiversity. Various living creatures keeping the diverse environments they use intact and linking these places together via pathways called "corridors" are the key ideas behind ecological networks.

We believe evaluating impacts on regional and building natural capital and developing methods to manage these as well as constructing ecological networks will help to address natural capital problems in Japan and lead to the formation of a sustainable society.



Support for Natural Trust's Activities: Acquiring Land

Acquiring Sites

Land is the foundation of natural capital in terrestrial ecosystems. The formation of ecological networks requires acquiring land that links rich ecosystems together. Not only is development destroying natural habitats but in the past few years the supply of unregistered land whose succession rights have been relinquished has grown sharply due to Japan's shrinking population. We think retaining and expanding managed natural preserves will be effective in checking erosion in Japan's natural capital and forestalling growth in mountain forests and farmland where land ownership is unclear.

to 1,500 m² of the site), located within Kuromatsunai town, to conserve the high-elevation wetland, one of the oldest in Hokkaido.

Vending machines that direct a percentage of their sales to the National Trusts have been installed in the Nakano Branch, the Tokorozawa Branch and the Tokorozawa-Ekimae Branch. Through October 2016, funds were donated toward the acquisition of forest land (equivalent to 1,500m²) in Chichibu, a source region for water supply to the greater Tokyo metropolitan area.



Vending machines that direct a percentage of sales to the National Trusts

Supporting National Trusts' Activities through Donations for Acquiring Land

SuMi TRUST Bank supports activities to acquire high-value sites and land with bountiful nature through contributions from citizens and corporations that are promoted by the Association of National Trusts in Japan. In 2014, we donated funds toward the acquisition of forest land (equivalent to 8,000 m²) in Amami Oshima to conserve habitat for the endangered Amami rabbit. In 2015, we donated funds toward the acquisition of the Utsai bog (equivalent

Social Contribution Donation Trusts

SuMi TRUST Bank administers social contribution donation trusts set up for the purpose of making donations to public-interest organizations carrying out social contribution activities. These trusts enable people who would like to contribute to society in some form as a citizen to do so using the trust system. The selection of Ecosystem Conservation Society-Japan as a donation recipient supports the activities of the Association of National Trusts in Japan, an organization that aims to protect nature by purchasing land that forms the natural habitat of endangered species in Japan.

Restoring Natural Capital in Cities

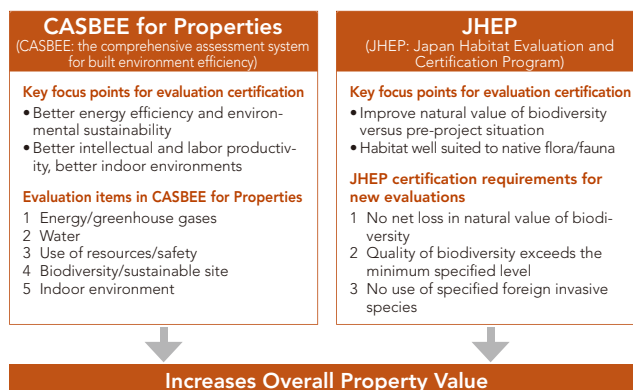
Construction Consulting on How to Foster Biodiversity and Ecosystems

Through the use of CASBEE for Properties*¹ and JHEP*² together, the environmental performance of properties can be improved across many dimensions, helping to increase overall property value.

At SuMi TRUST Bank, biodiversity considerations are included in our menu of construction consulting services.

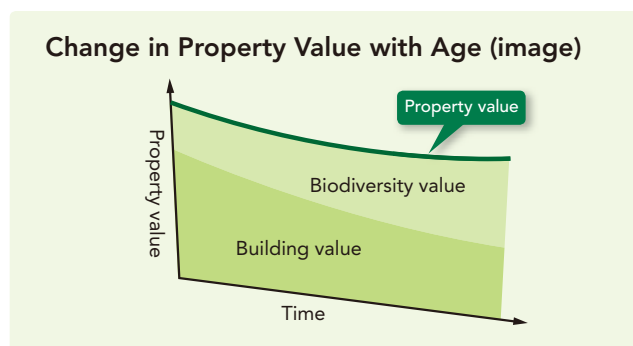
*1 CASBEE for Properties: The comprehensive assessment system for built environment efficiency (CASBEE) certification is an environmental performance evaluation system for buildings being developed and promoted in Japan under the guidance of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

*2 JHEP: JHEP is a system developed by the Ecosystem Conservation Society-Japan to quantitatively evaluate and certify efforts to contribute to the conservation and restoration of biodiversity.



A building's environmental performance is evaluated on many dimensions such as energy savings, global warming mitigation measures, biodiversity, durability, and resource efficiency.

The value of buildings declines with age but the biodiversity value increases every year as the ecosystem surrounding it forms. These offsetting lifecycle patterns can maintain the combined value of the building and site together as a whole. Ecological networks can be created through the connection of local sustainable-use sites, neighboring buildings and green nature reserves.



Catalysts for Deepening Natural Capital Awareness

Our Exhibit at Eco-Products in Japan

Held annually in December at Tokyo Big Sight, "Eco-Products in Japan" is one of the nation's largest environment-related events.

SuMi TRUST Bank had from 2007-2011 highlighted biodiversity as the main theme of the booth it opened jointly with the Ecosystem Conservation Society-Japan and the Association of National Trusts in Japan at the event, but its exhibit theme since 2012 has been natural capital. The exhibit explains the economic significance of natural capital through displays of our initiatives for investment and loan products and real estate, information disclosure, and our support for activities of the National Trusts. Our natural capital exhibit has been well received by many companies and organizations.



Our exhibit at Eco-Products in Japan

Natural Capital Study Group

The Natural Capital Study Group commenced in April 2013, chaired by Masaru Yarime, a Project Associate Professor in the Science, Technology, and Innovation Governance Program at Tokyo University's Graduate School of Public Policy. Its participants come from all walks of life, ranging from companies and national and local governments to academics, research institutions, and NGOs. In an environment welcoming to open inquiry, participants have so far engaged in a series of lively debates on the research topics of various members. In 2015, the key points and findings of these discussions were organized, documented, and published as an introductory book on natural capital with a focus on the challenges for national governments, local authorities, and companies. The book covers a wide range of themes, ranging from the historical context and global trends informing the growing debate on natural capital to the initiatives of financial institutions, companies, and local authorities in applying natural capital concepts.

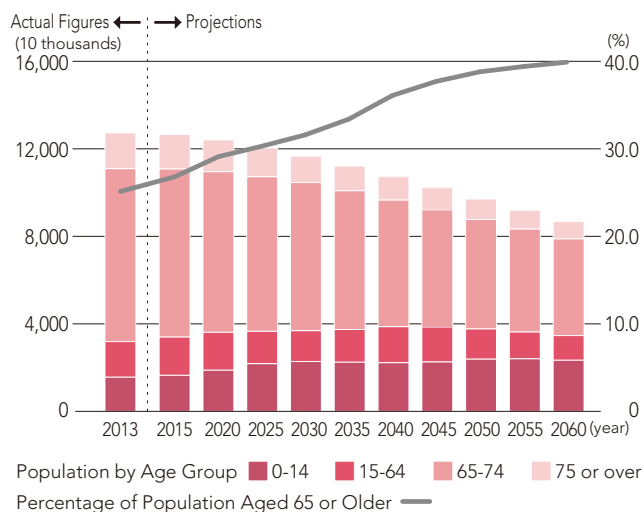


Addressing the Issues of a Super-Aging Society by Using Our Financial Functions

Japan is one of the first nations in the world to face the challenges of a super-aging society. Senior generations in Japan are being asked to embrace new ways of living that enable them to enjoy a long, vibrant life while continuing to live in the regions they call home and stay connected with society after retirement. The role of finance in managing personal wealth is extremely important for building an economic system that supports new lifestyles. It is no exaggeration to say many feel trust banks, in particular, are a category of financial institution that most effectively performs a diverse range of functions. SuMi TRUST Group sees addressing the problems of an aging society as a source of business opportunities and is working actively to offer solutions for them.



Trend in Aging Population and its Projection



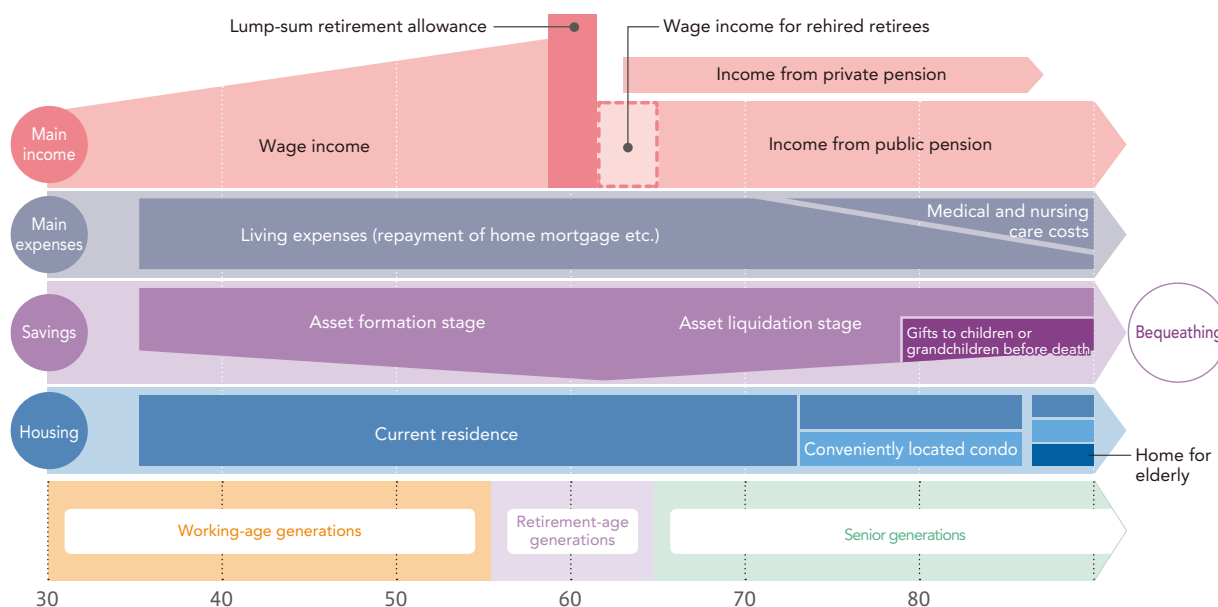
Sources: Figures for 2013 are from the "Population Census" (as of October 1, 2013), Ministry of Internal Affairs and Communications; estimates for 2015 and beyond are based on the medium-fertility (medium-mortality) projection from the "Population Projections for Japan (January 2012)," National Institute of Population and Social Security Research.

Trust Banks Offer a Rich Variety of Problem-Solving Functions

1. Ensuring Stability in Net Income for Senior Generations

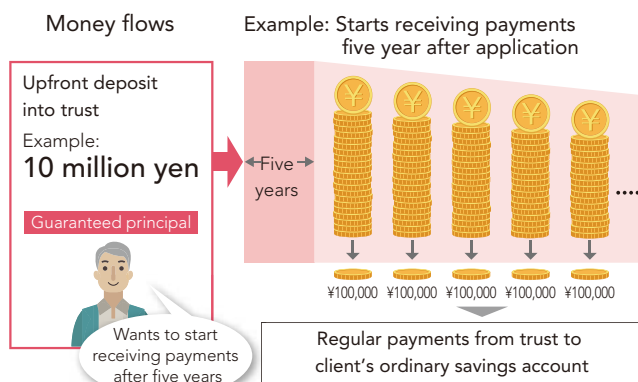
What senior generations seek from wealth management are solutions that enable them to put aside savings for unexpected expenses such as illness or earn income that supplements their public pension stipends, draws down their savings in keeping with a plan to ensure their income

and costs remain in balance and their quality of life can be maintained. SuMi TRUST Bank plays a part in helping clients put together a well-conceived life plan, drawing on the many products and services we have assembled to enable seniors to attain their goals in such circumstances.



Personal Pension Trust

SuMi TRUST Bank's Personal Pension Trust is a product with a monthly or bimonthly payment stream like a pension plan that draws on deposited funds. A client who wanted to start receiving living expenses later in life, for example, could determine the date when payments commenced and receive necessary sums in regular payments.



Reverse Mortgages

A reverse mortgage is a loan that supports an enriching second life. SuMi TRUST Bank began offering reverse mortgages in March 2005, which lend funds to allow clients to live comfortably in their retirement years by using

their residence as collateral. The funds can be received in an annual specified amount like a pension, or at any time in an amount within a certain predetermined limit, with their residence serving as the collateral.

This product enables them to use the money for any purpose other than as a business loan, so that they can not only use it to enjoy their free time, but also to fund renovations to their residence or as a lump sum payment when moving into a nursing home.

Offering Various Insurance Products

In addition to individual annuity insurance and whole life insurance, SuMi TRUST Bank also carries medical and cancer insurance. We also have a range of products that insure against various uncertainties such as the cost of advanced medical care, inpatient care due to injury or one of the three major diseases (cancer, acute myocardial infarction, stroke), and support in old age such as a nursing care guarantee.

Clients between ages of 40 and 65 who have applied for our discretionary investment management products (wrap accounts) can also apply free of charge for our Life Reassurance Package, a service that features cancer insurance, nursing care insurance, and personal injury coverage. Likewise, wrap account applicants between the ages of 66 and 80 are also eligible to apply for the personal injury coverage under our Life Reassurance Package.

2. Helping Senior Generations Safely Manage Their Wealth

Anshin Support Trust (Money Trust)

SuMi TRUST Bank offers Anshin Support Trust, a product that leverages the unique functions of a trust bank to provide medium- to long-term, made-to-order support for the preservation and management of clients' precious assets for their sake as well as their families'. Two types of Anshin Support Trust are available: a "money trust" and a "life insurance trust."

As for the money trusts, the trustor him/herself (self benefit trust) or another person (third-party benefit trust) can be named as the trust beneficiary. In this way, trust assets are disbursed according to the client's wishes, to him/herself, family members, charities, or any other bodies. For example, there are clients who have set up self-benefit trusts at SuMi TRUST Bank who have looked at moving into a nursing home for the elderly but have nobody they can trust to manage and conserve their wealth and are worried about what would happen if they were to develop dementia later in life. In such cases, SuMi TRUST Bank is obliged to pay without fail monthly residence fees on their behalf.

Through a structure that requires the consent of a family member, the product offers preventative security against financial crime and protects the precious assets and family members of our clients.

Sufficient funds to cover daily living expenses can be paid while the client and their family members look after the client's assets

Lump-sum payment

This trust is designed so entrusted funds cannot be paid out without the consent of a pre-designated family member. It provides family members with an opportunity to have open discussions beforehand that prevents members from being scammed.

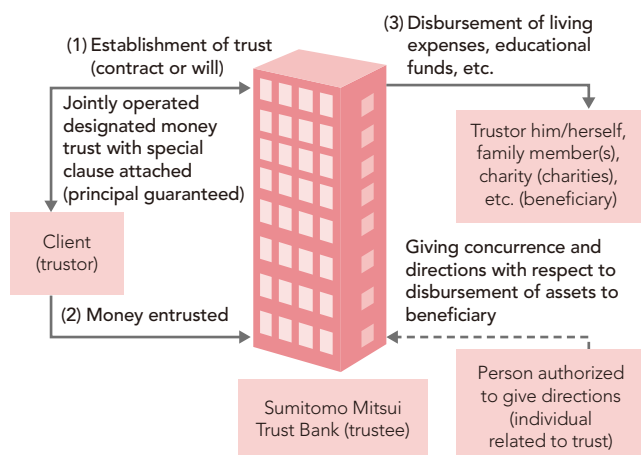
Pre-specified sums paid regularly

Of funds entrusted in a Security Trust, a pre-specified sum can be paid on a regular basis to cover necessary living expenses.



*No management fees are charged

Mechanism of Money Trust



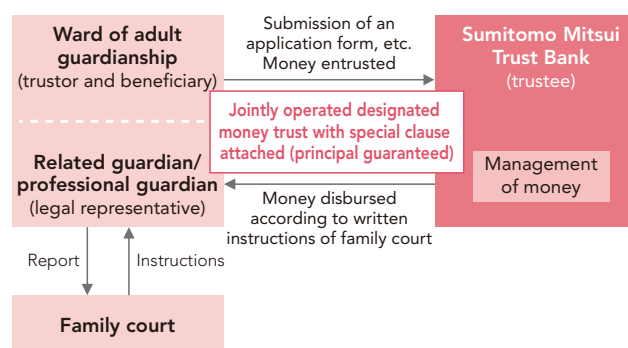
In cases when there is no relative suited to be the co-signer or act as the person authorized to give directions, clients can sign a discretionary guardian contract with a lawyer or judicial scrivener to serve as their co-signer or the person authorized to give directions for their self-benefit trust.

Security Trust

In view of the growing sophistication of financial crime, SuMi TRUST Bank commenced offering a Security Trust, a new product for protecting client assets, in September 2015. This product is structured so pre-designated a co-signer (a relative as far removed as the third degree of kinship, etc.) must consent to a request by the contracting party for a payment from deposited funds before the payout can be executed. For everyday living expenses, the contracting party can withdraw up to 200,000 yen per month periodically even without the consent of the co-signer.

Guardianship System Support Trust

The Guardianship System Support Trust is a trust designed to protect the assets of the ward and contribute to the stability of his or her living into the future. The money placed in trust is paid out as a specified sum paid regularly to the ward, under a special provision established in accordance with a written instruction of the family court.



Consultations and Inquiries related to Adult Guardianship System

Under agreements concluded with the Legal-Support Adult Guardian Center (Legal Support) and some regional lawyers' associations, SuMi TRUST Bank refers customers' consultations and inquiries related to the adult guardianship system to Legal Support and the associations.

Support for Family Trusts

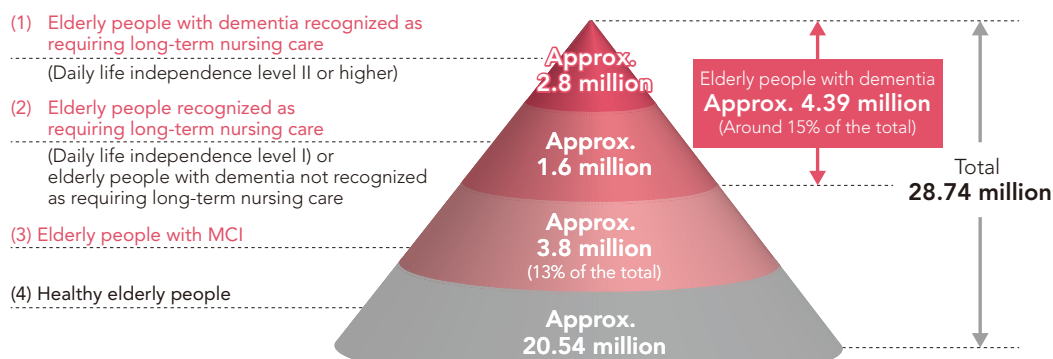
For clients who seek a Family Trust (private trust) for bequeathing or managing family wealth using a trust structure, SuMi TRUST Bank supports the establishment of steady operation.

Dealing with Dementia-Related Problems



Dementia is a disease which accompanies aging. Dementia, a typical example of which is Alzheimer's disease, causes disabilities, including memory and judgment problems, by undermining the brains' functions, making it difficult for the patient to lead a social life and communicate with other people. As Japan's population ages, the number of people suffering from dementia is rapidly increasing. Among people aged 65 or older, around one in seven people is presumed to be suffering from dementia, and if people afflicted with MCI (Mild Cognitive Impairment), which is regarded as a pre-dementia stage, are included, the proportion rises to one in four. This means that a certain percentage of our customers are presumed to be suffering from dementia.

Current Status of Dementia among People Aged 65 or Older (estimate as of 2010)



Source: Ministry of Health, Labour and Welfare

Participation in Industry-Academia Partnership concerning Dementia

Led by the Kyoto Prefectural University of Medicine, the COLTEM project for "a development center of social technologies integrating law, engineering and medicine that seamlessly support community life for the elderly from the period of sound health to the onset of dementia" is subsidized by the Ministry of Education, Culture, Sports, Science and Technology. SuMi TRUST Bank belongs to the financial satellite team under this project and is a collaborator in the effort to create a manual for financial institutions for responding to people with dementia. Premised on the supposition that the client is a person with dementia, the satellite team has solicited a wide variety of viewpoints on how this premise would affect face-to-face sales with dementia sufferers and product development. In October 2016, COLTEM sponsored a symposium aimed at helping senior citizens to feel safe in pursuing self-directed economic activities, and participants shared their views on how financial institutions should tackle the problem of dementia.

Workshop on Becoming a Supporter for People with Dementia

The nurturing of "Dementia Supporters" is an initiative organized by the Ministry of Health, Labour and Welfare, with the aim of creating a "society in which people can live with a sense of security even with dementia." With the aim of training employees as Dementia Supporters, SuMi TRUST Bank is holding a course called the Workshop on Becoming a Supporter for People with Dementia at each of our branches across the country. Participating employees are certified as Dementia Supporters after taking a course lasting about an hour, which covers such matters as the symptoms of dementia, problems that can occur at financial institutions, and ways of dealing with people who have dementia. As a result, many employees have acquired deeper understanding of dementia.

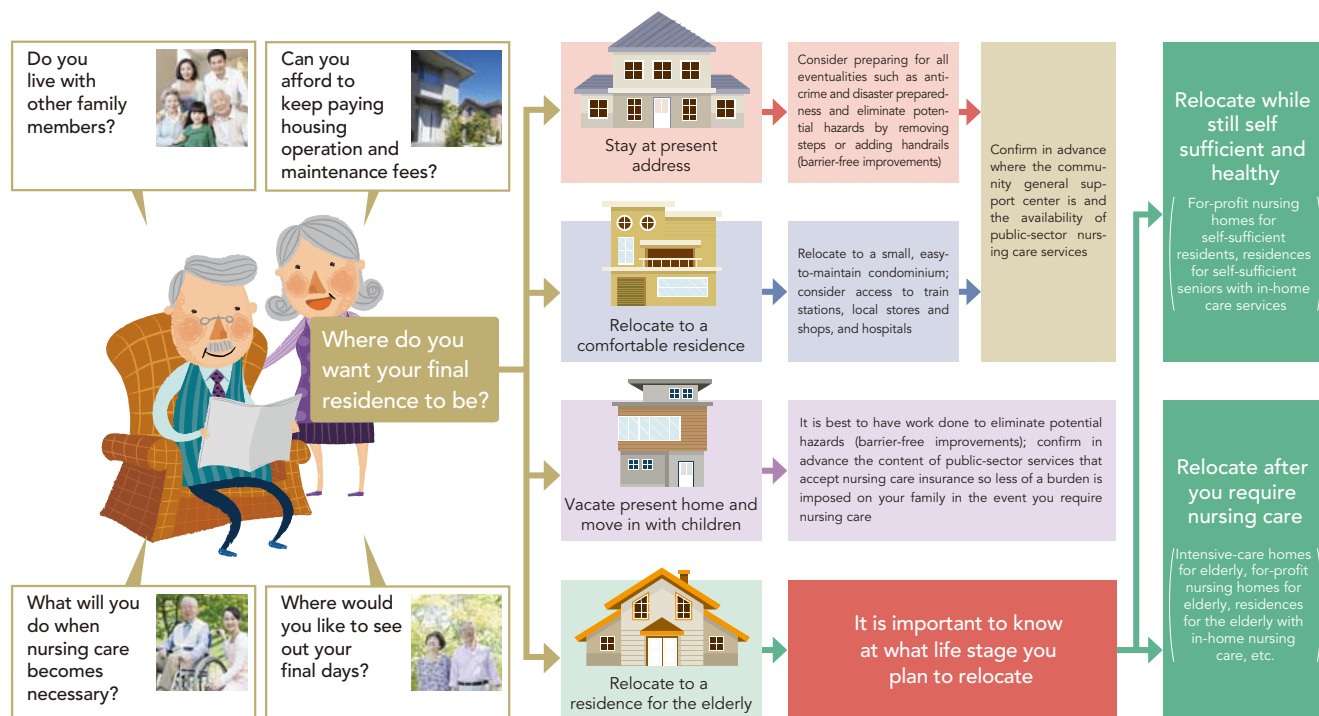
Wealth Management Products for Those with Declining Capacity for Judgment (see page 28)

SuMi TRUST Bank has a range of wealth management services for clients with dementia and can develop solutions for individual needs. For example, the Guardianship System Support Trust protects from embezzlement the assets of those under the adult guardianship system; the Security Trust protects those with declining capacity for judgment against money transfer scams; and the Anshin Support Trust is designed so pre-specified arrangements to pay sums necessary to cover usage fees for a nursing home for the elderly can be made for those worried their capacity to manage their wealth will decline later in life.

3. Ensuring Stability in Housing for Senior Generations

Housing holds the key for the elderly to maintain their quality of life and feel safe in their everyday routines. SuMi TRUST Bank provides information about housing that

matches the needs of senior generation clients and supports them in securing stable housing using the Group's array of functions.



Supervision: Pro-Vision Co. Ltd.'s Yumi Yamanaka (1st-grade Certified Skilled Worker of Financial Planning Exam, Environment Coordinator for Elderly and Disabled People)

Providing Information on Housing Options for the Elderly

In many cases men and women over age 80 require nursing care in their daily lives, and it is necessary to think about housing for senior generations from the perspective of access to medical and nursing care. There are many offshoots in the complicated field of housing eligible for the nursing care insurance system and housing designed for the elderly, and grasping the overall picture is no simple task. In view of this, SuMi TRUST Bank invites experts to come to our branches across Japan as speakers and lead seminars about the field of housing with nursing care options. In addition, we work to provide customers with easy-to-understand information through our dedicated website and quarterly journal.



Quarterly Journal "With You" and feature articles

Reform Loans

Once bodily function declines, it is not unusual for people to stumble on a small step and injure themselves or drown in the bathtub. There are cases where work must be done to eliminate hazards (barrier-free improvements) in a home where seniors have lived for many years so they can stay there. Sumitomo Mitsui Trust Panasonic Finance offers renovation loans as a way to support elderly clients so they can live comfortably in their old age.

Bridge Loans for Sales of Real Estate

As their family structure and physical condition changes, quite a few people find that they want to sell their residence to move into a nursing home or a condominium in an area where transport is more convenient. To ensure that clients do not have to rush to sell their precious real estate, Sumitomo Mitsui Trust Loan & Finance offers bridge loans for sales of real estate, providing them with support as they seek a new home that suits their post-retirement lifestyle. In addition, our realty company Sumitomo Mitsui Trust Realty offers clients help with selling their old home and buying a new one.

Initiatives to Increase Housing for the Elderly

The number of elderly living in large cities is expected to grow sharply, and the government pointed out the vast shortage of facilities with nursing care in the greater Tokyo metro area in a white paper on Tokyo. To do its part to help address this problem, SuMi TRUST Group has various initiatives in train to support an increase in housing for the elderly such as for-profit nursing care homes.

1) Propose Effective Use of Land

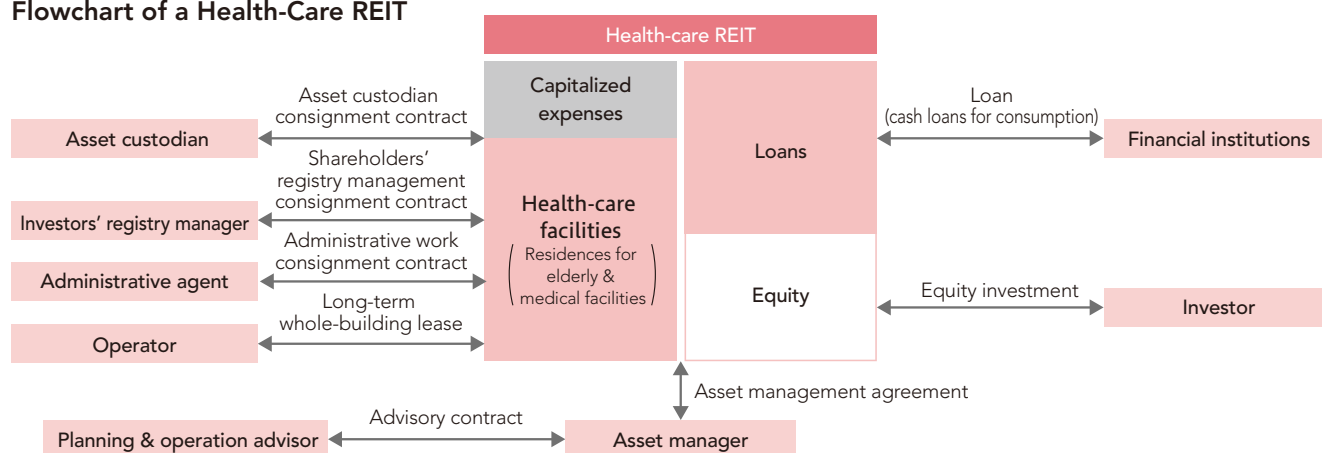
One way SuMi TRUST Bank offers proposals for effective land use is to provide loans for construction and various forms of advice on building for-profit nursing homes and

residences for the elderly with care services while working closely with nursing care providers.

2) Finance for Healthcare REITs

SuMi TRUST Bank actively provides finance to healthcare REITs, which are a source of stable, long-term funding for healthcare facilities such as residences for the elderly and medical malls. Healthcare REITs raise funding for use in healthcare facility acquisition fees and related expenses. We have made two loans to healthcare REITs with the number of facilities linked to these loans coming to 40 as of December 2016.

Flowchart of a Health-Care REIT

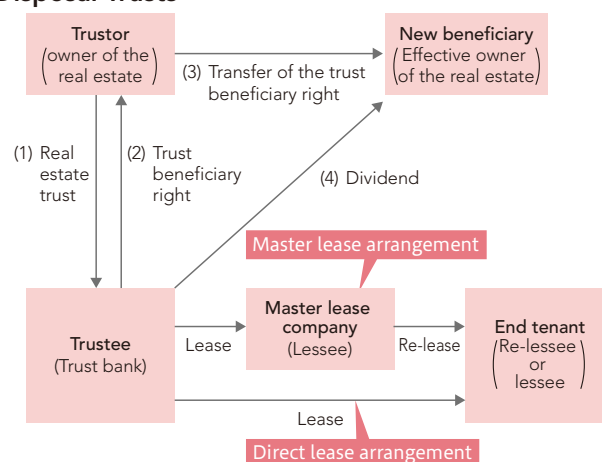


3) Securitization Business for Healthcare Facilities

SuMi TRUST Bank is actively engaging in the securitization business relating to healthcare REITs and privately placed funds. As of November 2016, total healthcare REIT assets held in trust at SuMi TRUST Bank came to 108.5 billion yen, with the number of facilities standing at 65. In the securitization business related to REITs and privately placed funds, SuMi TRUST Bank uses the scheme of a real estate administration and disposal trust. This scheme refers to transfer of real estate ownership from the trustor (real estate owner) to the trustee (trust bank) followed by administration, management and disposal of the real estate by the trustee based on directions given by the beneficiary and the distribution of profits thus generated (mainly rent revenue minus expenses) as dividends to the beneficiary.

Moreover, in addition to engaging in the real estate securitization business, SuMi TRUST Bank is also REIT-related asset custodian and general administrative work agent. Healthcare & Medical Investment Corporation (SuMi TRUST Bank entrustment), established in December 2014, provides various support services in cooperation with customers.

Outline of the Real Estate Administration and Disposal Trusts



- (1) The trustor (owner of the real estate) entrusts the real estate to the trustee (trust bank) (The ownership of the real estate is transferred from the trustor to the trustee).
- (2) The trustor acquires the trust beneficiary right in exchange, becoming the initial beneficiary.
- (3) The trustor transfers the trust beneficiary right to the buyer (new beneficiary).
- (4) The trustee distributes profits generated from management of the real estate as dividends to the new beneficiary.

4. Helping with Lifestyles of Family and Relatives

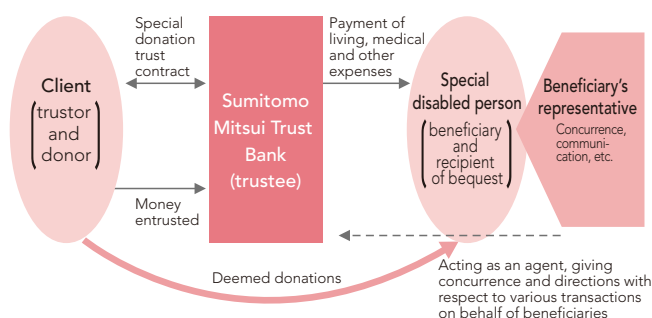
Special Donation Trust

The special donation trust is a product for the purpose of contributing to stable living into the future for specified persons with disabilities. With this trust, funds donated are managed securely by SuMi TRUST Bank through jointly operated designated money trusts and other instruments, and disbursed to the specified person with disabilities by

the bank on behalf of the client.

“Specified persons with disabilities” who become beneficiaries are divided into “special persons with disabilities” and “other specified persons with disabilities” according to the degree of disability. Special persons with disabilities may receive up to 60 million yen tax-free in periodic installments to cover living costs or medical expenses, while other specified persons with disabilities may receive up to 30 million yen without paying tax.

Structure of Special Donation Trusts



Anshin Support Trust (Life Insurance Trust)

Anshin Support Trust (Life Insurance Trust), co-developed by SuMi TRUST Bank and Prudential Life Insurance Co., Ltd., makes it possible to flexibly design the trust service in advance with regard to the provision method and usage of life insurance benefits. For example, the trust service can be designed such that if a customer dies, benefits are paid out as necessary while being protected to cover education expenses for their children (see Page 28).

Family Consideration Trust (Lump Sum)

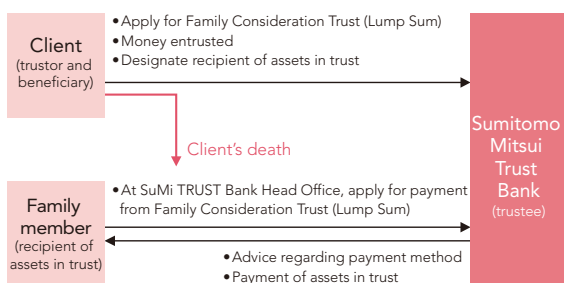
In the event of a bereavement, family members have to deal with various procedures, including arrangements for the funeral and inheritance-related procedures. The Family Consideration Trust (Lump Sum) is a product that, in the event of a client's death, pays out the deposited assets in trust to a recipient designated in advance by the client from among their legal heirs so as to cover interim expenses and funeral costs.

Family Consideration Trust (Annuity)

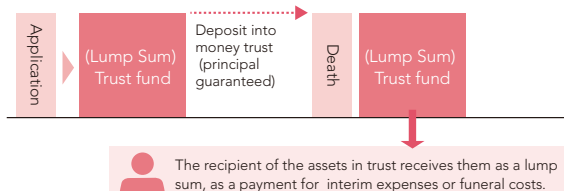
This product ensures a regular payment from the deposited assets in trust, offering bereaved family members a sense of security in their daily lives after the client's death.

We manage the deposited assets in trust and support their family by making a regular monthly payment to cover living costs to a recipient designated in advance by the client from among their legal heirs.

Family Consideration Trust (Lump Sum)

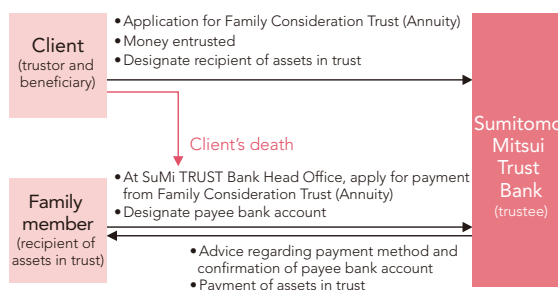


The recipient of the assets in trust receives them as a lump sum.

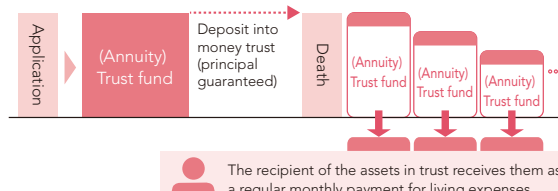


Illustration

Family Consideration Trust (Annuity)



The recipient of the assets in trust receives them as a regular payment.



Illustration

5. Ensuring Heirs Inherit Family Wealth

Helping Still-Living Clients to Give to the Next Generation

Annual Donation Support Trust

Annual Donation Support Trust is a service that supports the implementation of procedures for lifetime donation to relatives, such as compilation of a donation contract. Each year, SuMi TRUST Bank provides customers with information on documents necessary for the donation, helping them to not miss the opportunity for donation. This service makes it easy to execute lifetime donations. Once each year, SuMi TRUST Bank sends a donation report to both the donor and recipient.

Tuition Fund Endowment Trust

An exemption from the gift tax has been created for lump-sum donations to cover tuition funds, allowing grandparents to make a tax-free lump-sum donation to grandchildren, etc. aged under 30, to help with tuition fees and other educational costs.

Funds deposited with SuMi TRUST Bank as tuition funds for a grandchild, etc. via this product are paid out as tuition funds by SuMi TRUST Bank when a request for payment is received from the grandchild, etc. If payment is made to a school or other educational institution, an exemption from gift tax will be provided, up to a maximum of ¥15 million per grandchild, etc.

Wedding and Child-Rearing Support Trust

The wedding and child-rearing trust is based on a tax exemption from the gift tax for lump-sum donations to cover funds for a wedding or raising a child. Through this tax system preference created in the 2015 amendment to the tax system, up to 10 million yen can be given as a tax-free lump-sum donation for wedding or child-rearing purposes to a child or grandchild who is at least age 20 up until he or she turns age 50. As disbursements are made from a "money trust" that requires receipts confirming payments for wedding or child-rearing purposes, this product can clearly be the answer for donors who want their gifts to be used for marriage or child-rearing purposes.

Social Contribution Donation Trust

SuMi TRUST Bank offers products and services meant to support building a prosperous future for the next generation by enabling donation activities that serve the public interest. One such product is the social contribution donation trust, where clients select recipients every year from a list of organizations that SuMi TRUST Bank provides, and we process the donations (see Page 37).

Helping with Smooth Planning for Inheritances

Estate Planning

Estate planning is a service that provides support (consulting) aimed at summing up the client's wishes regarding the succession of their assets and drawing up a specific plan for this. Using the know-how that we have built up over decades in the field of asset management, inheritance, and will-related services, SuMi TRUST Bank offers the following consultation services.

Will Trusts

SuMi TRUST Bank offers a will trust service to support the succession to the next generation of various assets, including deposits, securities, and real estate, in accordance with the client's wishes. There are two following courses for Will Trusts:

Execution Course: SuMi TRUST Bank holds wills under its custody and undertakes their execution when the inheritance process starts.

Custody Course: SuMi TRUST Bank holds wills under its custody and hands them over to the heirs when the inheritance process starts.

Meanwhile, to customers who wish to contribute their legacy to social and public goods, SuMi TRUST Bank provides information on the "donation through bequeathal" system. This system supports people who wish to bequeath their legacy (donation by way of a will) to such organizations as public foundations, incorporated organizations, incorporated educational institutions and recognized non-profit organizations through SuMi TRUST Bank's will trust business function.

One-Stop Inheritance Service

SuMi TRUST Bank offers a One-Stop Inheritance Service to ensure that complex inheritance procedures proceed smoothly. More specifically, upon application by an heir, we will provide support and carry out the following procedures on their behalf, according to their request.

- Confirmation of the legal heirs
- Investigation and identification of inherited property
- Advice in discussions concerning the division of the estate
- Change of name on savings and securities and/or their conversion into cash (we will carry out the procedures prescribed by each financial institution on the heir's behalf)
- Change of name on real estate
- Advice concerning allowances to pay tax obligations, such as income tax and inheritance tax

6. Initiatives to Improve Gerontology Literacy

Wellbeing Knowledge Examination

Japan is becoming a super-aging society without parallel elsewhere in the world. No country needs gerontology, an interdisciplinary field on topics relating to aging, as much as Japan. At SuMi TRUST Bank, our branch general managers, which often interact with customers at our branch offices, are setting an example and studying gerontology, and all of them have or will take the Wellbeing Knowledge Exam, which is run by the Society for Applied Gerontology-Japan. Students of gerontology study a wide assortment of subjects relating to seniors, how seniors live, health, successful aging, nursing-care insurance, and pension systems. Our aim at SuMi TRUST Bank is to encourage even more of our employees to study gerontology so we can become a bank that is genuinely necessary for a super-aging society.

Partnership with ILC-Japan

SuMi TRUST Holdings is a corporate sponsor of ILC-Japan, the Japanese branch of the International Longevity Center, an international alliance of organizations focused on gerontology. We work closely with ILC-Japan to jointly plan seminars for our Silver College program and publish information booklets. We participated in the Seminars on the Lifestyles of Long-Lived Societies, which is sponsored by ILC-Japan. We are working to gather various sorts of information about the problems of aging societies and broaden our network.

Silver College Seminars

Many seniors hope to live out their golden years safely with peace of mind. SuMi TRUST Bank offers Silver College seminars especially for this generation of seniors at our branches across Japan. There are four systems or functions seen as necessary for an aging society: public support (safety net), assistance (medical and nursing care), mutual aid (giving and receiving aid), and self-help where people protect themselves. One form of self-help is preparation but there are not many places where people can learn systematically what specifically they should do to be prepared for an aging society. A place where our clients can learn how to be prepared from some of the best instructors, our Silver College program has been well received.



7. Participants in Comprehensive Regional Care

Comprehensive regional care is a necessary support system to enable the elderly to continue to live in ways that suit them in a place they are most comfortable until they reach their final days. We think SuMi TRUST Bank can play an important role as a financial institution that shoulders a responsibility for managing elderly client assets, and our branches nationwide are actively participating in efforts to build comprehensive regional care systems.

The Omori Branch is a participant in Ota Ward's pioneering network to look out for elderly citizens, a scheme

the comprehensive regional care support center is promoting. The branch participates in the urban-based comprehensive regional care system that collaborates with diverse stakeholders.

The Fukui Branch participates in an investigative committee that looks into transparent examples of difficult-to-support dementia cases that is regularly convened by people in the medical and nursing care fields in Fukui city. The branch works to offer input to the committee from the viewpoint of a financial institution.

A New Way for Medical Practitioners to Contribute to Regional Care

Japan is increasingly a super-aging society, where more seniors seek medical care in regions where they have lived for years or in their homes, so the provision of so-called comprehensive regional care is increasingly in demand. It is increasingly necessary for medical care providers such as me to go beyond treating illness and play a part in enabling patients to die in a dignified manner. For illnesses with little prospect for a full recovery, to support patients and be there in their final moments, there is a need to promote Advanced Care Planning (ACP) that prompts patients and families to consider decisions ahead of time before patients approach the point where they can no longer make decisions for themselves. Rather than putting medical practitioners at the center, ACP aims to weigh equally nursing care and welfare considerations and prioritize the desires of patients. Making such plans invariably raises questions about what to do with the residence and household effects of patients, estate planning and succession issues, tombstone selection and the like and so goes well beyond the scope of what the medical profession can respond to alone. It is thus vital for a multi-disciplinary team that includes a banker, lawyer, and priest or others who can help with religious matters to also guide patients and their families. I've found in many cases alleviating a worry that is disturbing a patient leads to a remarkable improvement in the patient's health. I think there is a new role for doctors with a private practice to play in this region. While assembling a multi-disciplinary team that functions well is normally not easy, it is not uncommon for such initiatives to go smoothly if practitioners take the lead in directing the team, and SuMi TRUST Bank's Fukui Branch performs the role one expects of a trust bank. In this way I hope I can contribute to establishing a new role for medical practitioners in this region.



Fukui Medical Association
Vice Chairman

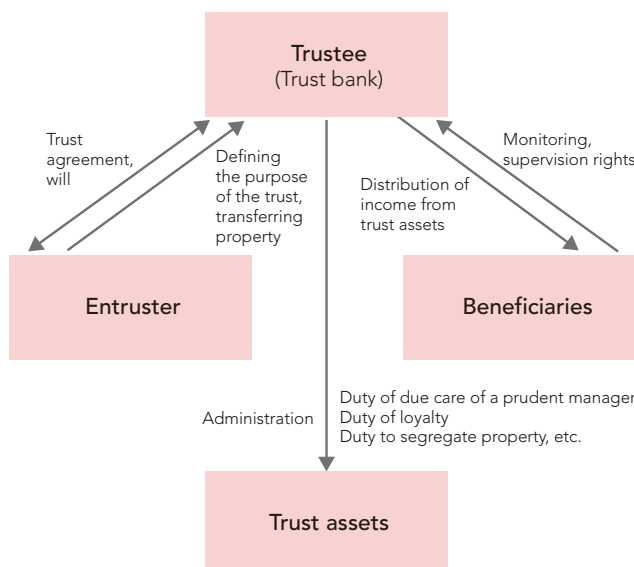
Masayuki Yamamoto



Various Solutions Using Trust Functions

Under the trust system, trustors enact trust activities, such as trust agreements and wills, to transfer their property including money and estate to a trustee, who the trustors can rely on. The trustee, then, administers the trust property for the beneficiaries in accordance with aims defined by the trustors. The trustee is highly responsible for a duty of loyalty and other obligations. Based on our “Trustee Spirit,” Sumitomo Mitsui Trust Holdings (“SuMi TRUST Holdings”) is working towards resolving social issues.

Trust Mechanism



(Source: Trust Companies Association of Japan)

Mechanism of Using Donations and Other Funds to Solve Social Issues

Charitable Trusts

A charitable trust is a system in which funds are entrusted to a trust bank that administers and manages the funds to carry out charitable activities in a pre-determined way. For example, these trusts may be used by individuals wishing to provide funds for charitable activities or by companies that wish to return a portion of their profits to society. They have been used in a wide range of fields, including the provision of academic scholarships, support of environmental protection activities, and promotion of international cooperation and international exchanges.

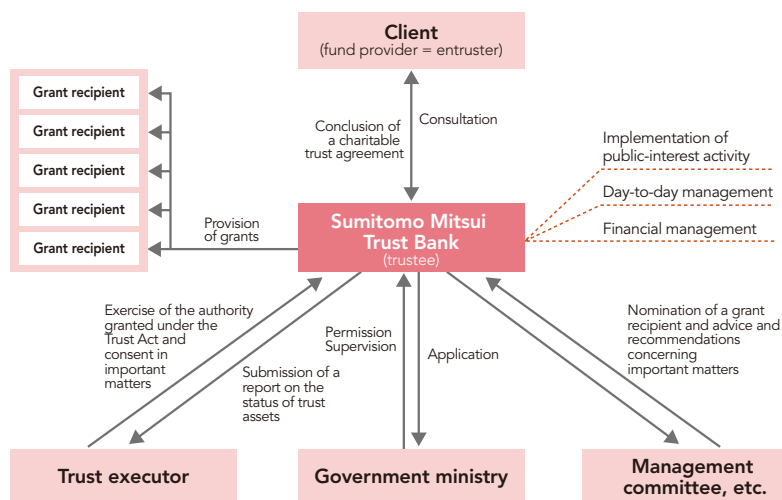
Charitable trusts are often named for the trustor, so his or her aspirations can be remembered for years to come by many people. Moreover, to ensure the public interest is served in accordance with the client's intentions, a charitable trust can

be "order made" to fit the client's instructions. What public interest is it to serve and what sort of granting process will it implement? The trust can be arranged to reflect the client's instructions on the monetary size of the grants (scholarships), the number, the regional scope, or the terms of eligibility.

Since Sumitomo Mitsui Trust Bank ("SuMi TRUST Bank") began managing its first charitable trust in 1977, the number of trusts under its management has steadily risen, and they fund grants in various charitable fields.

As of March 2016, there are 202 charitable trusts with total assets of 33.0 billion yen under our management. In fiscal year 2015, grants from charitable trust totaling 1.3 billion yen were provided to 2,948 bodies in total (including individuals) for activities that serve the public interest.

Mechanism of Charitable Trusts



List of Charitable Trusts by Donation Type (as of March 2016)

| Type | Number of trusts under management |
|--|-----------------------------------|
| Scholarship | 72 |
| Promotion of natural science research | 39 |
| Promotion of human science research | 6 |
| Promotion of education | 22 |
| Social welfare | 10 |
| Promotion of arts and culture | 10 |
| Protection and propagation of animals and plants | 1 |
| Conservation of the natural environment | 8 |
| Development and maintenance of the urban environment | 17 |
| Promotion of international cooperation and exchanges | 14 |
| Other | 3 |
| Total | 202 |

The Japan Trust for Global Environment

The Japan Trust for Global Environment was established in July 1991 with the aim of directing private-sector donations as financial support to projects run by NGOs and other bodies doing important work to conserve the global environment.

The earth where we live faces a host of environmental challenges. Developing nations are especially susceptible to the effects of environmental problems such as global warming, unsustainable logging and deforestation, growing scarcity of fresh water resources, and soil degradation.

The Japan Trust for Global Environment provides 16 million yen per year in grants for projects led by NGOs aimed at conserving the global environment, ranging from tree planting in developing nations and the development of tree-planting technologies to environmental education to develop personnel and the protection and propagation of endangered wildlife species.



Children take their time to properly plant nursery saplings (Republic of Mali)

Social Contribution Donation Trusts

SuMi TRUST Bank offers social contribution donation trusts (also referred to as “Bridge to Tomorrow”) intended to make donations to charitable organizations etc. engaged in social contribution activities. Through the trust, clients can choose donation recipients from a list of organizations that SuMi TRUST Bank provides and donate one-fifth of the original trust principal once a year. (Donors can change donation recipients each year.) These clients receive reports from the recipient on how the donations were used and what activities were conducted.

SuMi TRUST Bank supports activities regarding not only the environment but also various themes including education, medical care, academia, and culture through social contribution donation trusts.

List of Donation Recipients (as of April 1, 2016)

| | |
|---|--|
| Environment | World Wide Fund for Nature Japan (WWF Japan) |
| Environment | Ecosystem Conservation Society-Japan |
| Education | National Federation of UNESCO Associations in Japan |
| Medicine | Japan Cancer Society |
| Social welfare | Japan Guide Dog Association |
| International medical support | Médecins Sans Frontières Japan |
| Academics | The Japan Prize Foundation |
| Culture | Japan Arts Council |
| Disaster reconstruction support | Central Community Chest of Japan (disaster relief for the Great East Japan Earthquake) |
| Support for children | The Nippon Foundation |
| Support for sports for people with disabilities | Special Olympics Nippon Foundation |
| Medicine | Center for iPS Cell Research and Application, Kyoto University |

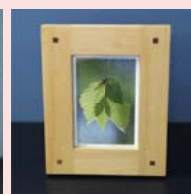


National Trusts Report on “trust lands”

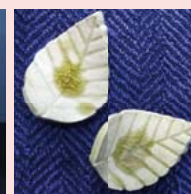
Donors receive a “Nature’s Bounty” gift every year



Wildcat hand towels

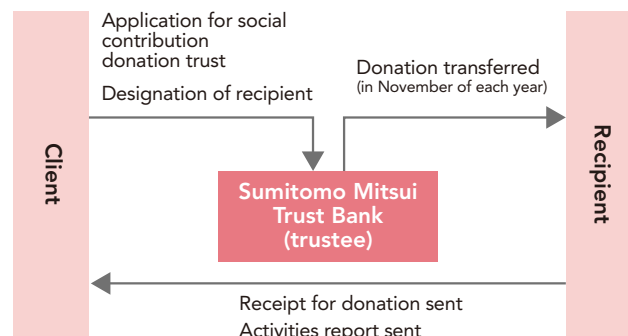


Beech picture frame



Beech-leaf chopstick holders

Mechanism of Social Contribution Donation Trusts



Designated Donation Trusts

SuMi TRUST Bank offers designated donation trusts, which were created based on the fiscal year 2011 revision to the tax system. Investment returns are exempt from taxation and can be donated together with the trust principle.

Donation recipients can be chosen from beyond the list of organizations SuMi TRUST Bank provides. Regular donations are made over a period of either five or ten years to the designated recipient.

Choosing ECS-J as a Donation Recipient Supports National Trusts’ Activities

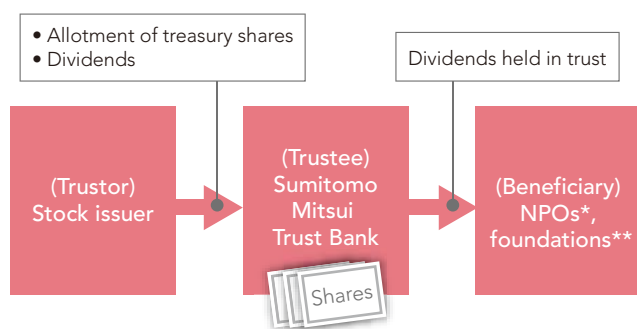
For social contribution donation trusts, the selection of Ecosystem Conservation Society-Japan (ECS-J) as a donation recipient supports the activities of the Association of National Trusts in Japan, an organization that aims to protect nature by purchasing land that forms the natural habitat of endangered species in Japan. Support has been ongoing in particular in three regions for National Trusts’ activities: habitat for the endangered Tsushima leopard cat in Nagasaki Prefecture’s Tsushima, habitat for the endangered Amami rabbit in Kagoshima Prefecture’s Amami Oshima, and the site of Japan’s northern-most native beech forest in the Hokkaido region’s Kuromatsunai-cho.



Social Contribution Scheme Using Treasury Shares

SuMi TRUST Bank offers trust schemes for companies to donate dividend income from their treasury holdings to public interest foundations etc. as a way to contribute to society. The voting rights with treasury shares placed in such trusts reside with SuMi TRUST Bank.

In fiscal year 2014, SuMi TRUST Bank, in conjunction with Toyota Motor Corp. (trustor) and Toyota Mobility Foundation (beneficiary), commenced initiatives using this scheme. In this case, the dividend income is used for many issues, from narrowing the mobility disparity in emerging nations and activities to promote healthy development of the auto industry to funding cutting-edge technological and systems research in developed markets.

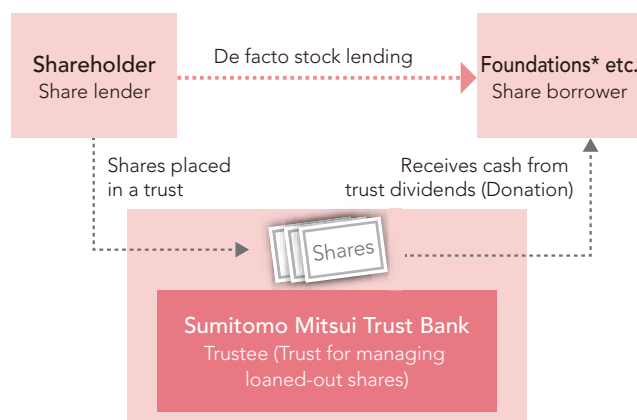


* General incorporated foundations
** Public interest foundations

Trusts for Managing Loaned-Out Shares

SuMi TRUST Bank offers trusts for managing loaned-out shares so shareholders can donate dividend income tax free to public interest foundations etc. Using this trust, shareholders lend shares without compensation to NPOs etc. in a scheme that enables them to offer ongoing support to the designated stock borrower in the form of tax-free dividend income from the shares.

In fiscal year 2014, SuMi TRUST Bank commenced efforts to encourage interested parties to set up such trusts with the Center for iPS Cell Research and Application at Kyoto University as the designated stock borrower.



For such trusts, the nominal shareholder is "Japan Trustee Services Bank, Ltd. (Trust Account)."
* Public interest foundations

Center for iPS Cell Research and Application at Kyoto University

The Center for iPS Cell Research and Application (CiRA) at Kyoto University is a world-leading core research institution specializing in iPS cell research. Led by Director Shinya Yamanaka, the 2012 Nobel Prize winner in Physiology or Medicine, the center aims to harness iPS cell technologies to develop more effective medical treatments for patients hoping for them.

iPS cell technologies are a breakthrough technology developed in Japan with the potential to create better medical treatments for intractable diseases like Parkinson's disease, hard-to-diagnosis diseases like amyotrophic lateral sclerosis (ALS), blood diseases, diabetes, and those suffering from painful injuries. CiRA pursues its research activities with the aim of accelerating the realization of medical treatments derived from iPS cell applications.

A U.S. research center linked to Professor Yamanaka has received many donations from individuals and corporations, and such donations provide a solid financial basis for research centers, Dr. Yamanaka argues. We agree with this and have set up "trusts for managing donated shares" and "social contribution donation trusts" as sources of support for CiRA. In connection with our support for the above, we invited a speaker from CiRA to lecture at a successful aging support seminar we hosted at the Kyoto-Shijo Branch. Everyone who came listened eagerly to the speaker's talk on research using iPS cells and the promise of regenerative medicine.



Human iPS cells

IR/SR/ESG Consulting in Stock Transfer Agency Services Business

Stock Transfer Agency Services

The stock transfer agency services business receives assignments to perform stock-related administrative work on behalf of stock-issuing companies. Its operations include:

- Administering shareholder registries and sending out invitations to general shareholders' meetings
- Administering stock-related matters such as capital increases and stock splits
- Offering various consulting services of stock-related professional work on, for example, general shareholders' meetings
- Offering support services for IR/SR activities
- Providing foreign shareholders in Japan and overseas with proxy voting analysis and results

IR/SR* Consulting Services

The Group has a dedicated IR/SR team in the Stock Transfer Agency Business Advisory Department that provides IR and SR support services that harness our unique know-how and network at home and abroad as a stock transfer agency to enable clients to realize more efficient and effective IR and SR activities.

*Investor Relations (IR) and Shareholder Relations (SR)

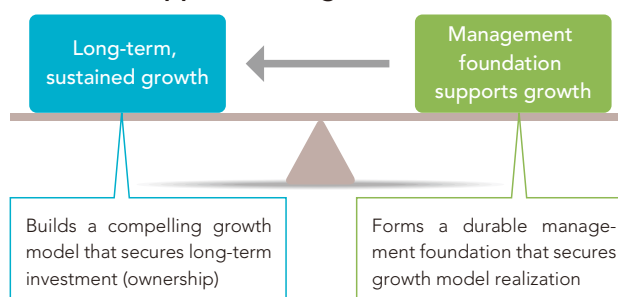
Investor relations (IR) refers to public relations activities that target investors, specifically the full range of activities by which corporations provide to shareholders and investors the information they need to make investment decisions in a timely, fair, and ongoing manner. Shareholder relations (SR) refers to those activities targeting shareholders.

ESG Solution Services

In the past few years, the ESG investment market has grown rapidly, so it has become increasingly important for companies to integrate ESG from a medium-to-long term standpoint, strengthen their information disclosure, and engage in an ongoing dialogue with investors.

SuMi TRUST Bank offers various kinds of advice to issuers from the standpoint of information disclosure in particular, and provides ESG solution services that support companies in reaching out to long-term investors and forming trust-based relationships with them.

Points that Appeal to Long-term Investors



Main Offerings in IR/SR Consulting

Domestic beneficial shareholder survey

The domestic beneficial shareholder survey covers domestic institutional investors that exist behind domestic trust banks focused on asset management. The survey can be used to select institutions subject to investor meetings on financial results and one-on-one IR meetings, and to build communication toward shareholders' meetings.

Foreign beneficial shareholder survey

The foreign beneficial shareholder survey covers overseas institutional investors that exist behind overseas custodian banks. The survey can be used to select destinations to visit for overseas IR, and provides services for promoting the exercise of voting rights ahead of shareholders' meetings.

Individual shareholder analysis

We analyze shareholders' registries from the perspective of IR activities. The analysis can be used to understand the current status of individual shareholders for planning IR strategies, measuring the effects of IR/SR activities for individuals, etc.

Analysis for exercise of voting rights

We analyze trends in the exercise of voting rights by domestic and overseas institutional investors. The analysis is available as materials for in-house reports and considerations, including predictions on the exercise of voting rights ahead of shareholders' meetings and reviews after shareholders' meetings.

Focus Club (for members)

The Focus Club provides information about Japanese stocks investment trends among overseas institutional investors, etc. and their views on corporate governance to IR, administration, and legal sections of member companies.

ESG Solution Services: Menu of Key Options

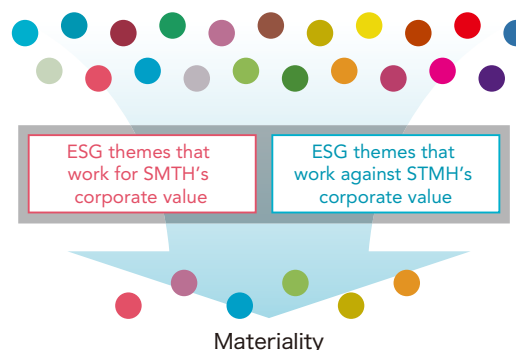
Offering Advice on Reports with Non-financial Information

We explain the meaning of initiatives relating to ESG based on recent trends in non-financial information disclosure and responsible investment, and provide an assortment of advice on how to prepare reports with non-financial information such as CSR reports and integrated reports.

- Explain investor trends and the status of the responsible investment market
- Explain ESG information disclosure
- Explain the importance of identifying materiality
- Offer advice on preparing integrated reports or CSR reports
- Support overseas SR (ESG IR)

Reference Basic Thinking concerning Materiality

ESG themes (themes with high impact on stakeholders)



Social Contribution as Business Activities

Mortgage Security Service against Severe and Chronic Diseases

"The severe major diseases" (cancer, acute myocardial infarction, stroke) and "the five serious chronic diseases" (high blood pressure, diabetes, chronic kidney failure, cirrhosis of the liver, chronic pancreatitis) are what we call "the eight major diseases." The number of people affected by these ailments in Japan is growing as the population ages. For cases where clients with unpaid principle on their home mortgage are diagnosed with one of the eight major diseases, SuMi TRUST Bank offers a guarantee service for the remainder of their home mortgage.

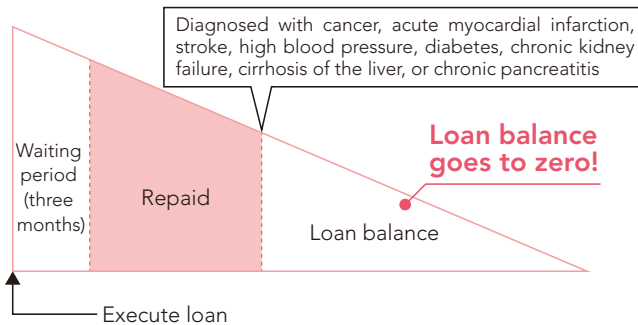
The guarantee service comes with three forms of coverage: one against the eight major diseases, one against the three severe diseases, and the cancer guarantee. Home

mortgage borrowers who are at least age 20 and up to age 45, and those who are age 46 up to age 55 are eligible to select the guarantee option that suits their needs.

These options are the "full-benefit type" that eliminates the loan balance in the event they are diagnosed, and the "half-benefit type" that reduces the loan balance to half. For those clients who are at least age 20 and up to age 45 who select guarantees against either the eight major diseases or the three severe diseases, their guarantee comes with a lump-sum payment in the event they are hospitalized for diseases or injuries not named in their guarantee, i.e., "triple hospitalization security."

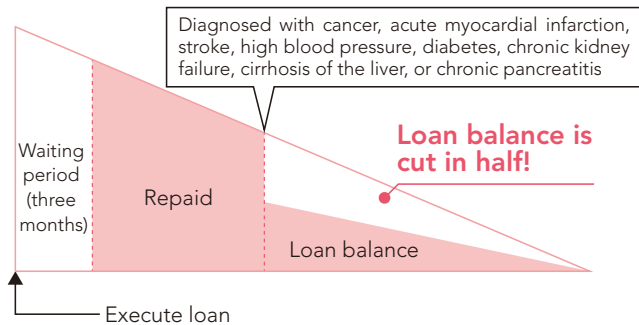
Full benefit type

Eliminates the loan balance



Half benefit type

Reduces the loan balance to half



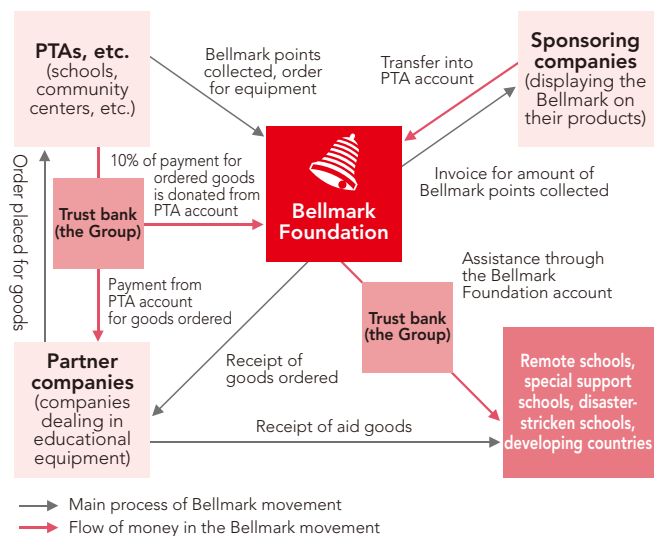
Support for the Bellmark Movement

By collecting the Bellmark labels found on everyday products, schools can purchase needed equipment based on the number of points they have gathered; this is known as the Bellmark movement, which began in 1960. Although numerous banks were involved at the start, since 1982 SuMi TRUST Bank has overseen all administration related to transactions for the movement.

We now administer a total of 27,375 parent teacher association (PTA) accounts nationwide (as of the end of November 2016) and take care of tasks such as handling payments from sponsor companies to PTAs, and transferring assistance funds from partner companies to the Bellmark Educational Support Foundation. In addition, we look after financial aid transfers to regions affected by disasters and adversities (friendship assistance).

When schools purchase equipment through the Bellmark movement, 10% of the purchase price is donated to the Bellmark Foundation, to be used as financial aid for schools, including those in remote areas and those damaged in disasters, as well as schools in developing countries. SuMi TRUST Bank continues to support the Bellmark project as a social contribution that is part of our business.

Our Role in the Bellmark Movement (as of the end of November 2016)



Initiatives to Facilitate Financing

Sumitomo Mitsui Trust Group (the "Group") considers the facilitation of financing to small and medium-sized enterprises (SMEs) and individuals seeking housing loans as one of its most important social missions.

SuMi TRUST Bank took steps to further enhance its financial intermediary function and established a basic policy on the facilitation of financing. This was to ensure prompt and appropriate responses to requests from SMEs and housing loan clients for various consultations, restructuring of loan repayment conditions, etc.

The bank facilitates financing operations through a system at branch offices to provide prompt and appropriate responses to clients' consultations about, or requests for, the restructuring of loan repayment conditions and other matters, and through a system at the head office to fully grasp the branch office support

activities. The bank also responds to clients' requests for consultation and complaints through a toll-free telephone number as well as at branch offices.

The Act concerning Temporary Measures to Facilitate Financing for SMEs, etc. expired on March 31, 2013. Even so, the Group will continue providing appropriate and proactive financial intermediary services to facilitate the business activities of SMEs and to help housing loan clients enjoy a stable lifestyle. Also, when there are consultations about, or requests for, the restructuring of loan repayment conditions, etc. from clients who have been directly or indirectly affected by the Great East Japan Earthquake, the Group endeavors to respond in a flexible and appropriate manner, taking into account each client's circumstances.

Number of Loan Claims which Requested Restructuring of Loan Conditions, etc.

(In the case of SMEs)

(Unit: case)

| | End of March 2014 | End of June 2014 | End of September 2014 | End of December 2014 | End of March 2015 | End of June 2015 | End of September 2015 | End of March 2016 |
|--|-------------------------|------------------------|-----------------------------|----------------------------|-------------------------|------------------------|-----------------------------|-------------------------|
| Number of loan claims for which restructuring of loan conditions, etc. was requested | 3,835 | 3,950 | 4,086 | 4,173 | 4,265 | 4,314 | 4,366 | 4,444 |
| Of which, number of loan claims regarding implementation | 3,539 | 3,659 | 3,772 | 3,863 | 3,956 | 4,006 | 4,055 | 4,122 |
| Of which, number of loan claims regarding refusal | 64 | 73 | 73 | 74 | 78 | 79 | 81 | 86 |
| Of which, number of loan claims under examination | 43 | 23 | 41 | 32 | 17 | 11 | 10 | 6 |
| Of which, number of loan claims regarding withdrawal | 189 | 195 | 200 | 204 | 214 | 218 | 220 | 230 |

*As of the end of March 2016, the figures include claims regarding trust accounts as follows.

Request: 1, Implementation: 1, Refusal: 0, Under examination: 0, Withdrawal: 0

Claims regarding trust accounts refer to loan claims for which SuMi TRUST Bank received requests for restructuring of loan conditions, etc. from clients among those entrusted to SuMi TRUST Bank from other financial institutions, etc. for securitization and other purposes. SuMi TRUST Bank, a trustee, responds to them based on judgments by multiple people involved in trusts pursuant to the provisions of trust agreements.

Number of Loan Claims which Requested Restructuring of Loan Conditions, etc.

(In the case of housing loan clients)

(Unit: case)

| | End of March 2014 | End of June 2014 | End of September 2014 | End of December 2014 | End of March 2015 | End of June 2015 | End of September 2015 | End of March 2016 |
|--|-------------------------|------------------------|-----------------------------|----------------------------|-------------------------|------------------------|-----------------------------|-------------------------|
| Number of loan claims for which restructuring of loan conditions, etc. was requested | 4,191 | 4,370 | 4,557 | 4,720 | 4,881 | 5,010 | 5,130 | 5,323 |
| Of which, number of loan claims regarding implementation | 3,425 | 3,577 | 3,729 | 3,878 | 3,995 | 4,087 | 4,179 | 4,319 |
| Of which, number of loan claims regarding refusal | 58 | 66 | 69 | 76 | 83 | 92 | 102 | 120 |
| Of which, number of loan claims under examination | 91 | 82 | 84 | 69 | 73 | 69 | 56 | 50 |
| Of which, number of loan claims regarding withdrawal | 617 | 645 | 675 | 697 | 730 | 762 | 793 | 834 |

*As of the end of March 2016, the figures include claims regarding trust accounts as follows.

Request: 503, Implementation: 422, Refusal: 17, Under examination: 2, Withdrawal: 62

Claims regarding trust accounts refer to loan claims for which SuMi TRUST Bank received requests for restructuring of loan conditions, etc. from clients among those entrusted to SuMi TRUST Bank from other financial institutions, etc. for securitization and other purposes. SuMi TRUST Bank, a trustee, responds to them based on judgments by multiple people involved in trusts pursuant to the provisions of trust agreements.



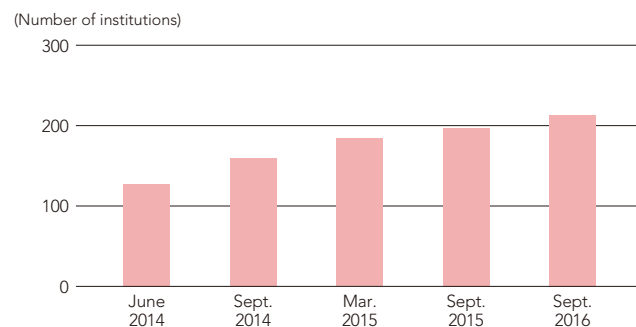
ESG-themed Initiatives in Our Asset Management Businesses

Of the Principles for Responsible Investment (PRI) signatory institutions as of December 2016, over 1,600 are signatories to ESG investment initiatives that take into account environment (E), social (S), and governance (G) factors and this number continues to increase. PRI is leaning into initiatives aimed at growing responsible investment in Asia, and announced it would focus on increasing the effectiveness of PRI signatory initiatives.

Amid rapid growth in ESG investment on a global scale, Japan's Stewardship Code with Principles for Responsible Institutional Investors was published in February 2014. According to a September 2016 release from Japan's Financial Services Agency, 213 institutional investors

have announced their intention to accept the Code. We expect the trend of institutional investors advancing ESG initiatives as one of their stewardship responsibilities to grow.

Institutional Investors Announcing Acceptance of Japan's Stewardship Code



Source: Principles for Responsible Institutional Investors

Asset Management at Sumitomo Mitsui Trust Holdings

Asset under Management

With one of the largest sums of assets under management (AuM) sourced in Asia, AuM at SuMi TRUST Bank's Fiduciary Services Business stands at about ¥48 trillion (USD 482 billion*). Moreover, adding in AuM at Nikko Asset Management Co., Ltd., which primarily markets products

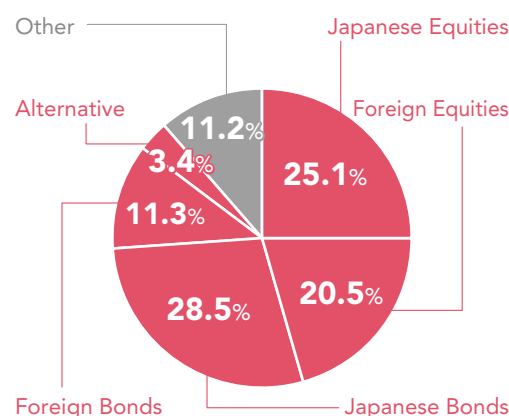
such as investment trusts to individuals, brings the Group's total AuM to about ¥75 trillion.

While Japanese public pension and corporate pension funds comprise the great majority of our client base, our AuM from overseas investors is growing.

| Asset Class | USD bln | Weight |
|-------------------|---------|--------|
| Japanese Equities | 120.9 | 25.1% |
| Foreign Equities | 98.8 | 20.5% |
| Japanese Bonds | 137.7 | 28.5% |
| Foreign Bonds | 54.7 | 11.3% |
| Alternative | 16.5 | 3.4% |
| Other | 53.9 | 11.2% |
| Total | 482.4 | 100.0% |

*Assumed forex conversion rate of ¥101.27/US\$1 is as of September 30, 2016.

Source: Assets under management at SuMi TRUST Bank as of September 30, 2016.



Our ESG Activities as an Institutional Investor

Our ESG Activities Policy for Our Role as an Institutional Investor

We are actively taking steps to respond to various ESG-related issues as an asset management institution that is a PRI signatory, moving ahead with activities that are in the interest of our clients.

In May 2014, the SuMi TRUST Group announced its adoption of the Japanese version of the stewardship code. This code calls on institutional investors to fulfill their stewardship responsibilities through purposeful engagement with management aimed at achieving higher investment returns over the medium-to-long term by encouraging companies to achieve sustainable growth and increase corporate value. With our analyst teams at the core of our engagement framework, we are working to properly meet our stewardship responsibilities.

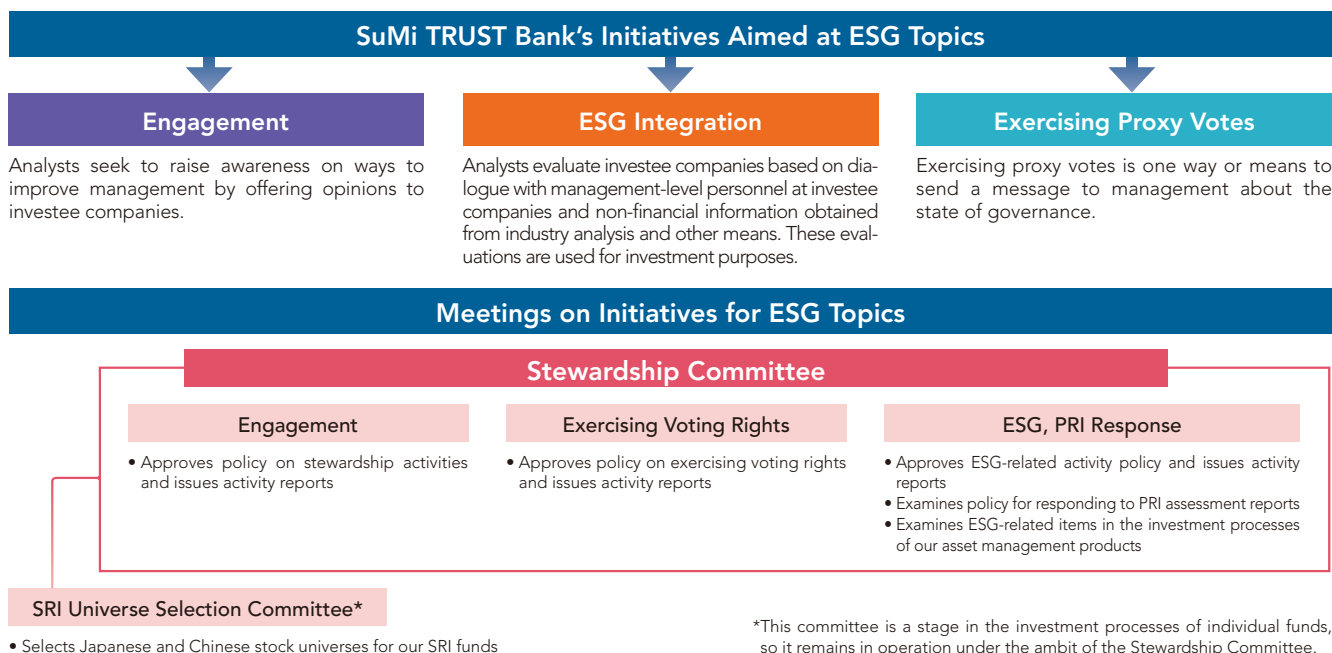
Engagement Framework

Our analysts perform a central role in our ESG-related engagement. Through their meetings with companies and other coverage activities, our analysts evaluate companies, and drawing on this knowledge, they can serve as a one-stop resource on engagement, dialogue on exercising proxy votes, and research.

Three Pillars

SuMi TRUST Bank initiatives to address ESG issues in asset management comprise three different fields: engagement, ESG integration, and exercising proxy votes. Our comprehensive implementation of initiatives in these fields fosters rising corporate value and sustainable growth at investee companies, and we seek to increase investment returns over the medium and long term.

In April 2016, we newly established the Stewardship Committee, which combines functions relating to the stewardship activities of three former committees—the SSC Engagement Committee, Committee on Exercising Voting Rights, and ESG Monitoring Committee—and a still-operational one, the SRI Universe Selection Committee.



Active Engagement in Principles for Responsible Investment

Principles for Responsible Investment (PRI), developed in a process convened by the United Nations (UN), calls on institutional investors to give consideration to environmental, social and governance (ESG) factors in their investment decision-making processes. SuMi TRUST

Bank became a signatory to PRI when it was established in May 2006, devised policies in accordance with the six principles and has implemented initiatives based on the latest PRI-linked trends.

| | Principles for responsible investment | Policies for incorporating PRI | Examples of actions |
|---|---|---|---|
| 1 | We will incorporate ESG issues into investment analysis and decision-making processes. | Analyze and evaluate non-financial information such as management thoroughness, strategy execution capabilities and capacity for reform with the aim of identifying improvements in or maintenance of sustainable corporate value at investee companies | Factored this policy into investment products (Japan SRI fund) |
| 2 | We will be active owners and incorporate ESG issues into our ownership policies and practices. | Engage in ways that integrate ESG issues and exercise voting rights; through these activities, encourage suitable initiatives that are responsive to ESG issues at investee companies | Engagement examples: 1) domestic stocks; 2) cluster bombs; 3) palm oil |
| 3 | We will seek appropriate disclosures on ESG issues by the entities in which we invest. | Seek appropriate disclosure on ESG issues at investee companies | Engagement examples: 1) GRI; 2) CDP (CO ₂ , water) |
| 4 | We will promote acceptance and implementation of the principles within the investment industry. | Actively promote engagement and awareness-raising with investee companies so the asset management industry accepts these principles and moves to implement them | Served as a panelist at PRI network events and general shareholder meetings and as a public speaker at universities |
| 5 | We will work together to enhance our effectiveness in implementing the principles. | Collaborate with investment institutions in Japan and overseas through participation in working groups that oversee these principles to improve effectiveness in implementing them | Joined PRI network events, general shareholder meetings and COP12 biodiversity conference |
| 6 | We will each report on our activities and progress towards implementing the principles. | Implement these principles; prepare and issue reports that meet the requirement for signatories to disclose their activities and progress towards implementing them | Prepared annual assessment reports |

The PRI assessment team evaluates reports from signatories on their commitments relating to the six principles and progress in meeting them on a scale ranging from A+ (the highest possible score) to E (lowest). SuMi TRUST Bank received a favorable overall evaluation from

the PRI assessment team, as shown in the table below. We will from here actively strive to integrate ESG issues into our investment processes for fixed income, where we received our lowest score.

Sumitomo Mitsui Trust Bank's assessment scores by the PRI assessment team

| Approach to responsible investment | Listed equity investment | Engagement/exercise of voting rights | Fixed income |
|------------------------------------|--------------------------|--------------------------------------|--------------|
| A+ | A+ | A | C |

*From the 2016 Assessment Report issued by PRI

Awarded Outstanding Prize in 2016 Sustainable Finance Awards

For a second successive year, SuMi TRUST Bank was awarded an outstanding prize for its ESG activities as an institutional investor in the 2016 Sustainable Finance Awards. The Research Institute for Environmental Finance (RIEF) recognizes financial institutions that contribute to the growth of environmental finance in Japan through its annual Sustainable Finance Awards program. Yoshihiro Fujii, a visiting professor at Sophia University, is the representative director of RIEF.

Activities for which SuMi TRUST Bank was recognized

- Fiscal year 2015: ESG integration into active domestic equity investment
- Fiscal year 2016: Global engagement activities based on international norms and rules



Engagement

At SuMi TRUST Bank, we believe addressing ESG topics to build a sustainable society is in the interests of our clients, and we actively engage investee companies on this basis.

Engagement with Companies Based in Japan

We engage with investee companies in keeping with our engagement guidelines. The engagement process is one element in the activities of our analysts aimed at obtaining a deep understanding of the business structure and sector environment of investee companies as our analysts work to

support efforts at investee companies to achieve sustainable growth and increase their corporate value.

The annual number of contacts between our analysts and investee companies stands at about 9,000, encompassing a broad range of actions from normal coverage activities (including items relating to exercising proxy votes), participation in analyst meetings and company tours, and management engagement. Of these, management engagement sessions came to about 300.

Two cases where we engaged with investee companies are summarized below.

Company A



Dialogue overview

We shared with a leading electric equipment manufacturer our view that it needs to make major revisions to its business strategy in light of the slumping sales of some of its products. This opened the way for a discussion on the future direction of its unprofitable businesses.

Company B



Dialogue overview

We approached a major nonferrous metal company with our view that it needs to take steps to accelerate decision-making and make effective use of the production bases at a joint venture given the venture's unfavorable earnings. We discussed with the company measures it could adopt to improve the venture's competitiveness.

Engagement with Companies Based Overseas

ESG Monitoring and Engagement

SuMi TRUST Bank is an active participant in engagement activities, collaborating with other PRI signatories to address global ESG challenges. The Stewardship Committee (see page 44) monitors the status of such engagement activities. In fiscal year 2016, we engaged on several fronts such as participating in the PRI-sponsored Collaboration Platform* and taking part as a member in PRI working groups in the two thematic areas of water risk and problems involving tropical rainforest development like palm oil resource development.

*A platform that enables signatories to engage with companies, policymakers and other actors in the investment chain while sharing information with other signatories.



Discussions at the PRI working group on palm oil

Working with ISS-ETHIX

SuMi TRUST Bank monitors the activities of investee companies from the standpoint of global norms and rules such as the UN Global Compact and OECD Guidelines for Multinational Enterprises. Since April 2016, we have broadened the scope of our activities using specialist services offered by ISS-Ethix*, and started monitoring companies

with businesses allegedly causing harmful impacts. The content of these activities are reported to the Stewardship Committee, enabling relevant sections to form a shared recognition of the problem.

*Institutional Shareholder Services Inc., a leader in proxy voting advisory services, acquired Ethix SRI Advisors AB (renamed ISS-Ethix), a consultant offering ESG-related advisory services based in Sweden.

Examples of Our Involvement in Efforts to Address Global ESG Challenges

Example 1 Engaging Palm Oil Companies

Widely used in industrial goods and everyday consumer products, palm oil is refined from oil derived from oil palm trees grown in plantations. Demand for palm oil is surging owing to its ease of use and the growing preference for health foods but reckless plantation development is contributing to tropical rainforest destruction and biodiversity loss. As a result, SuMi TRUST Bank is engaging plantation companies such as Company A in Malaysia regarding their development plans and methods.

Moreover, SuMi TRUST Bank participated in onsite PRI-led inspections of plantations carried out in Sumatra, Indonesia (see picture). In November 2016, we took part in the Roundtable on Sustainable Palm Oil (RSPO), an annual conference that was held in Bangkok, offering our views as a financial institution.



Example 2 Engaging Companies Involved with Anti-personnel Mines and Cluster Bombs

The issues of anti-personnel mines and cluster bombs are being addressed on an international level and from a humanitarian point of view. These weapons disrupt the preservation of peace and stability as well as restoration and development in affected regions. The global fund management industry is increasingly acting to cut off financial support to related companies by stopping investment in them in addition to discouraging production of these weapons. For our part, SuMi TRUST Bank encourages companies* involved in the manufacture of anti-mine personnel and cluster bombs to stop doing so through our engagement activities. Of the two expressions of intent to exit this business we have received, the most recent was an August 2016 declaration from U.S.-based Company C, which follows a November 2015 letter from Singapore-based Company B.

*We reference a list of companies prepared by Dutch NGO IKV Pax Christi in the report "Worldwide Investments in Cluster Munitions: a share responsibility."

ESG Integration

In addition to the normal schedule of financial disclosures over the fiscal year, we also use ESG information (non-financial information) in our process of evaluating investee companies.

While financial information such as earnings reports are important in the short term in evaluating companies as investments, we think assessments relating to the sustainable growth prospects of investee companies are important over the medium and long term.

As a result, with the aim of identifying ways to improve and support sustainable earnings at investee companies, we strive to effectively gather ESG information such as the amount of value added derived from a company's products and services, the sustainability of that, and the resilience of its governance system in supporting the provision of added value.

Management Business Investment Strategy (MBIS) is the in-house developed system for concrete application of non-financial information analytics in our investment

processes. MBIS highlights non-financial data that often does not appear in quantitative financial information and is highly regarded as a system that backstops sustainable corporate growth.

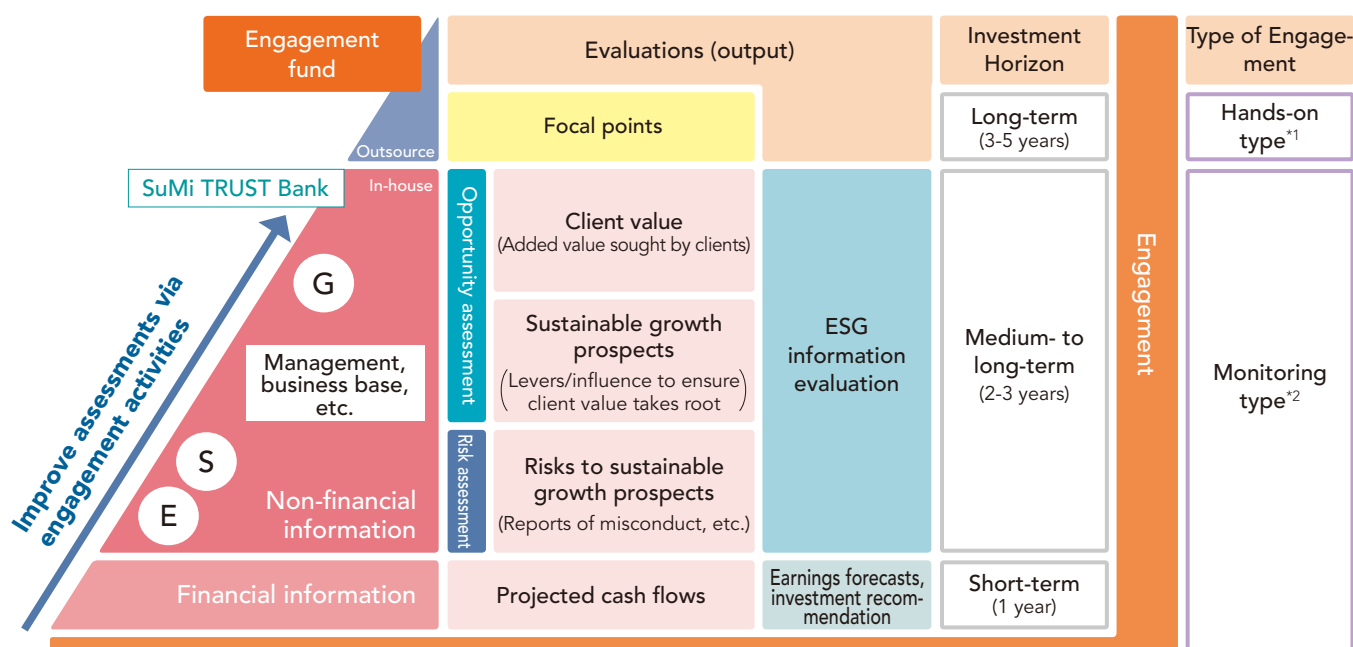
Reliable analysis of non-financial information is necessary for effective engagement. We believe stronger non-financial information analytical capabilities, e.g. our MBIS system, will translate into higher quality engagement with senior executives at companies.

We strive to improve the quality of our evaluations through engagement aimed at fostering a dialogue with companies.

The use of ESG ratings in investment processes is known as ESG integration. At SuMi TRUST Bank, ESG considerations are factored into all of our actively managed domestic equity funds and some of our actively managed domestic fixed-income funds* that invest in credit instruments.

The way ESG ratings are applied, however, differs according to the investment style of each individual fund.

*Total AuM in domestic active fixed-income at SuMi Trust Bank is ¥2.4 trillion.



E: Environmental
S: Social
G: Governance

^{*1} A hands-on engagement-type approach seeks to secure a commitment from investee companies to implement business growth measures, etc.

^{*2} A monitoring-type approach seeks to support independent management decision-making at investee companies via debate on share price impacts, etc. from improving IR activities and rebalancing business portfolios.

Overview of Investment Strategies at our Flagship Japanese Equity RI Funds

Investment Strategy at SRI Fund, our Flagship Japanese Equity RI Fund

SRI Fund, our flagship RI fund for Japanese stocks, is one of the oldest responsible investment funds in Japan, having been managed since 2003. Its stock selection focuses on ESG, and the degree of contribution of these to improvement in financial returns. Distinguishing features are the insights of our RI fund management team along with basic research by The Japan Research Institute.

1. The Japan Research Institute Chooses "Best-in-class" for RI Universe

The Japan Research Institute, one of the most influential think tanks in Japan, conducts a survey covering 2,000 companies to select "best-in-class" companies as candidates for the RI universe.

The evaluation criteria consist of E (environment), S (social), G (governance) and V (Value). V has been adopted as a new criterion from fiscal year 2013 to evaluate the contribution of ESG initiatives to a company's business growth.

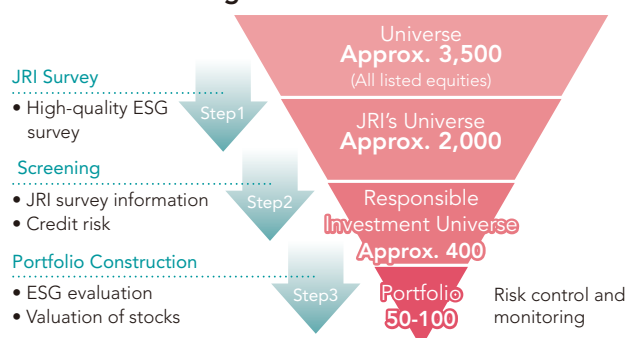
2. SMTB's Investment Team Selects Our RI Universe Candidates

We exclude companies with high credit risks from The Japan Research Institute list of RI candidates. A monthly committee, chaired by the General Manager of Equity Investment Department, decides candidate stocks for our RI universe.

3. SMTB's Portfolio Managers Choose Stocks

Our portfolio managers choose stocks from among our RI universe based on 1) our assessment of the growth prospects of prospective investee companies stemming from their ESG initiatives, and 2) equity valuation and earnings momentum derived from the earnings forecasts of our Japanese stock analyst teams. We seek to achieve an excess return versus the benchmark TOPIX.

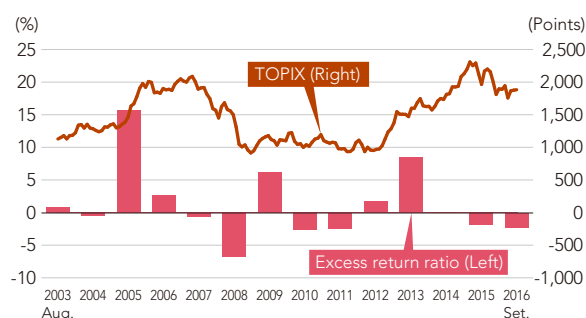
Investment Management Process



Source: Sumitomo Mitsui Trust Bank, Ltd. (as of September 30, 2016)
JRI: The Japan Research Institute

Performance of Our SRI Fund

The chart below shows the cumulative excess return ratio and TOPIX return since the launch of the flagship RI fund. The Japanese stock market fared well in the years after the Abe administration took the helm at the end of 2012 but it has shifted since summer 2015 to a correction phase. We expect the market trend from here to be underpinned by such positives as corporate earnings improvement and government-sponsored capital market reforms. In addition, we think the environment will remain favorable for this fund amid growing ESG awareness among Japanese companies.



Our RI Investment Trusts

SRI Japan Open (Good Company)

The Group launched Japan's first RI Fund aimed at corporate pension funds in 2003 (flagship RI fund). Using the same responsible investment (RI) approach, the "Good Company" mutual fund is marketed to a wide variety of investors, including individuals, and is now regarded as one of Japan's standard-setting RI funds. The Good Company fund strictly screens for and invests in companies with proactive ESG initiatives aimed at enhancing corporate value. It aims to achieve excess returns compared to the performance of its benchmark, the Tokyo Stock Price Index.



Investment Manager

Sumitomo Mitsui Trust Asset Management

China Good Company

The "China Good Company" fund is a RI Fund that applies the same methodology as the Japanese flagship RI fund to Chinese stocks. The fund is attracting the attention of US and European investors as the world's first Chinese RI fund developed by an investment manager not owned by a Chinese financial institution (established in 2010). For stock selection, we draw on the Japan Research Institute's ESG surveys and research, and we are working to build a structure to gather any negative information about target companies in a timely manner.



Investment Manager

Sumitomo Mitsui Trust Asset Management

World Bank Bond Fund

Nikko Asset Management, a group company, developed this fund together with the World Bank. More than 30% of its portfolio is in green bonds, a fixed income instrument issued by the World Bank. Funds raised with green bonds are in principle used for lending to projects that address climate change in developing countries. This fund is thus recognized globally as a fund through which its investors can feel they are making a social contribution.



Investment Manager

Nikko Asset Management

Biodiversity Fund for Supporting Companies

Biodiversity refers to "a wide range of species and creatures" and "the connections among them." The Biodiversity Fund for Supporting Companies invests in Japanese companies that actively commit themselves to biodiversity conservation and sustainable use of biodiversity-reliant resources using the family fund method. SuMi TRUST Bank is an advisor on management of the mother fund. Few US and European investment funds focus on biodiversity, so this fund is attracting attention in the global investment community.



Investment Manager

Sumitomo Mitsui Trust Asset Management

Exercising Proxy Votes

As one of the stewardship responsibilities ascribed to institutional investors, SuMi TRUST Bank exercises proxy votes in the interest of encouraging sustainable growth at investee companies.

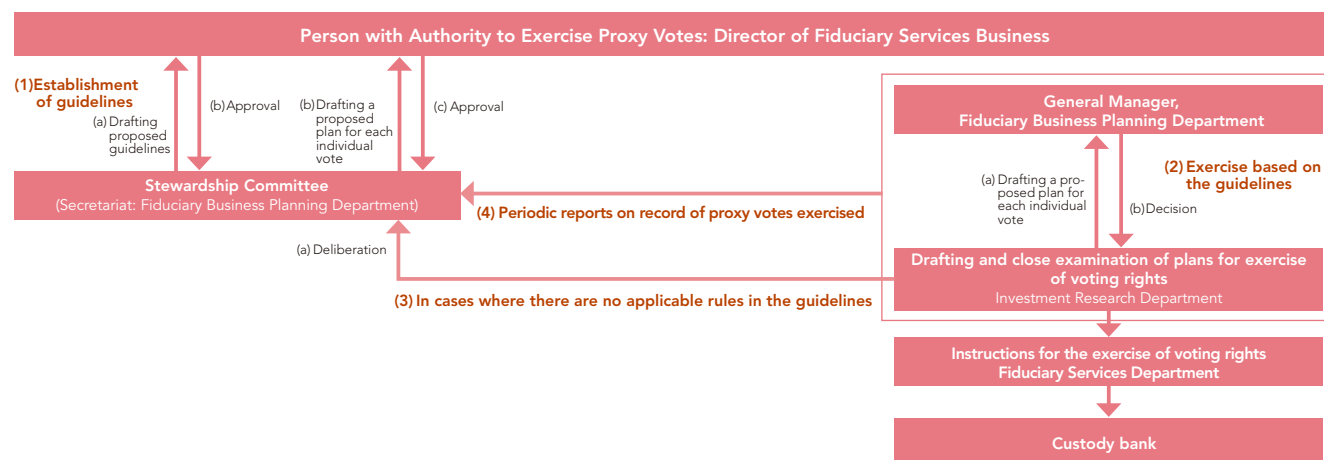
Basic Policy on Exercising Proxy Votes

Our view of corporate governance is premised on the belief that management policies and decision-making at companies ought to reflect not just the wishes of shareholders but should also take into account the interests of many other stakeholders such as employees, creditors, and suppliers, and be determined after coordinating their interests.

We thus believe companies ought to build healthy corporate governance systems that respect shareholder interests by encouraging management to use shareholder capital efficiently and actively disclose information to stakeholders. As a result, as long as investee companies are not involved in anti-social actions and shareholder interests are not neglected, our default posture is to defer to management judgment.

In the event, investee companies or members of their management become involved in misconduct or anti-social actions, and we regard the matter to be a serious problem in terms of corporate governance, we will exercise our proxy votes in a way that promotes improvements to corporate governance.

System for the Exercise of Proxy Votes for Japanese Stocks



Record of Proxy Votes Exercised by Category of Proposal

Our record on proxy votes exercised for shares of Japan-based companies in conjunction with their convening of

general meetings of shareholders from July 2015 through June 2016 is as follows.

1. Proposals Made by Investee Companies


| | Approving votes | Dissenting votes | Non-exercise | Blind trust | Total |
|---|-----------------|------------------|--------------|-------------|-------|
| Appropriation of surplus, etc. | 1,452 | 49 | 1 | 0 | 1,502 |
| Appointment of directors | 1,845 | 547 | 1 | 0 | 2,393 |
| Appointment of corporate auditors | 1,429 | 231 | 1 | 0 | 1,661 |
| Partial amendment to Articles of Incorporation | 868 | 14 | 1 | 0 | 883 |
| Payment of retirement benefits | 141 | 120 | 0 | 0 | 261 |
| Revision of compensation for officers | 1,003 | 21 | 0 | 0 | 1,024 |
| Issuance of share warrants | 114 | 50 | 0 | 0 | 164 |
| Appointment of accounting auditors | 43 | 0 | 0 | 0 | 43 |
| Matters related to reorganization strategies ^{*1} | 40 | 0 | 0 | 0 | 40 |
| Other proposals by the company ^{*2} | 212 | 44 | 1 | 0 | 257 |
| Of those related to measures to deflect hostile takeovers, etc. | 70 | 44 | 0 | 0 | 114 |
| Total | 7,147 | 1,076 | 5 | 0 | 8,228 |

^{*1} Merger, transfer or acquisition of business, share exchange, share transfer, company split, etc.

^{*2} Share buyback of own stock, reduction of statutory reserve, capital increase by allocation of new shares to third parties, capital reduction, consolidation of shares, measures to deflect hostile takeovers, etc.

2. Proposals Made by Shareholders

| | Approving votes | Dissenting votes | Abstention | Blind trust | Total |
|-------|-----------------|------------------|------------|-------------|-------|
| Total | 3 | 153 | 0 | 0 | 156 |



ESG-themed Initiatives in Our Real Estate Businesses

Amid a growing sense of crisis about global environmental problems, environmental consideration has become necessary in real estate to realize a sustainable society.

Environmentally friendly property takes the environment into account and is well managed for high environmental performance.

The Group believes environmentally friendly properties can generate more value added than conventional properties through features such as high environmental performance that reduce risk and enhance income.

A growing sense of crisis about global environmental problems
Global warming, threats to biodiversity, water scarcity & resource depletion

Imperative to develop sustainable societies
Growing eco-awareness, stricter regulations, seen as de rigueur by investors, tenants, etc.

Environmentally friendly property
Properties with high environmental value that are well managed for high environmental performance

High environmental performance

- Energy conservation, CO₂ reduction
- Renewable energy adoption
- Greater efficiency in water and resource use
- Recycling and reuse of materials, continuity in emergencies
- Restoration of biodiversity

Prospects for value added

- Lower utility costs
- Healthier, more comfortable
- Lower environmental-response risk
- Lower market risk

Why is Environmentally Friendly Property Necessary Now?

The Paris Agreement was adopted in December 2015 at the 21st Conference of Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC), and came into effect in November 2016. As a ratifying nation, Japan is expected to bolster its environmental regulations.

On the domestic policy front, new non-residential buildings with floor space of 2,000m² or more will need to comply with energy saving standards under the Building Energy Efficiency Act (publicly issued in 2015) when the law comes into force in April 2017. Meanwhile, there has been progress in improving and broadening programs that offer government subsidies for projects with high environmental performance such as the “leading projects” program for sustainable buildings.

Global investment and financial centers recognize that addressing global environmental problems is essential. More than 1,500 institutions in the United States and Europe have become signatories to the Principles for Responsible Investment (PRI), a United Nations-led global platform for investment that factors in environmental, social, and governance (ESG) issues, since its launch in 2006. Under the United Nations Environment Programme Finance Initiative (UNEP FI), more than 200 financial institutions based in Japan and overseas, including banks,

insurers, and brokerages, are working together to integrate ESG risks into financial system functions. In 2015, Japan’s Government Pension Investment Fund (GPIF) became a PRI signatory, a notable step for PRI’s acceptance. The SuMi TRUST Group has been a signatory to PRI and UNEP FI since their launch.

Used for investment decision-making, Global Real Estate Sustainability Benchmark (GRESB) was created in 2009, mainly for a group of large pension funds in Europe, to measure sustainability performance in the real estate sector. In 2016, 43 companies in Japan participated in the GRESB assessment. Of those, 30 were real estate investment trusts (REITs) that together comprise about 78% of Japan’s total REIT market capitalization.

In 2015, more than 200 institutions in Japan’s asset management and finance sector announced their adoption of Japan’s Stewardship Code, which spells out principles for responsible institutional investors. The Corporate Governance Code, which includes principles to encourage listed companies to respond to sustainability concerns, also took effect as an attachment to the Tokyo Stock Exchange’s securities listing requirement.

For real estate, there is a growing emphasis on environmental considerations.

A growing emphasis on environmental considerations in real estate

International conventions

- United Nations Framework Convention on Climate Change (UNFCCC)
- Paris Agreement, other pacts

Japanese government policies

- Building Energy Efficiency Act
 - > Bolsters environment-related regulations
- “Leading projects” program for sustainable buildings, etc.
 - > Supports property with high environmental performance

Global investment & financial centers

- PRI, UNEP FI
 - > Promotes investment and finance that factors in ESG
- GRESB
 - > A benchmark is used for real estate-related investment decisions

Domestic investment & financial centers

- Japan’s Stewardship Code
 - > More than 200 institutions have announced adoption
- Corporate Governance Code
 - > Principles to encourage listed companies to respond to sustainability concerns

Added Value of Environmentally Friendly Property

1. Added Value Derives from Property Profitability

It is often said environmental friendly property “costs more than usual and is difficult to invest in,” but price theory in real estate investment suggests such buildings are able to generate added value equal to or greater than their additional cost.

From the perspective of profitability (how much and how long do properties generate steady profits), a property’s price derives from net income (revenue minus costs) divided by the real estate capitalization rate. The greater gross income including rents is, and the lower the costs of utilities, maintenance, and building management are, the higher net income is, and so the higher the valuation of a property. In addition, stable properties with less income fluctuation risk are awarded higher valuations as investors require a lower yield from them.

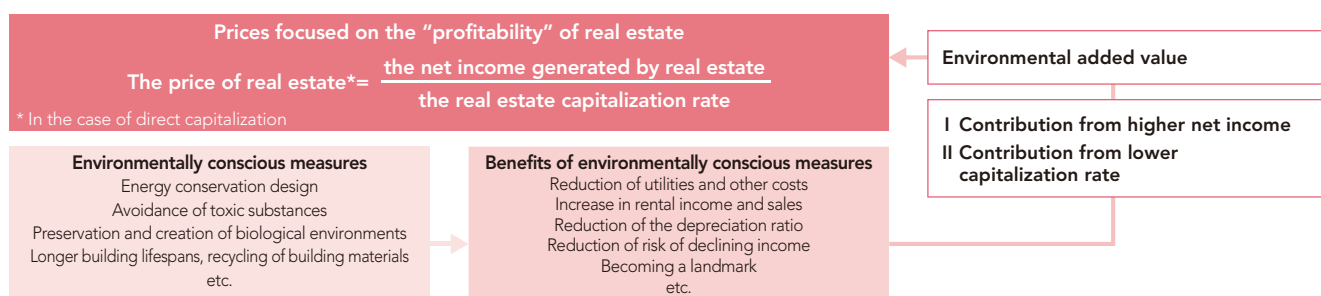
Environmentally friendly property can earn higher net

income by reducing utility expenses via energy savings and maintenance and operating expenses via the enhanced durability of parts and materials. Furthermore, such buildings can also generate higher gross income on higher rents stemming from higher productivity enabled by their enhanced office environments and the cachet boost from their environmental credentials.

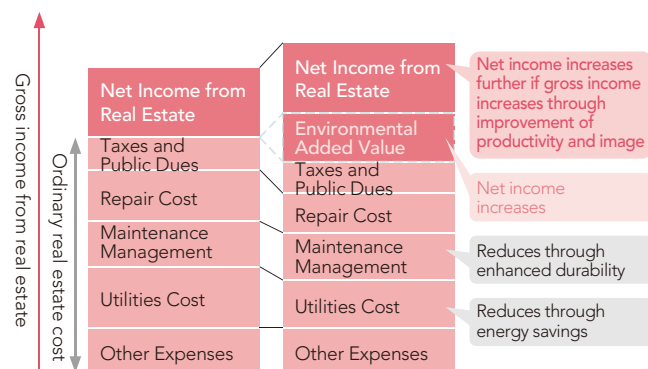
Furthermore, environmentally friendly property is less exposed to future environment-related tax hikes or tougher regulations, so the capitalization rate for such buildings factors in less environmental risk. A lower depreciation rate resulting from a longer life span as well as enhanced appeal as environmentally friendly can also lower the capitalization rate.

For the reasons above, SuMi TRUST Bank believes that environmentally friendly property will realize added value.

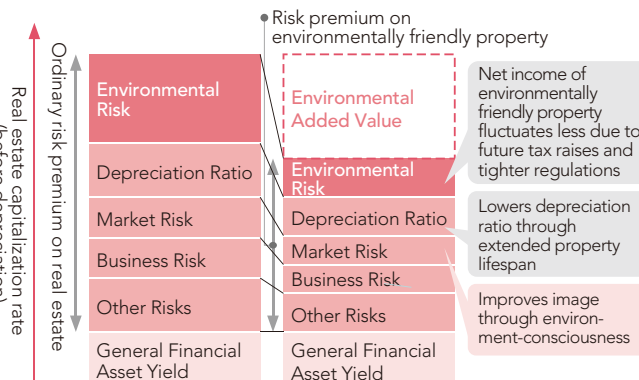
Conceptual Diagram of Environmental Added Value (1) Prices Focused on the “Profitability” of Real Estate



Conceptual Diagram of Environmental Added Value (2) Reflection in Net Income



Conceptual Diagram of Environmental Added Value (3) Reflection in Capitalization Rate



Source: Partial revision of “A Note on Environmental Value Added for Real Estate,” a commemorative paper written by Masato Ito in 2005 for the 10th anniversary of Tokyo Association of Real Estate Appraisers

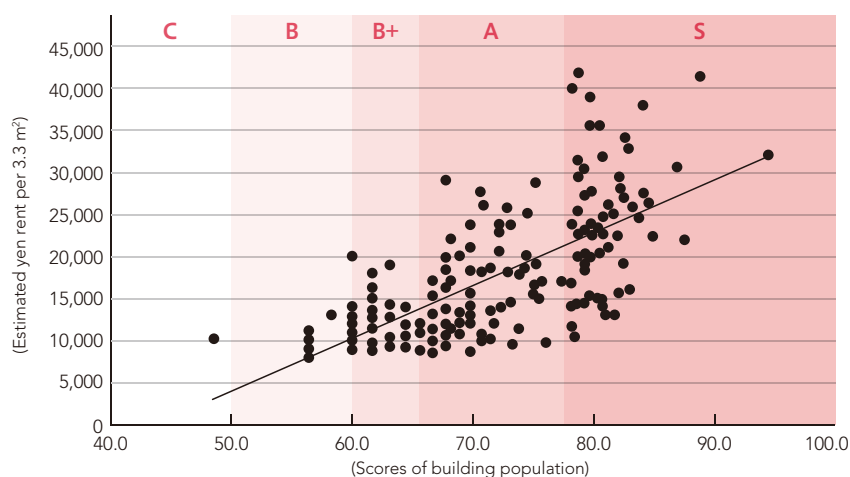
2. Helping to Make Added Value Noticeable

Study on Economic Impact of Buildings with CASBEE Evaluations

Given the paucity of research in Japan showing a correlation between the environmental performance of buildings and economic benefits, SuMi TRUST Bank implemented a study into the economic impact of buildings with CASBEE evaluations as the leader of a working group examining economic benefits under the aegis of the Japan Sustainable Building Consortium's Smart Wellness Office Research Committee. The study analyzed buildings with CASBEE certification and non-evaluated buildings and found average market rents in buildings with CASBEE certifications (or CASBEE applications,

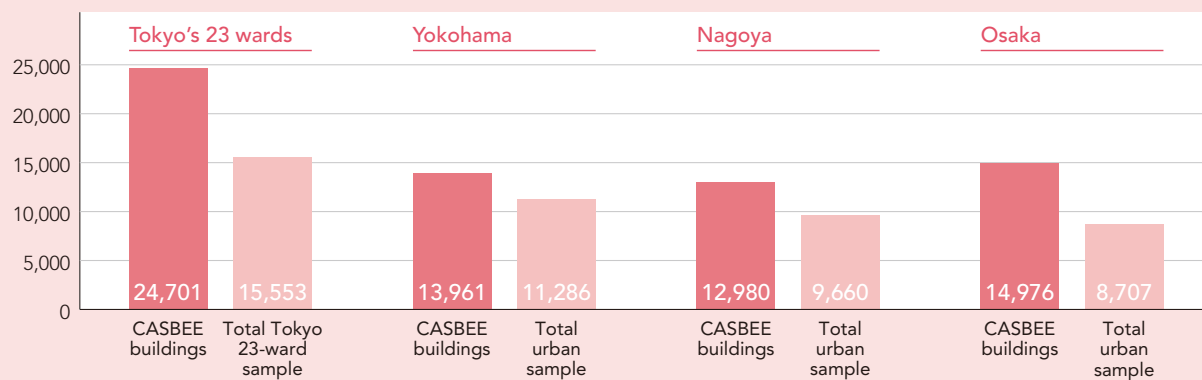
etc.) or applications were about 3.6% higher. This suggests each point in the CASBEE scoring system (adjusted so 100 points is the maximum score) equates to a market rent 0.5% higher than the average. These results were announced at symposiums, the Architecture Institute of Japan convention, and other events.

**Correlation between CASBEE Score and Market Rents
(Single regression analysis)**



Source: Data is from a fiscal year 2014 report issued by Japan Sustainable Building Consortium's Smart Wellness Office Research Committee.

Comparison of average rents: Yen per 3.3 m²



Source: Data is from a fiscal year 2014 report issued by Japan Sustainable Building Consortium's Smart Wellness Office Research Committee.

Summary of Multiple Regression Analysis Results for CASBEE Buildings

| CASBEE evaluations, etc. | Sample size | Coefficients | Differential in average rent |
|--|-------------|--------------|------------------------------|
| CASBEE flag (whether or not buildings have CASBEE evaluations) | 517 | 564.160 | +3.64% |
| CASBEE rank (five-level evaluation rankings) | 517 | 263.525 | +1.70% |
| CASBEE score (evaluation score with a maximum score of 100) | 183 | 78.974 | +0.46% |
| Service performance (Q2) score | 183 | 1702.667 | +9.9% |
| Intellectual productivity evaluation | 180 | 319.318 | +1.86% |

Source: Data is from a fiscal year 2014 report issued by Japan Sustainable Building Consortium's Smart Wellness Office Research Committee.

Our Environmentally Friendly Property Initiatives

SuMi TRUST Bank has made many recommendations related to environmentally friendly property since the 2005 release of an employee-authored paper about the added value created by such buildings.

Easy-to-understand indicators of environmental performance and the attendant value added are especially important as a way to recommend environmentally friendly property. In view of this, the CASBEE Research Committee launched the "CASBEE for Real Estate*" certification system in 2013 to promote widespread use of environmental evaluations in real estate.

In terms of services, SuMi TRUST Bank became the first bank in Japan to develop a land trust product in the 1980s, and we have since then been involved in developing buildings, condominiums and other real estate as well

as property management. We have harnessed this wealth of experience to develop a diverse menu relating to environmentally friendly real estate, including consulting services on environmentally friendly construction. In 2010, we became the first Japanese financial institution to establish a section dedicated to environmentally friendly property.

We are working to realize a sustainable society by bringing environmentally friendly property into the mainstream and linking it to business sustainability. This is one of our missions as a leading company in the environmentally friendly property market.

*The comprehensive assessment system for built environment efficiency (CASBEE) certification is an environmental performance evaluation system for buildings that is being developed and promoted in Japan by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). CASBEE for Real Estate (the name was changed from "CASBEE for Market Promotion" in November 2014) has fewer evaluation items but maintains consistency with CASBEE® Standard Version.

Our Website on Environmentally Friendly Property

A variety of information on environmentally friendly property is available in the special features section of our CSR activities website. For further details, please refer to:

<http://www.smtb.jp/csr/real-estate/>



Main Activities of Sumitomo Mitsui Trust Bank

| Start | |
|------------|--|
| •Oct. 2005 | Awarded grand prize for 10th anniversary essay "A Note on Environmental Value Added for Real Estate" by the Tokyo Association of Real Estate Appraisers Proposed ideas to ensure environmental efforts are reflected in real estate value |

| Organizing Study Groups | |
|-------------------------|--|
| •From Mar. 2007 | Organized sustainable real estate study group |
| June 2009 | Published "Sustainable Properties—Prediction from Multi-Stakeholders' Activities" |
| April 2015 | Released results of a Trust Forum Foundation study "Added Value of Sustainable Real Estate and Promoting Adoption as a Business" |
| •From May 2013 | Hosted meetings of the smart city study group |
| March 2016 | Released results of Trust Forum Foundation-sponsored "Smart City Study Group Report: Towards Constructing Evaluation Metrics for Smart Cities" |

| Initiatives Linked to the United Nations Environment Programme (UNEP) | |
|---|--|
| •From June 2007 | Member of the UNEP FI property working group Promoted and raised awareness about responsible property investment (RPI); published a collection of case studies and a handbook |

| CASBEE-related Initiatives | |
|----------------------------|---|
| •From July 2007 | Current organizer of subcommittee examining CASBEE property appraisal |
| July 2013 | Commenced CASBEE certification system for real estate |

| Initiatives in Real Estate Appraisal and Evaluation | |
|---|--|
| •From Oct. 2007 | Chair of a working group on environmental added value, Japan Association of Real Estate Appraisers |
| May 2009 | Published "Prices for Environmentally Sound Properties to Climb," JUTAKU-SHIMPO-SHA |

| Initiatives with National and Regional Governments | |
|--|---|
| •From Nov. 2008 | Member of and advisor to a MLIT-led study group on the status of property markets focused on environmental value |
| •From Nov. 2011 | Member of MLIT-sponsored environmentally friendly property panel |
| Apr. 2012 | "Proposals for Environmentally Friendly Property," released by the same panel |
| •From Feb. 2012 | Member of a study group on environmental investment in low carbon buildings organized by Tokyo Bureau of Environment |
| Apr. 2012 | "Toward the Spread of Low Carbon Buildings via the Real Estate Market," released by the same study group |
| •From Apr. 2012 | Member of expert evaluation committee for the MLIT-led "leading projects" program for sustainable buildings* |
| •From Apr. 2012 | Member of MLIT-sponsored study committee on the promotion and spread of environmentally friendly property |
| Feb. 2016 | Supported publication of "Guide on Green Leases" |
| •From Apr. 2014 | Member of the Smart Wellness Office Research Committee of the Japan Sustainable Building Consortium |
| Feb. 2015 | Announced results of a study on the economic impact of CASBEE evaluations on buildings at a Smart Wellness Office-sponsored symposium |

* We are not involved in evaluating projects in cases where we advise clients regarding the MLIT-led "leading projects" program for sustainable buildings (see page 59).

Our Business Lineup in Environmentally Friendly Property

1. Environmentally Friendly Construction Consulting

To promote the introduction of environmentally friendly property, SuMi TRUST Bank provides environmentally friendly construction consulting services where we advise on the installation of energy-saving systems in buildings, ways to take into account landscapes and ecosystems, extension of building life spans, and adoption of recycling systems.

As interest in environmental issues has grown, so has the number of properties applying for CASBEE® certification* or

providing notification of self-evaluation in the past several years. In addition, some projects have been selected by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) for the “leading projects” program for sustainable buildings (see page 59) and by the Ministry of Economy, Trade, and Industry (METI) for the “net zero energy building” proof-of-concept pilot program.

*The comprehensive assessment system for built environment efficiency (CASBEE) certification is an environmental performance evaluation system for buildings being developed and promoted in Japan under the guidance of MLIT.

Examples: Environmentally Friendly Construction Consulting

| Company Name | Location | Use | Number of Floors | Floor Area | Target Rank |
|----------------------------|----------------------|---|--|--------------------------------|------------------------------|
| Clarion | Saitama Prefecture | Headquarters office and research center | 10 floors above ground, 1 rooftop floor | Approx. 19,000 m ² | A (certification completed) |
| Yachiyo Bank | Tokyo | Central branch* ¹ | 9 floors above ground | Approx. 7,700 m ² | S (certification completed) |
| Chuo Labour Bank | Tokyo | Central branch | 1 basement floor, 9 floors above ground, 2 rooftop floors | Approx. 6,000 m ² | A (self-evaluation) |
| | Kanagawa Prefecture | Office | 1 basement floor, 7 floors above ground, 1 rooftop floor | Approx. 10,000 m ² | B+ (notification) |
| AEON MALL | Tokyo | Commercial facility | 5 floors above ground | Approx. 150,000 m ² | A (certification completed) |
| FUJI | Ehime Prefecture | Commercial facility | 3 floors above ground | Approx. 140,000 m ² | B+ (certification completed) |
| Ito-Yokado | Kanagawa Prefecture | Commercial facility | 4 floors above ground | Approx. 29,000 m ² | B+ (notification) |
| Toyo Seikan Group Holdings | Tokyo | Office* ¹ | 2 basement floors, 21 floors above ground, 1 rooftop floor | Approx. 72,400 m ² | S (certification completed) |
| Daikin Industries | Osaka Prefecture | Office, R&D facility* ¹ | 1 basement floor, 6 floors above ground | Approx. 48,000 m ² | S (self-evaluation) |
| Hiroshima Mazda | Hiroshima Prefecture | Office* ¹ | Renovation project for existing building | | |
| Anritsu | Kanagawa Prefecture | Office* ² | 7 floors above ground | Approx. 28,000 m ² | S (self-evaluation) |
| Shimane Bank | Shimane Prefecture | Central branch* ¹ | 1 basement floor and 13 floors above ground | Approx. 12,000 m ² | S (self-evaluation) |

*1 Selected for the MLIT-led “leading projects” program for sustainable buildings.

*2 Selected for the METI-led “net zero energy building” experimental pilot program.

Case Study A

Shimane Bank's New Head Office

The new head office building for Shimane Bank, a project commenced around the hundredth anniversary of its founding, has an energy-saving design and self-supporting systems for emergencies that bolster local disaster-response capabilities. A plank in the “GREEN BANK Shimagin Project,” the building symbolizes the bank’s contribution to efforts to create a low-carbon regional economy and bolster local disaster preparedness. The appearance control system realizes ideal visual environments through a combination of lighting controls for brightness, exterior louvers and controls for window blinds; the energy-saving air conditioning system is optimized for the climate of a region facing the Sea of Japan with “eco-voids,” natural ventilation chimneys, at “twin corners” of the building that create an updraft from natural wind pressure; and the “Green Plaza” initiative includes the use of digital signage to display energy consumption paired with a building energy management system (BEMS). Self-supporting systems that enhance disaster-response capabilities have been built into the building so that it contributes to creating a disaster-resilient community where the lighting always stays on and information is never cut off.

(Selected for the “leading projects” program for sustainable buildings; this was formerly known as the 2014 No. 1 “leading projects for promoting CO₂ reduction” program for housing and buildings)



2. Consulting to Support Applications for "CASBEE for Real Estate" Certification

Initiatives related to CASBEE for Real Estate

CASBEE for Real Estate is a system developed in 2012 for the purpose of promoting widespread use of environmental building performance evaluations in the real estate market. While maintaining consistency with CASBEE certifications for buildings to date such those as for new construction and existing buildings, CASBEE for Real Estate sharply narrows down evaluation items and takes into account consistency with environmental performance items that are focused on overseas.

CASBEE for Real Estate can also use the GRESB study (see page 52) (2013-2016 results), so use of this certification is spreading, especially among REITs and real estate companies that are sensitive to sustainability concerns.

SuMi TRUST Bank is a participant in developing CASBEE for Real Estate as an organizer of the subcommittee for CASBEE property appraisal, which is sponsored by the Institute for Building Environment and Energy Conservation.

Table Evaluation Items in CASBEE for Real Estate (In the case of office buildings)

| | |
|-----------------------------------|--|
| Energy/ Greenhouse gases | <u>Target setting and monitoring/energy saving standards/O&M^{*3} system</u> , usage and emissions intensity (calculated values), usage and emissions intensity (actual values) , natural energy forms |
| Water | <u>Target setting and monitoring/O&M system</u> , water usage volume (calculated values), water usage volume (results) |
| Use of resources/ Safety | <u>Conforms to new earthquake resistance standards</u> , high earthquake resistance/seismic isolation and vibration damping, etc., usage of recycled materials , service life of structure materials, necessary renewal interval for main equipment functions, higher self-sufficiency ratio (electricity, etc.), operation and maintenance |
| Biodiversity/ Sustainable site | <u>No use of invasive alien species</u> , enhancement of biodiversity , soil environment quality/regeneration of brownfields, public transportation access, measures in preparation for natural disaster risks |
| Indoor environment | <u>Attainment of building sanitation and environmental management standards</u> , use of daylight, natural ventilation function, view |

*1 Underlined items are prerequisites (they must be met to pass an evaluation).

*2 Items in **red** are related to universal metrics the United Nations Environment Programme's Sustainable Buildings and Climate Initiative (UNEP SBCI) is studying.

*3 O&M: operation and maintenance

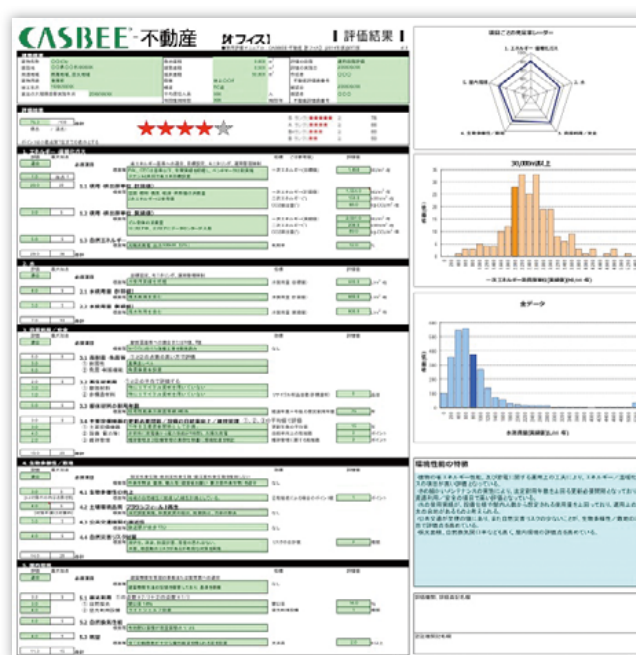
Consulting to Support Applications for CASBEE for Real Estate Certification

SuMi TRUST Bank engages in consulting services to support applications for the CASBEE for Real Estate certification. CASBEE accredited professionals with the proper qualification support the selection of real estate applying for certification while also evaluating the environmental performance of real estate and supporting the submission of applications for certification to certifying bodies.

Proposals for Improving Problem Discovery via CASBEE for Real Estate

SuMi TRUST Bank offers proposals on initiatives that work in concert with CASBEE for Real Estate evaluations to identify problems and suggest improvements aimed at bolstering environmental performance.

We will continue to provide services that use the CASBEE system in our business promoting environmentally friendly property.



A CASBEE evaluation sheet

Examples: Consulting to Support Applications for CASBEE for Real Estate Certification



| Owner | Property | Rank | Certification date |
|----------------------------|-------------------------------------|------|--------------------|
| JRF REIT*1 | 1 Aeon Mall Musashi Murayama | S | 2/27/2015 |
| | 2 Higashi-Totsuka Aurora City | S | 2/27/2015 |
| | 3 Aeon Tobata Shopping Center | S | 2/29/2016 |
| Premier REIT*2 | 4 Premier Kaigan Bldg. | A | 8/7/2015 |
| | 5 Takadanobaba Center Bldg. | A | 8/7/2015 |
| | 6 Urbannet Ichigaya Bldg. | A | 3/17/2016 |
| Activia Properties REIT*3 | 7 A-PLACE Ebisu Minami | S | 3/17/2016 |
| | 8 Market Square Sagamihara | S | 5/31/2016 |
| | 9 Luogo Shiodome | S | 3/17/2016 |
| Tosei Corp. | 10 Toranomom Tosei Bldg. | A | 9/26/2015 |
| Isetan Mitsukoshi Holdings | 11 Isetan Shinjuku Main Store | S | 3/4/2016 |
| | 12 Mitsukoshi Ginza Store | S | 3/4/2016 |
| | 13 Mitsukoshi Nihombashi Main Store | S | 3/4/2016 |

*1 JRF: Japan Retail Fund Investment Corp.

*2 Premier REIT: Premier Investment Corp.

*3 Activia Properties Inc.



3. Assistance to Help Subsidy Applicants Qualify

What is the “Leading Projects” Program for Sustainable Buildings?

Leading projects (construction and renovation projects) that show outstanding initiative in CO₂ reduction can apply to a MLIT-led public subsidy program.

The program grants subsidies up to one half of the budget for construction and other costs of pioneering initiatives. The average per-project subsidy (budget) has

trended in the range of 200 million yen.

Recipient projects are announced by MLIT and published on the Building Research Institute website. Recipients are given an opportunity to present their projects at the time of selection as well as post-completion.

“Leading Projects” Program*¹ for Sustainable Buildings: Number of Applications, Recipients, and Budget Amounts

| Fiscal year | Applications | Recipients | Budget |
|--------------------|--------------|------------|---|
| 2008 | 155 | 20 | 5 billion yen |
| 2009 | 84 | 33 | 7 billion yen |
| 2010 | 91 | 27 | Included in 33 billion yen for projects promoting the environment and use of stock real estate |
| 2011* ² | 74 | 24 | Included in 16 billion yen for projects promoting the environment and use of stock real estate |
| 2012 | 92 | 25 | Included in 17 billion yen for projects promoting the environment and use of stock real estate |
| 2013 | 42 | 21 | Included in 17 billion yen for projects promoting the environment and use of stock real estate |
| 2014 | 28 | 17 | Included in 22 billion yen for projects promoting the environment and use of stock real estate |
| 2015 | 37 | 21 | Included in 6.1 billion yen for projects promoting the environment and use of stock real estate |

*1 Projects that promote CO₂ reduction

*2 Figures for fiscal year 2011 exclude the third round, a section for specified disaster-afflicted zones. (Source: MLIT)

Our Initiatives Involving the “Leading Projects” Program for Sustainable Buildings

SuMi TRUST Bank also provides consulting services to assist in preparing proposal applications with project selling points and highlights for the MLIT-led “leading projects”

program for sustainable buildings.

*Our consulting service does not guarantee applicants will be granted subsidies under the “leading projects” program for sustainable buildings.

Case Study B

Toranomon 2-10 Project

Hotel Okura Tokyo’s main building, which opened in 1962, will be redeveloped with new functions as part of a project that will include office space suitable for a global business hub. The project’s multiple towers will be powered with an efficient energy system that achieves area-wide and 3D linkages, while the district-wide development scale enables us to create open green spaces that form cool spots and wind corridors and connect with green networks of neighboring districts. In conjunction with other large redevelopment projects underway at adjacent sites, the project will contain complementary functions to bolster local disaster preparedness. (Selected for the 2015 No. 2 “leading projects” program for sustainable buildings)



4. Making the Value of Smart Towns and Cities Visible, Supporting Development Policies

Developing smart towns and cities that adopt next-generation “smart community*” social systems at the local level is an important step from the standpoint of regional development. In the past few years, these towns and cities have combined a series of complex reforms from changes to citizen lifestyles and local transportation systems to the introduction of area energy networks, including the recapture of heat and unused energy, to go together with effective use of electricity.

*See METI’s website for details.

To realize smart towns and cities, it is necessary to create economic value added commensurate with higher costs while establishing clear targets from the basic planning stage onward for environmental, social, and governance (ESG) issues for the city or town.

SuMi TRUST Bank supports projects for smart towns and cities on many fronts such as devising frameworks that link various initiatives on environmental contributions etc. to economic value added and formulating project concepts. Through our provision of financial functions such as home mortgages, we also help projects get executed.

Concept Diagram for Making the Value of Smart Towns Noticeable



Case Study C

Fujisawa Sustainable Smart Town

The “Fujisawa Sustainable Smart Town” is a project currently being carried out by Panasonic Corporation at the former site of Panasonic’s Fujisawa factory.

Panasonic Corporation, Fujisawa City, and eleven partner companies, including SuMi TRUST Bank, are collaborating to promote the project, which marked the town’s opening in spring 2014.

SuMi TRUST Bank is participating in various ways, such as designing smart town evaluation indicators (environmentally friendly property values) and creating project-specific product plans for environmentally friendly housing loans.

This project is also praised for its community-wide comprehensive CO₂ reduction efforts together with town management. It was selected for subsidies under the MLIT-led “leading projects” program for sustainable buildings (2013 No. 1 round).



Sustainability Policy 2

Serve Clients with Sincerity

- We strive to provide in-depth explanations and proposals so that clients can fully understand the details of our products and services. In addition, we make efforts to quickly meet the demands of clients and link their feedback to business improvements and product and service enhancement.
- We strive to undertake meticulous management of client information.
- We engage in educational and awareness-raising activities by cooperating with educational institutions, government authorities, NPOs, etc., to enable clients to take the lead in rationally selecting financial products and building sound assets.



Initiatives to Earn the Trust of Clients

In recent years, there has been a pressing need for financial institutions to put principled customer service at the heart of everything they do. The Group considers serving clients with sincerity as a financial institution founded on its fiduciary spirit as one of the highest priorities on its materiality map. We explain our initiatives below from four perspectives: initiatives concerning fiduciary duty, client protection management, efforts to enhance customer satisfaction, and delivery of reliable financial products and services.



Initiatives regarding Fiduciary Duty

The SuMi TRUST Group has established, as its corporate ideal (Vision), that “based on the ‘Fiduciary Spirit’ and with significant expertise and comprehensive capabilities, the Group will create distinct values by leveraging a new business model, combining its banking, asset management and administration, and real estate businesses.” This is based on the management principle that it will “adhere to the principles of sound management based on a high degree of self-discipline with the background of ‘Fiduciary Spirit’ and establish strong credibility from society” (Mission). To this end, its executives and employees share in the Codes

of Conduct (Values), which include the imperative to be ‘Completely Client-oriented,’ and the Group has striven to put its fiduciary duties into practice. Amid even greater pressure for customer-oriented initiatives in the past few years at financial institutions, the Group has added more specifics to its Codes of Conduct (Values) and announced in September 2016 a set of policies regarding fiduciary duties it established to provide products and services that serve the best interests of its clients. For specifics, please go to our website.

http://smth.jp/en/about_us/philosophy/fiduciaryduty/index.html

Group Policies regarding Fiduciary Duties: Principles for Action

1.Implementation of a client-oriented approach to consulting and the provision of information

- In order to provide products and services that serve the best interests of our clients, we will strive, through high-quality consulting, to gain a shared understanding of the asset and liability situation of our clients, which will change with their lifecycle, and their corresponding needs.
- To assist in our clients’ investment decisions, we will strive to provide easy-to-understand explanations about product characteristics, risks, and fees, and to take proper action that fits with our clients’ understanding.

2.Development and provision of products and services that meet the diverse needs of our clients

- In order to meet the diverse needs of our clients, we will make available a broad-range of high-quality products and services that accord with the needs of our clients based on the various voices and opinions of our clients and through activities such as cooperation and joint-development of products and services with a broad-range of asset management companies and insurance companies.

3.Enhancement of our client-oriented focus and expertise

- Through training and discussion at each Group company, we aim for thorough penetration of decisions and practices that are based on Group policies on fiduciary duty.

- Through measures such as training of executives and employees and support for the acquisition of specialist qualifications, we will increase knowledge and specialist skills about market conditions, products and services.

4.Provision of financial services that leverage the diverse functions of the trust bank group

- As a trust bank group, while remaining thoroughly attentive to conflict of interest management, we will fully mobilize our diverse and flexible functions, such as the banking business, asset management and administration business, real estate business, and quickly and accurately provide optimal and comprehensive solutions for our clients, whether they are individuals or corporations.

5.Client comfort and satisfaction, and contribution to the economy and society

- As well as providing products and services that bring comfort and satisfaction to our clients, we will contribute to the economy and society by utilizing our investment functions, and through the generation of new products and services that respond to structural changes to the economy and society.
- To enable clients to independently and rationally select financial products, and engage in sound asset building, we will pursue activities in connection with improvement of financial education and literacy.

1. Basic Policy

We believe that to put into practice our fiduciary duties, it is of prime importance that our consulting services are a source of significant expertise that our clients can rely on and present them with optimal choices in accordance with their respective needs. We also believe staying thoroughly attentive to managing conflicts of interest is of utmost importance. As an independent trust bank group that has a wide range of functions such as product development, asset management,

sales, asset administration, asset preservation that must meet our clients' needs in step with structural changes to the Japanese economy and society, SuMi TRUST Bank and other Group members will continue to provide products and services that accord with our clients' best interests and, in order to give thorough effect to our fiduciary duties across the entirety of the Group's businesses, we will proceed with initiatives based on Principles for Action (see page 62).

2. Group Structure to Promote Fiduciary Duty Policies

The Group has put into place a structure to promote the thorough adoption of approaches for putting fiduciary duties into practice at Sumitomo Mitsui Trust Holdings (SuMi TRUST Holdings) and Group subsidiaries because it considers compliance with these policies at the parent and across the Group to be a management matter of the highest importance. This structure centers on the Fiduciary Duties Planning and Promotion Department, which was established in October 2016.

Fiduciary Duties Planning and Promotion Department

To promote thorough adoption of practices ensuring fiduciary duties take root at the parent and Group subsidiaries, the Fiduciary Duties Planning and Promotion Department will help gather information and promote practices through the drafting of plans relating to improving management of conflicts of interest, along with the provision of training, advice, and guidance to subsidiaries.

Based on Group policies at subsidiaries and other Group

companies, we regularly assess the status of specific initiatives and assemble an overall summary that is reported to the Board of Directors.

Subsidiaries

Subsidiaries falling within the scope of application for policies regarding fiduciary duties are studying and implementing initiatives according to their respective areas of business operation.

Of our subsidiaries, Sumitomo Mitsui Trust Bank (SuMi TRUST Bank), Nikko Asset Management, Sumitomo Mitsui Trust Asset Management, and Japan Trustee Services Bank have asset management, product development, sales, and asset administration operations and so will bear most of the responsibility for specific initiatives relating to fiduciary duties (hereafter called action plans and action guidelines). Along with their responsibilities to devise and disclose specific initiatives, they will periodically report their progress on such initiatives to their respective Board of Directors and their actions plans will be revised when necessary.

Subsidiaries Implementing Initiatives based on Fiduciary Duty Policies

| Functions Our Group Offers | | | | |
|---|---------------------------------------|---|-----------------------------|------------------------------|
| | Sales | Asset Management and Product Development | Asset Administration | Other Trust Business |
| Devising action plans and action guidelines | Sumitomo Mitsui Trust Bank | | | |
| | | Nikko Asset Management | Japan Trustee Services Bank | |
| | | Sumitomo Mitsui Trust Asset Management | | |
| | Sumitomo Mitsui Trust Wealth Partners | Sumitomo Mitsui Trust Real Estate Investment Management | | Sumitomo Mitsui Trust Realty |
| | | Sumitomo Mitsui Trust Research Institute | | |
| | | Sumitomo Mitsui Trust Investment | | |

Sumitomo Mitsui Trust Bank (Japanese only) <http://www.smtb.jp/corporate/pdf/fiduciaryduty.pdf>

Sumitomo Mitsui Trust Asset Management (Japanese only) http://www.smtam.jp/shared/pdf/news/PR2016_010.pdf

Nikko Asset Management <http://en.nikkoam.com/files/pdf/legal/code-of-conduct-regarding-fiduciary-esg-principles.pdf>

Japan Trustee Services Bank (Japanese only) <http://www.japantrustee.co.jp/corporate/pdf/FD20161226.pdf>

Representative initiatives from the action plan for SuMi TRUST Bank, a core subsidiary, are shown in the table below. For specifics on the action plans and action guidelines of

the aforementioned four Group companies, please see their websites.

| Function | Principles | Action Plan |
|--|--|---|
| Sales | Putting a client-oriented approach to consulting into practice | We newly established items to evaluate the status of practices applied in consulting on accumulative-type investment plans and follow-up initiatives on evaluating sales results for sales sections and departments. |
| | Provision of information that is easy to understand | To enhance client understanding of investment advisory fees etc. they shoulder for products (wrap accounts) with discretionary investment management, we have newly prepared materials concerning the content of services we provide and strive to offer thorough, extensive explanations (second half of fiscal year 2016). |
| | Provision of a broad-range of products and services that meet the diverse needs of our clients | For investment trusts, we have prepared standards for product selection and are studying the use of external perspectives to maintain our high-quality lineup that facilitate client asset formation (second half of fiscal year 2016). For investment trusts, our sales results evaluation system encourages proposals that facilitate asset formation for clients rather than advancing a product line. For investment trusts, our results evaluation system assesses the status of practices applied in consulting on restricted distribution-type products, cumulative-type products (reinvests coupon or dividends), and accumulative-type investment plans. |
| Asset Management and Product Development | Enhancement of asset management | We are proceeding with operational improvements such as improving transparency of our decision processes for exercising proxy votes by newly establishing an external advisory committee on stewardship activities, and properly discharging our stewardship responsibilities such as engagement and exercise of proxy votes concerning client assets held in trust, including passive management (second half of fiscal year 2016). |
| | Building and strengthening governance structures that ensure independence | We newly established an external advisory committee to bolster our systems for managing conflicts of interest concerning stewardship activities such as engagement and the exercise of proxy voting rights, and are building a transparent operating system drawing on outside experts (second half of fiscal year 2016). We disclose our standards of judgment such as numerical criteria on the exercise of proxy votes, and are building a transparent operating system where we disclose a detailed breakdown of our proxy voting record (second half of fiscal year 2016). |
| Asset Administration | Enhancing information provision and services that contribute to client investment activities and middle/back office operations | We are working to improve and expand our middle/back office operations for asset managers such as accounts processing and administration of various legal reports, as well as our service provision menu and the outsourced work we accept such as reporting. |
| Other Trust Operation | Initiatives for a client-oriented approach in real estate operations | We provide easy-to-understand explanations about transaction terms and property attributes that reflect client characteristics and report on the status of operational progress in a timely manner. Together with the aforementioned, another section seeks to improve and expand its monitoring of the conditions of those in explanatory and reporting functions (second half of fiscal year 2016). |

What is Fiduciary Duty?

The origins of the concept of fiduciary duty go back to medieval England when it was born from the resolution of disputes that arose when property was handed over to another party for discretionary management. Another way to express this notion is the responsibilities of a trust's trustee. In general, fiduciary duty is the obligation the trustee owes to the trust's trustor or beneficiaries. The concept is an extension on the obligations attached to professions requiring substantial expertise and discretion in the performance of work on behalf of others such as lawyers, doctors, and professionals in the asset management field.

It draws on codes of conduct or the character of principles rather than the precise stipulation of detailed rules.

Fiduciary duties are thus a way of thinking about the core properties of trusts. Since our founding in 1924 as a specialized trust bank, the SuMi TRUST Group has applied the principles of truthfulness and loyalty, dedication, trust and creativity to how we think about our business.

At this present juncture, diverse stakeholders call for proactive initiatives in the financial sector in particular that put the interests of clients before everything else in ways that are suited to the context of each financial institution across all their businesses.

As an independent trust bank group with a wide range of functions—such as product development, asset management, sales, asset administration, and asset preservation—that are responsive to evolving client needs attendant with structural changes to Japan's economy and society, the Group seeks to be thoroughgoing in putting into practice our fiduciary duties in ways that put the interests of our clients first across all our businesses based on relevant policies and action plans. We will also proceed with initiatives for providing products and services that are ever more “client oriented.”



Fiduciary Duties Planning and Promotion Department
General Manager
Executive Officer

Kazuhisa Koashi

Fiduciary Duty Discussion Panel

Along with SuMi TRUST Holdings, SuMi TRUST Bank, Nikko Asset Management, Sumitomo Mitsui Trust Asset Management, and Japan Trustee Services Bank have newly established the Fiduciary Duty Discussion Panel to promote more advanced initiatives at subsidiaries with asset management, product development, sales, and asset administration operations and thus will be most responsible for putting fiduciary duties into practice.

Chaired by the General Manager of the Fiduciary Duties Planning and Promotion Department, the Council is to be composed of directors and executive officers tasked with promoting fiduciary duties at each of the aforementioned subsidiaries as well as senior members of the Fiduciary

Duties Planning and Promotion Department. Each subsidiary reports on the matters listed below, shares their successful examples with other Council members, and discusses how to ensure practices that reflect fiduciary duties take root at each Group company.

- Status of compliance with policies regarding fiduciary duties
- Status of compliance in the case of successful examples
- Initiatives relating to improvement in expertise
- Measures to promote advanced stewardship activities; successful examples
- Measures to promote advanced risk management; successful examples

Client Protection Management

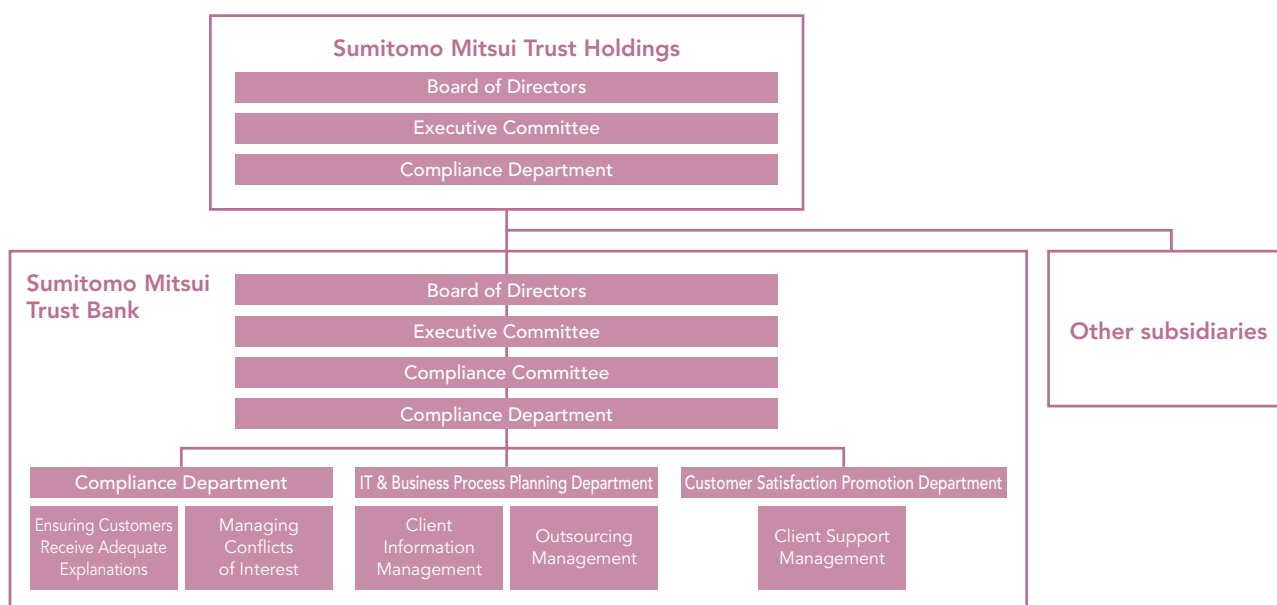
Basic Policy

Amid the growing number of financial products with ever more complex mechanisms and unique characteristics, there is a pressing need for financial institutions to properly and fully explain to clients product mechanisms and risks and to gain their understanding. It is also increasingly important that financial institutions appropriately respond to complaints and requests from clients and properly manage client information.

Given these conditions, the Group regards client protection as one of its most important management issues. To respond to the expectations and trust clients place in the Group, SuMi TRUST Holdings has established a basic

policy in its Client Protection Management Rules to enable each Group company to enhance client protection and convenience. Checking and promotion systems have also been developed, so the Group complies with these and carries out business activities in a fair and just manner. By developing these systems, the Group is promoting various initiatives to address issues and problem areas, and enabling appropriate action based on self-discipline.

Group companies develop appropriate client protection management systems in accordance with the characteristics of their own operations, based on the basic policy established by SuMi TRUST Holdings.



At Group companies, there are departments responsible for client protection management. Under this rubric, separate departments tasked with managing conflicts of interest, client information management, outsourcing management, and client support management have also been established. These departments work to ensure the appropriateness and sufficiency of client protection,

revise and update important rules as needed, and provide regular status reports to the Board of Directors, etc. Through their preparation of internal company rules, guidance to related departments, and training expansion and improvement, these departments oversee client protection management as a whole as well manage as the supervisory departments.

Ensuring Customers Receive Adequate Explanations

In providing financial products and services to clients, the Group takes into account their knowledge, experience, asset situation, and purpose of transactions, and provides appropriate and adequate explanations to obtain their understanding and consent.

At SuMi TRUST Bank, the Compliance Department oversees this field as the department responsible for ensuring customers receive the information they need based on relevant rules and regulations. Under the ambit of the compliance department, our policy for solicitation and sales of financial products and services, for instance, is available for clients to see at our branches and on our website. We also

ensure such actions are appropriately taken from the clients' standpoint by ensuring compliance with the suitability rule* and establishing company regulations through the compilation of a client manual regarding the provision of adequate explanations, etc., as well as through the thorough training we give to our employees.

In particular, for transactions of products with no guarantee of principal, we conduct monitoring to ascertain whether adequate explanations have been provided to elderly clients, and we review solicitation rules as required.

*The suitability rule prohibits financial institutions from soliciting clients in ways that are inadequate in light of the client's knowledge, experience, and asset status and the purpose for entering into the financial transaction contract.

Managing Conflicts of Interest*

The Group complies with laws and regulations, etc. so as to avoid unjustly undermining customers' interests as a result of various services provided by group companies and relevant persons and has published the outline of the policy for managing conflicts of interest, which describes "transactions that may constitute conflicts of interest," "methods of managing conflicts of interest" and "systems for managing conflicts of interest." In addition, based on this policy, the Group appropriately manages transactions that may constitute conflicts of interest and properly executes business operations.

In order to properly manage conflicts of interest based on rules for such situations, the Compliance Department at

SuMi TRUST Bank has been established as a department responsible for managing conflicts of interest independent of the sales department. For the whole Group, a system to properly carry out the management of conflicts of interest has been put into place. The Compliance Department examines and evaluates the effectiveness of the Group's management of conflicts of interest on a regular basis in order to make continual improvements. We also provide regular training and education and keep executives and employees informed on such matters.

**Conflicts of interest" refers to cases in which the interests of the Group and those of clients or interests among clients contradict each other.

Solicitation Policy (Sumitomo Mitsui Trust Bank)

1. Explain the basic policy

Sumitomo Mitsui Trust Bank, Limited (SuMi TRUST Bank) practices its Codes of Conduct ("Value") that calls for "completely client-oriented" service and "strict compliance with applicable laws and regulations," and recommends financial products and services based on this solicitation policy so that clients can decide for themselves what is most appropriate for them.

2. Recommend financial instruments suited to clients

SuMi TRUST Bank recommends financial products and services suited to clients according to their "knowledge," "experiences," "asset situation" and "the purpose of their transactions."

3. Explain the contents of financial products and services in an easy-to-understand manner

SuMi TRUST Bank explains not only the contents and merits of financial products and services we provide but also risks and fees in an appropriate, easy-to-understand manner so that they can be fully understood.

4. Offer appropriate explanations and conduct appropriate solicitations

SuMi TRUST Bank does not make explanations or conduct solicitation activity that may mislead clients, such as communicating false information or providing definitive explanations concerning uncertain matters.

5. Strive to conduct solicitation activity convenient for clients

SuMi TRUST Bank strives to conduct solicitation activity via telephone or visit at a time, place and means convenient for clients.

6. Strive to improve in-house systems

SuMi TRUST Bank strives to improve in-house systems so that we can provide financial products and services suited to clients. SuMi TRUST Bank also strives to acquire accurate knowledge and master ways of providing easy-to-understand explanations.

7. Created a consultation contact point for clients

Client Information Management

The Group has established the Declaration for the Protection of Personal Information as a policy to securely protect the personal information of its clients. Furthermore, the Group manages client information appropriately, and when using client information jointly in the Group, each company complies with laws on personal information protection, guidelines on personal information protection in the financial industry, and other related laws and regulations so as to ensure appropriate use of such information.

At SuMi TRUST Bank, IT & business process planning departments oversee client information management as units tasked with this responsibility based on information

security risk management rules with the aim of properly maintaining and managing the Group's information assets. These departments regularly evaluate the status and effectiveness of client information management execution and provide regular status reports to the Board of Directors, etc. At sales and head office departments, in addition to assigning general managers the responsibility of managing and administering information, general managers require all employees they supervise to submit written affirmation of their duty of confidentiality so all concerned clearly recognize they have a duty to keep important information, including personal data they come across while working, confidential.

Outsourcing Management

When outsourcing its operations, the Group takes measures to ensure that the outsourced operation is consigned to a contractor capable of: (1) establishing regulations for the appropriate management of risks from unexpected losses incurred by the Group or its clients, (2) recognizing problems related to the quality of service and the reliability of service continuity, and (3) implementing the operation accurately, fairly, and efficiently. We also verify whether or not outsourced contractors are antisocial in nature before entering into new contracts, and we repeat this verification on a regular basis. The purpose is to prevent transactions with antisocial forces and to eliminate interference from them.

At SuMi TRUST Bank, IT & business process planning departments are responsible for outsourcing management,

and based on rules for outsourcing management, they select contractors suitable to the Group for outsourcing consignments and monitor them. These departments provide regular status reports to the Board of Directors, etc. about the status of outsourcing management.

Moreover, each business designates a department to oversee operations outsourced to contractors and evaluates whether they are performing their assignments properly in accordance with relevant rules and their consignment contracts through confirmations of the status of consigned operations both on an ongoing periodic basis and in response to emerging situations. These departments also monitor contractors when necessary.

Sumitomo Mitsui Trust Group Privacy Policy

We at the SuMi TRUST Group, in the utmost effort to protect the personal information of our clients and shareholders, have established the following policies, and we declare to abide by this policy.

1. Compliance with all Applicable Laws and Regulations, etc.

The companies in the Group shall comply with the laws pertaining to the protection of personal information, laws concerning the use of numbers to identify a specific individual for public administration procedures (e.g., the "My Numbers Act), and guidelines set forth by government agencies including other standards.

2. Appropriate Acquisition

The companies in the Group shall obtain personal information from clients, specific personal information, etc. only to the extent necessary for our operations and only through proper and legal means.

3. Purpose of Use

The companies in the Group shall notify or announce how the personal information shall be used, and shall only use it within the confines of the prescribed purpose except as otherwise provided by laws and regulations, and shall not use it for any other purpose. With regards to specific personal information, use shall be limited to the scope stipulated in relevant laws and regulations.

4. Consignment

If the companies in the Group consign the handling of the personal information as well as specific personal information, then the consignee shall be properly supervised to promote safe management of personal information.

5. Offering to Third Parties

The companies in the Group shall not provide to any third party personal information held for clients without obtaining prior consent from the client except in cases specified by laws and regulations. However, if the companies in the Group provide a client's personal information consequent to

the succession of business in a merger or otherwise or if it is shared with a specified party set forth separately, then the personal information held for the client may be provided to the third party without obtaining the client's consent.

With regards to specific personal information, we shall not provide this to third parties irrespective of whether the person concerned has or has not consented, apart from cases where it is stipulated by laws concerning the use of numbers to identify a specific individual for public administration procedures.

6. Responding to Inquiries from Clients, etc.

The companies in the Group shall establish the procedures for correcting and disclosing personal information, and any inquiries concerning questions, suggestions or inquiries and corrections of content, etc. related to personal information and specific personal information shall be handled quickly and accurately.

7. Safety Measures

The companies in the Group, in their approach to managing personal information and specific personal information, take appropriate safety measures in terms of their organizations, personnel affairs, and systems to manage personal information so as to prevent leaks etc. and have put into place a framework of responsibility necessary to protect personal information.

8. Continuous Improvement

The companies in the Group continually review and strive to improve the compliance program for protecting personal information. All executives and employees are trained to understand the importance of protecting personal information and to appropriately handle personal information and specific personal information.

Client Support Management

At SuMi TRUST Bank, the Customer Satisfaction (CS) Promotion Department is responsible for client support management. Based on rules for supporting clients, the department quickly responds to inquiries and complaints from clients in a sincere manner, aiming to resolve them with the understanding and consent of clients to the greatest degree possible while also working to assess and analyze the causes of such inquiries and complaints and

making efforts to improve operations. In fiscal year 2015, there were 10,305 complaints.

With regards to complaints etc., there is a reporting system for complaints etc. that collects and manages this information, and management receive periodic reports about the content of complaints. By utilizing our “Voice of Customers Portal” (see page 69), we strive to improve operations to enhance client convenience.

Initiatives to Prevent Remittance Scams

With the aim of reminding employees about the key points that are crucial to preventing remittance scams, SuMi TRUST Bank holds lectures for employees on the prevention of remittance scams at all of our branches nationwide. The lectures are held with the assistance of the police and participants learn about the status of remittance scams locally, the methods used by criminals to target their victims, and the key points crucial to preventing this form of crime. Employees also role-play various remittance scams scenarios.

Moreover, employees at our branches routinely speak to clients who are making bank transfers, and carry out thorough checks of such transactions. As a result, we were able

to prevent 16 cases of remittance scams in fiscal year 2015. Of those, six of our branches have received commendations from local police forces for their contributions in this area.

SuMi TRUST Bank will continue to be proactive in speaking to our clients in our endeavors to prevent crime.

List of commended branches

| | |
|---|---|
| Nihonbashi Business Department, Tokyo-Chuo Branch | Hachioji Branch, Hachioji-Ekimae Branch |
| Koshigaya Branch | Ikeda Branch |
| Nakano Branch | Shin-Yurigaoka Branch |

Efforts to Enhance Customer Satisfaction

1. Basic Policy

The Group is utilizing its significant expertise and comprehensive capabilities to quickly provide clients with comprehensive solutions. It is also making every effort to adopt a “customer-first approach” and to offer clients peace of

mind and ensure their satisfaction with supreme loyalty and sincerity, placing prime importance on credibility and sound management.

2. Initiatives to Use “Voice of Customers” to Improve Our Services

SuMi TRUST Bank receives a lot of feedback from customers and many requests at branch offices throughout Japan through diverse channels such as telephone centers and the Group’s website as well as the “Voice of Customers Questionnaires” available at every branch. In fiscal year 2015, we appreciated the upwards of 270,000 opinions and requests we received through these channels (see page 69 regarding our system for applying customer feedback).

In addition to our ongoing initiatives, we mailed “Customer Questionnaires” in April 2016 to the about 1.6 million clients who have consummated contracts for time deposits, investment trusts, etc. with us with the aim of further improving customer satisfaction.

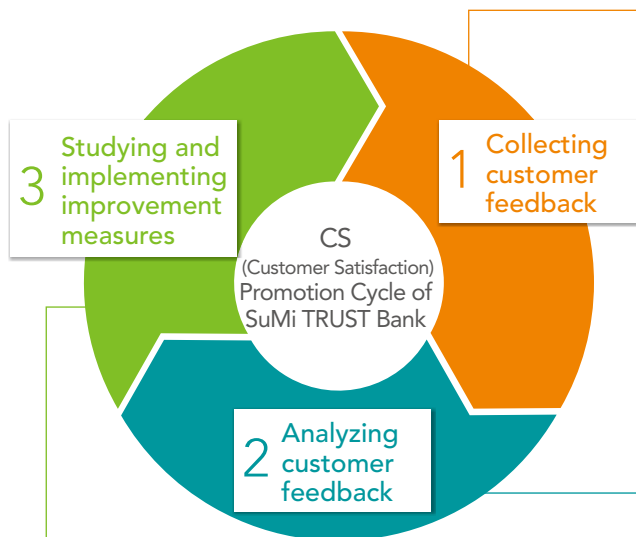
In this way, we aim to use the opinions and requests we received from our clients to provide even better products and services.

Using “Customer Questionnaires” to Collect Feedback from Customers

- Regardless of the size of their account, we enclosed “Customer Questionnaires” in the account balance report we sent to clients who have consummated contracts for time deposits and other financial products with us. Clients return the questionnaires by mail, so we are able to collect feedback from them directly.
- There are detailed question items regarding the manners, appropriate use of language, and the sales proposals of our employees so our employees can better grasp in detail how clients evaluate their approach to client service.

Our System for Applying Customer Feedback

SuMi TRUST Bank receives a lot of feedback from customers and many requests at branch offices throughout Japan as well as its telephone centers and website, along with the “Voice of Customers Questionnaires” available at every branch. We use this feedback to provide better products and services.



3 Studying and implementing improvement measures

Regarding opinions and requests received from customers, branches and the head office cooperate in investigating and analyzing the causes and identifying problems. Based on the results, we look for improvement measures and strive to provide better products and services.



1 Collecting customer feedback

SuMi TRUST Bank highly values not only feedback collected through the “Voice of Customers Questionnaires” and mail questionnaire surveys but also customer feedback included in inquiries, consultations and requests we handle routinely. Such feedback is used for improving its operations.

Five ways of collecting customer feedback

- **Branches (over-the-counter, telephone)**
Customer feedback is recorded in a dedicated system so that it can be used to make improvements. In addition, there is a system that enables company-wide sharing of feedback in cooperation with the head office.
- **Sumitomo Mitsui Trust Direct**
Procedures are implemented via telephone and inquiries, and consultations and opinions are also received and are used to make improvements. Such feedback is also communicated to and shared by relevant departments.
- **Various Questionnaire Surveys**
Various questionnaire surveys are conducted to solicit opinions regarding SuMi TRUST Bank’s products and services.
- **Customer Service Office**
Customers’ opinions and requests are received via telephone, postal mail and Internet.
- **Voice of Customers Questionnaires**
Customers may send back the “Voice of Customers Questionnaires,” available at branches across Japan, via mail or the “Voice of Customers Posts” installed within the branches to convey their opinions and requests. We also receive opinions and requests from customers during visits to them.

2 Analyzing customer feedback

In order to realize customer satisfaction by utilizing the more than 100,000 cases of feedback we receive each year, we use the “CS Voice of Customers Portal,” a system to analyze customer feedback. We are striving to meet customers’ needs by making customer feedback “visible” so that we can better “recognize” customer needs.

CS Voice of Customers Portal: a System for Analyzing Customer Feedback



3. Examples of Improvement Based on Feedback from Individual Customers

We will pay attention to each instance of customer feedback and use it to realize customer satisfaction. Customers' smiles and words of appreciation give us a sense of fulfillment and happiness. We will continue to strive to better

serve customers as a bank.

*To learn more about "example cases of improvement based on feedback from individual customers," please go to SuMi TRUST Bank's website.

<http://www.smtb.jp/corporate/cs/improvement/personal.html>

Matsuyama Branch

Voice of customer

I wasn't able to concentrate when filling out paperwork and taking other necessary steps because of children running around the branch.

Improvement

The branch keeps a portable "Kids' House" on hand so customers who bring their children can fill out paperwork without worrying they will disturb others. The "Kids' House" can be placed near the seat where the customer is sitting.



Kawanishi Branch

Voice of customer

I feel awkward when I come to the branch because there is no place to put a baby carriage.

Improvement

The branch has designated a priority space for storing baby carriages and wheel chairs in the lobby area. Our aim is to create a branch everyone can feel comfortable visiting.

Nara-Saidaiji Branch

Voice of customer

I would like the branch to install a cane holder at customer meeting counters.

Improvement

We provide holders for canes and umbrellas at two ATM stalls, writing stands, and customer meeting counters inside branches. Please feel free to use them.

Examples of improvement based on feedback from corporate clients

Product improvement case

Businesses offering asset management products

Improvement

Amid declining yields on yen-denominated products, we started offering structured deposits referencing forex rates for clients with forex-related product initiatives.

*Both the principal and coupon payments of these products are yen denominated. A pre-determined coupon rate is paid only at the date of first contract consummation; from the second payment onward, the coupon rate is determined on the decision date according to each special agreement. In phases of yen weakening, the coupon rate paid tends to increase, and in phases of yen strengthening, the coupon rate paid tends to decrease.

Service improvement case

Defined contribution pension business

Improvement

We started offering Web services for defined contribution pensions based on requests we received in surveys conducted at explanation meetings on pension administration at customer offices.

Normalization Initiatives

SuMi TRUST Bank is implementing a variety of initiatives in order to ensure that its branches are accessible to all.

For example, we are installing ATMs for the visually impaired, as well as textured paving blocks, to allow them to carry out their transactions smoothly. We have also defined internal procedures for writing and reading proxies for deposits, withdrawals, and the like.

To make our branch facilities easier to use for those with hearing difficulties, we have posted "Ear Mark" signs and "Assistance Dog" stickers, and equipped counters at each branch with writing boards, hearing aids, and communication boards.



耳の不自由な方は
筆談しますので
お申し出下さい



聞こえが不自由なことを表す
『耳マーク』です

4. Efforts to Enhance Customer Satisfaction Mindfulness

To promote customer satisfaction (CS) improvement activities, “CS Committees” are established in all branches, and they actively conduct various CS improvement activities that match the characteristics of each branch. In addition, solid education and training are provided to employees to encourage each and every one to practice a customer-first approach to service on a daily basis.

Reflecting on Business Manners Two Months a Year

We offer programs two months a year—February and August—for employees at all branch offices and head office departments to think about and reflect on business manners in the context of performing their work. Employees reflect broadly on manners, including personal appearance and grooming, how they carry and conduct themselves in an office context, and their greetings and salutations. Discussions where employees share their thoughts are then held at each branch office and head office department, and the results of the discussions are written up in a report.

Customer Service Role Playing

Role playing is implemented, with employees acting as customers, and employees evaluate each other’s performance. In addition, the role playing is recorded on video so that employees can check their own performance and improve their customer service skills.

Service “Helper”

The service “helper” certification is a way to demonstrate that one is committed to client hospitality and has learned helping skills to support the elderly and disabled in many everyday life situations. About 1,000 companies nationwide have adopted this certification system in their businesses. Among financial institutions, SuMi TRUST Bank was one of the first to incorporate it. Along with initiatives to make barrier-free design a standard feature at our branch offices, we encouraged employees to seek certification so they can feel confident in providing client service. As of October 31, 2016, 169 employees at 99 branch offices have obtained the service “helper” certification.

Various Tools for Improving CS Mindfulness

| | Course name | Content | Eligibility | Month offered |
|---|---|--|---|---------------|
| e-learning (see page 72) | 1H FY2015 Training on client support management | Study preparations for client support management | All employees | May |
| | August 2015 Office task retraining | Reconfirming office work capabilities of all employees | All employees | August |
| | August 2015 Reflecting on business manners | Review everyday office tasks, self-checks on business manners | All employees | |
| | Customer First: Search until Reaching Source Waters | Form a shared recognition that deepens employee understanding about our spirit of CS improvement and a genuine customer-first approach based on common principles and a motto that go back to our founding | All employees | October |
| | February 2016 Office task retraining | Reconfirming office work capabilities of all employees | All employees | February |
| | February 2016 Reflecting on business manners | Review everyday office tasks, self-checks on business manners | All employees | |
| | CS-related Basics: How to Answer Phone Calls | Confirms basics when answering phone calls from customers at a branch office, offers guidance on operations where many phone calls must be answered and provides tips on collaborating with branch office sections | All employees assigned to retail branch offices | |
| | 2H FY2015 Training on client support management | Study preparations for client support management | All employees | March |
| Business manners & handbook | The handbook, given to all employees, starts with instructions on how to answer phone calls and the finer points of proper greetings and has entries on proper carriage and conduct at ceremonial occasions and how to write congratulatory and condolence gift notes. Each employee reads the handbook carefully and uses it as a guide to manners. Moreover, at branch offices, employees seek to remind themselves of the importance of manners and self-improvement by reading the handbook aloud together. | | | |
| Sumitomo Mitsui Trust Bank’s compliance manual (see page 87) | The compliance manual, given to all employees, provides a code of conduct as a way to earn the trust of clients and society with entries on what offering an adequate explanation entails, how to properly handle personal information, and ways to respond to anti-social forces. Each employee reads the manual carefully and uses it as a compliance reference, while also gaining an understanding of the latest laws and internal company rules. | | | |

Delivery of Reliable Financial Products and Services

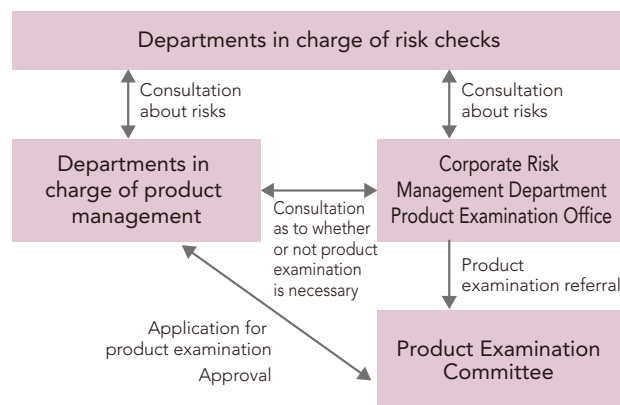
Systems for Introducing New Products and New Operations

When starting to handle new products or when engaging in new operations, it is necessary to identify and evaluate the places and types of inherent risks, develop infrastructure necessary for management and conduct sufficient advance study so as to ensure appropriate risk management. To that end, we have built a product examination system. In this process, we clarify the risks borne by clients. Moreover, in marketing products, we have developed frameworks to ensure explanations and solicitations provide proper confirmation of suitability for clients. In these ways, our systems for introducing new products and operations are meant to foster the trust clients place in us.

Monitoring Systems

In the post-launch phase, the department responsible for the new product or operation provides quarterly “post-introduction initiative status reports” to the Product Examination Office. Under this management approach, the office confirms initiative status based on the report and whether conditions differ from those assumed in the assessment at the Product Examination Committee. When necessary, the office coordinates with departments in charge of risk checks and management planning in conjunction with the department responsible. As a follow-up risk management measure, the department responsible for the new product or operation must immediately report to the Product Examination Office in the event conditions differ from those assumed in the Product Examination Committee assessment. Likewise, it must report to the office if different risks are assumed than those previously identified. When necessary, the office coordinates with departments in charge of risk checks and examines response options at the Product Examination Committee.

Flow Chart of Introduction of New Products and New Operations



Applying Customer Feedback

As one plank in our approach to client protection management vis-à-vis the products and services we offer, the Group recognizes it is best to go beyond responding to complaints as we field inquiries, welcome suggestions and receive requests from clients. We believe feedback from clients is a valuable source of information for identifying problems involving compliance and ways to improve operations. Rather than passively processing suggestions and complaints we hear from clients, we strive to respond with sincerity and actively take onboard feedback in ways that improve the quality of our products and services. When we receive suggestions or complaints, we work to resolve issues quickly, doing our utmost to respond swiftly and sincerely to ensure we have gone as far as we can to obtain the understanding and acceptance of our clients (see page 68).

SuMi TRUST Bank's e-learning

At SuMi TRUST Bank, all employees can enroll in e-learning capsules that are available online at “Web Campus,” an information portal for employees. The departments in charge design the capsules so the content can be learned in five to ten minutes. For e-learning courses employees are required to complete, there are self-check tests employees can take to confirm their level of comprehension. Moreover, department supervisors manage mandatory courses to ensure all the employees they oversee learn the required content and their department completion rate reaches 100%.



Sustainability Policy 3

Earn the Trust of Society

- We strictly adhere to all laws, regulations and rules, and conduct our activities in a sincere and fair manner that conforms to societal norms.
- We build sound and proper relationships with stakeholders, and fulfill our responsibilities as a member of society, engaging in fair competition and appropriate disclosure of corporate information, etc.
- We maintain a resolute stance against antisocial forces which threaten public order and safety, and work to prevent improper use of financial functions by organized crime.



2. Outline of Corporate Governance System

(1) Perspectives Regarding SuMi TRUST Holdings' Corporate Governance System

The SuMi TRUST Group is a trust bank group, which is formed around Sumitomo Mitsui Trust Bank ("SuMi TRUST Bank"), a core subsidiary with significant expertise developed over the years and with wide business fields that enable the provision of a one-stop total solution service. With the objective of meeting its stakeholders' expectations, SuMi TRUST Group shall further ensure the transparency of its management, and shall develop a system necessary to enhance its corporate governance system.

(2) Organizational Structure of Corporate Governance

The corporate governance system SuMi TRUST Holdings has in place is the corporate auditors system. At least half of the corporate auditors on our Board of Corporate Auditors are external auditors, and executive officers with a detailed understanding of our businesses serve as internal directors on our Board of Directors, where important business matters are decided.

(3) Roles of the Board of Directors

The Board of Directors shall oversee overall management and ensure fairness and transparency of SuMi TRUST Holdings' corporate management. In addition, the Board of Directors shall make decisions for SuMi TRUST Group by, among other things, deciding important business-execution matters to be decided by the Board of Directors as required by laws. Except for the important business-execution matters, the Board of Directors shall delegate business execution and decision-making thereon to subordinate meetings, such as the Executive Committee, and officers exercising control over the relevant business, etc., and the Board of Directors shall oversee the execution of duties by such meetings and officers, etc.

External directors shall oversee the execution of business by the Board of Directors and the top management, and any conflicts of interest that may arise between SuMi TRUST Holdings and the management team, etc., from the standpoint of stakeholders, in order to support sustainable growth and medium- to long-term enhancement of the corporate value of SuMi TRUST Group.

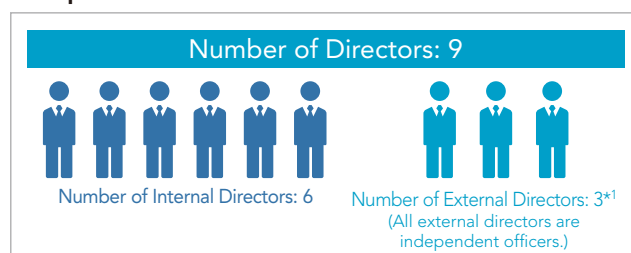
In light of the importance of environmental and social issues over sustainability, the Board of Directors shall prescribe the basic policy regarding social responsibility to be implemented by each group company (the "Sustainability Policy"). With the Sustainability Policy, the Board of Directors shall enhance awareness of its officers and employees, and promote positive efforts to resolve these issues by considering its stakeholders, aiming to support the sustainable growth of society and increase the corporate value of SuMi TRUST Group.

(4) Composition of the Board of Directors

The Board of Directors of SuMi TRUST Holdings shall have no more than 15 directors, which is the number of directors prescribed in the Articles of Incorporation, and it shall basically comprise such number of directors as shall be necessary and appropriate to secure an effective management system of

SuMi TRUST Group and substantive discussion at the Board of Directors. However, due consideration shall also be given to securing diversity and professionalism at the Board of Directors in deciding such number. In light of the importance of external directors' functions in corporate governance, SuMi TRUST Holdings shall operate the Board of Directors with at least one-third of the directors being independent external directors, in principle. For the Independence Standards of Independent External Officers established by SuMi TRUST Holdings, please refer to our website (http://www.smth.jp/en/about_us/governance/independence.pdf).

Composition of the Board of Directors



*1 SuMi TRUST Holdings has notified the financial instruments exchange that all three external directors are independent officers.

*2 For details, please refer to our website (http://www.smth.jp/en/about_us/officer/index.html).

(5) Qualification of Directors and Nomination Procedures

SuMi TRUST Holdings' candidates for directors are decided from among a wide range of diversified individuals pursuant to the following nomination policies: (i) A person with abundant knowledge and experience regarding the management administration and business operation of a trust bank group; and (ii) A person who fully understands the social responsibility and mission of banking business and the fiduciary spirit of trust business, and who is able to fairly and appropriately implement management administration and business operation based on a high degree of self-discipline.

The candidates for external directors are decided from among a wide range of diversified individuals pursuant to the following nomination policies: (i) A person who satisfies the Independence Standards of SuMi TRUST Holdings, and who is deemed unlikely to give rise to conflicts of interest with general shareholders of SuMi TRUST Holdings; (ii) A person who understands SuMi TRUST Holdings' management principles, and fully understands the social responsibilities and roles of SuMi TRUST Holdings as a trust bank group; and (iii) A person who fully recognizes the role of external director, and who is able to oversee SuMi TRUST Holdings' directors and management, and provide proper and appropriate opinions and advice, by leveraging the person's knowledge and activities in fields such as corporate management, economics, legal affairs, accounting, tax accounting, and auditing. From June 2016, Hiroko Kawamoto, who leads Customer Satisfaction (CS) promotion and initiatives to support female success in the workplace at ALL NIPPON AIRWAYS CO., LTD., was nominated and approved to serve as an external director, boosting the presence of women in management.

Reasons for the Appointment of External Directors

Soichi Shinohara: Professor Shinohara concurrently serves as President of Kyoto Gakuen University and Emeritus Professor of Doshisha University. He was appointed as an external director as he was expected to offer his wealth of knowledge about, and sophisticated insight into, economic issues both at home and abroad to further enhance the quality of SuMi TRUST Holdings' management. He developed his knowledge and insight in his capacity as an economist specializing in international economics and macroeconomics.

Takeshi Suzuki: Mr. Suzuki had held numerous prominent positions at Toyota Motor Corporation and Aioi Nissay Dowa Insurance Co., Ltd. Currently, he concurrently serves as an external director of AICHI CORPORATION. He was appointed as an external director as he was expected to offer his wealth of experience and extensive insight developed in his capacity as a senior executive of a company to SuMi TRUST Holdings' management.

Mikio Araki: Mr. Araki served as the Deputy President and Representative Director of Development Bank of Japan Inc. He concurrently serves as President of The Japan Economic Research Institute, an external director of Kintetsu Group Holdings Co., Ltd. and an external auditor of Japan Freight Railway Company. He was appointed as an external director as he was expected to bring his wealth of experience and deep insight into finance as a business leader to SuMi TRUST Holdings' management.

External Directors' Attendance at Board of Directors Meetings

| | | |
|------------------|---|----------------------|
| Soichi Shinohara | Attended all 12 of the 13 Board of Directors meetings | Attendance rate 92% |
| Takeshi Suzuki | Attended all 13 Board of Directors meetings | Attendance rate 100% |
| Mikio Araki | Attended all 13 Board of Directors meetings | Attendance rate 100% |

*Attendance is for the period from April to November 2016.

(6) Composition of the Board of Corporate Auditors

SuMi TRUST Holdings has adopted the corporate auditor system. The Board of Corporate Auditors comprises a total of five corporate auditors, including two full-time corporate auditors and three part-time corporate auditors (external auditors). In order to ensure the independence of the auditing function, three of the corporate

Composition of the Board of Corporate Auditors



* For details, please refer to our website (http://www.smth.jp/en/about_us/officer/index.html).

auditors are external auditors. Furthermore, the three external auditors meet the Independence Standards of SuMi TRUST Holdings and thus have been designated as independent officers.

Corporate auditors attend important meetings including the Board of Directors meetings and receive reports from directors and the headquarters on the status of execution of duties as well as business reports from subsidiaries as necessary.

(7) Qualification of Corporate Auditors and Nomination Procedures

SuMi TRUST Holdings' candidates for corporate auditors are decided from among a wide range of diversified individuals pursuant to the following nomination policies, with the approval of the Board of Corporate Auditors: (i) A person with abundant knowledge and experience regarding the management administration and business operation of a trust bank group; and (ii) A person who is able to oversee the execution of duties by directors from a fair and objective standpoint and contribute to enhancing the soundness and transparency of SuMi TRUST Holdings' management.

The candidates for external auditors are decided from among a wide range of diversified individuals pursuant to the following nomination policies, with the approval of the Board of Corporate Auditors: (i) A person who satisfies the Independence Standards of SuMi TRUST Holdings, and who is deemed unlikely to give rise to conflicts of interest with general shareholders of SuMi TRUST Holdings; (ii) A person who understands SuMi TRUST Holdings' management principles, and fully understands the social responsibilities and roles of SuMi TRUST Holdings as a trust bank group; and (iii) A person who fully recognizes the role of external auditor and who is able to oversee the execution of duties by directors from a neutral and objective standpoint, by leveraging the person's knowledge and activities in fields such as corporate management, economics, legal affairs, accounting, tax accounting, and auditing, and who is thereby able to contribute to enhancing the soundness and transparency of SuMi TRUST Holdings' management.

Reasons for the Appointment of External Auditors

Tetsuya Yoshimoto: Mr. Yoshimoto had held numerous prominent positions as a judge and has a wealth of experience in the legal community, including serving as the Chairman of the National Public Service Ethics Board after he retired from his position as a judge, and has a high sense of morality. He was appointed as an external auditor as he was expected to offer his experience and a high sense of morality to further enhance the quality of audits at SuMi TRUST Holdings.

Shinichi Saito: Mr. Saito is Representative Director and Co-CEO of Japan Industrial Solutions Co., Ltd. He was nominated and approved to serve as an external auditor so SuMi TRUST Holdings could harness his wealth of experience and insights relating to treasury and accounting functions, overseas business, general finance, corporate turnarounds from the years he worked in finance functions

at a major trading conglomerate and the consulting business of leading audit firms in auditing our operations.

Takashi Yoshida (Joined in June 2016): Mr. Yoshida is a certified public accountant and serves concurrently as an external auditor at NIPPON SEIRO CO., LTD. and as an external director at COSMOS INITIA CO., LTD. He was nominated and approved to serve as an external auditor so SuMi TRUST Holdings could harness his wealth of experience and insights relating to accounting and treasury from years at leading audit firms working in the audit practice for financial institutions and for non-financial companies, participation in audit firm management as an employee representative and managing director, and the global perspective he brings from years working overseas.

External Auditors' Attendance at Board of Corporate Auditors Meetings

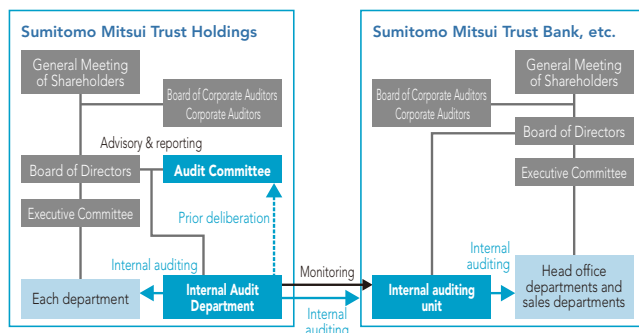
| | | |
|-------------------|---|----------------------|
| Tetsuya Yoshimoto | Attended all 11 Board of Corporate Auditors meetings | Attendance rate 100% |
| Shinichi Saito | Attended all 11 Board of Corporate Auditors meetings | Attendance rate 100% |
| Takashi Yoshida | Attended all 7 Board of Corporate Auditors meetings (joined in June 2016) | Attendance rate 100% |

*Attendance is for the period from April to November 2016.

(8) Internal Auditing

Regarding internal auditing, an internal audit unit, which is independent of units pertaining to business execution, has been established to create the policy on development of the internal auditing system and internal audit plans of SuMi TRUST Group. It also performs internal auditing for each business execution unit and indicates and recommends points to be improved. The results of internal audits and the status of internal auditing plans in terms of progress and objectives achieved are reported to the Board of Directors, etc., in a timely and appropriate manner. Effective June 26, 2015, the Audit Committee was established as an advisory board to the Board of Directors. The Audit Committee deliberates in advance on important matters including the internal audit plans and reports the results of the deliberation to the Board of Directors.

Internal Auditing Implementation System



(9) Policies Regarding Training of Directors and Corporate Auditors

SuMi TRUST Holdings collects and provides information regarding industry trends, corporate governance, finance and accounting, and any other matters that is required by directors and corporate auditors in order to perform their roles and functions, and it thereby supports directors and corporate auditors in executing their duties. The "External Officers Support Office" was established in June 2015 in order to strengthen systems that support external directors and external auditors in performing their roles and functions. It provides support to external directors by explaining agenda items for meetings of the Board of Directors etc. to them in advance, providing them with materials, and holding meetings where operational specifics and items important for the Group's business management are explained.

As for external auditors, full-time corporate auditors report audit information collected through daily audit activities such as minutes of important meetings and investigation results for the parent and its subsidiaries and share such information with external auditors at meetings of the Board of Corporate Auditors. At the same time, staff members at the Corporate Auditors Office, who are independent of business execution, provide support to external auditors by providing them materials and explanations and answering their questions.

(10) Outline of Results of Analysis and Evaluation on Overall Board Effectiveness

With the aim of further improving the effectiveness of the Board of Directors, we surveyed all directors and corporate auditors of SuMi TRUST Holdings and core subsidiary SuMi TRUST Bank on matters involving Board composition, issues raised for discussion at Board meetings, time allocated for discussion, materials and explanations provided in advance, how meetings were run, and the state of Board member discussion at meetings to encourage them to look back on the Board's performance in fiscal year 2015 and ascertain what issues they believe ought to be a focus in the coming fiscal year and beyond.

The Board's secretariat analyzed and evaluated the effectiveness of Board meetings based on results from collected surveys and results from post-survey individual interviews with all external directors and external auditors. After an external third-party body verified the effectiveness of the evaluation process and its appropriateness, the evaluation results were reported to the Board of Directors in an April 2016 meeting.

Regarding the results and the process of evaluation of our Board of Directors, a third-party body determined there were no problems concerning effectiveness and appropriateness.

An outline of the evaluation results of the Board of Directors in fiscal year 2015 is provided below.

Board Composition, Issues Raised for Board Discussion, Time for Discussion

- Confirmed effectiveness was constant from the standpoints of Board composition, issues raised for discussion at Board meetings, and time allocated for discussion
- Confirmed there is room to improve on how to infuse ingenuity into agenda issues, how to run Board meeting discussions, and how to further improve diversity in a manner consistent with the Group's strategy

Materials and Explanations Provided in Advance

- Confirmed information sharing with external directors and external auditors outside of the Board meetings the Group operates, and the provision of explanations on matters involving the Board ahead of Board meetings
- Confirmed the innovative approach we have pursued so far such as developing summaries is having an impact but also that there is room to strive for further improvements in how we prepare materials for Board meetings

Meeting Administration, Status of Board Member Discussion at Meetings

- Confirmed topics for discussion are examined from diverse perspectives, and that external directors and external auditors offer comments at Board meetings in an appropriate manner that draw on their knowledge and experience
- Confirmed that directors believe the Board should work harder to further stimulate debate and seek fresh approaches to ensure comprehensiveness and objectiveness in debating issues up for discussion

The evaluation report for fiscal year 2015 showed for each of the items above no problems were identified in the efficacy and effectiveness of the Board's performance. Even so, regarding the subjects and issues we fielded through the evaluation report, we will strive to improve and be more attentive and thereby further improve the Board's performance.

(11) Establishment of Voluntary Committees

In order to further enhance its corporate governance system, SuMi TRUST Holdings establishes the Nominating and Compensation Committee and the Audit Committee, in which external directors participate, as advisory bodies to the Board of Directors.

Outline of the Nominating and Compensation Committee (as of September 30, 2016)

Chair: Mikio Araki (External Director)
 Member: Soichi Shinohara (External Director)
 Member: Takeshi Suzuki (External Director)
 Member: Hitoshi Tsunekage (Chairman)
 Member: Kunitaro Kitamura (President)

In principle, the majority of the Committee members consists of external directors.

Main consultation matters

- The nomination of candidates for directors and corporate auditors
- The Independence Standards of independent external officers
- The compensation structure for officers
- Other important matters regarding officers

Outline of the Audit Committee (as of September 30, 2016)

Chair: Soichi Shinohara (External Director)
 Member: Takeshi Suzuki (External Director)
 Member: Mikio Araki (External Director)
 Member: Yoshiaki Koshimura (Officer responsible for SuMi TRUST Holdings' Internal Audit Department)

In principle, the majority of the Committee members consists of external directors.

Main consultation matters

- Internal audit plans
- Other important matters regarding the internal audit

3. Compensation for Directors

Compensation for directors is intended to function effectively as an incentive for improvement of corporate performance and expansion of corporate value in order to realize stable and sustainable growth of the SuMi TRUST Group.

(1) Compensation Structure

SuMi TRUST Bank, core subsidiary of SuMi TRUST Holdings, engages in businesses in a wide field of business. SuMi TRUST Holdings has adopted a management style that aims to increase profits through efforts to increase the scale of entrusted assets and the like by expanding the customer base over the medium-to-long term rather than seeking short-term profit. With these features of a trust bank as the background, the systems and structures for compensation of directors have been established, not focusing on single-year performance evaluation in which short-term contribution to profit is emphasized, but focusing on officers' qualifications and capabilities as senior management, and based on a comprehensive evaluation that reflects assessment of

medium-to-long-term performance. Specifically, the following structure is applied to compensation of directors (excluding external directors) and executive officers of SuMi TRUST Holdings and SuMi TRUST Bank.

- In principle, payment shall be made as a combination of monthly compensation, officers' bonus, and stock-compensation-type stock options, and the compensation policy and compensation table for each fiscal year shall be resolved at the Board of Directors meeting.
- The monthly compensation is separated into two types: "fixed compensation" that is a fixed amount per position, and "performance-based compensation" that is based on each individual officer's evaluation of the preceding year while also reflecting the officer's medium- to long-term performance contribution as well.
- Allocated amounts of officers' bonuses shall be determined by deciding the total payment amount taking into consideration the overall management environment, corporate performance and the like and reflecting each individual

- officer's performance in the preceding fiscal year.
- With regard to the stock-compensation-type stock options, the number of stock option rights shall be determined based on the number of stock option rights per position with an adjustment for each individual officer's performance evaluation and the like.
 - The share ownership plan of officers is a mechanism by which individual officers shall voluntarily determine their invested amounts based on the target number of share ownership defined per position.

The compensation to external directors of SuMi TRUST Holdings and SuMi TRUST Bank shall be composed of the fixed monthly compensation alone and resolved at the Board of Directors meeting, taking into consideration the business conditions of SuMi TRUST Holdings, compensation level of its internal directors, general standards and the like.

The compensation to corporate auditors of SuMi TRUST Holdings and SuMi TRUST Bank shall be composed of the fixed monthly compensation alone and the suitable level for corporate auditors of SuMi TRUST Holdings and SuMi TRUST Bank shall be discussed with corporate auditors and then determined, taking into consideration the business conditions of SuMi TRUST Holdings, compensation levels of corporate directors, general standards and the like.

(2) Procedures to Determine Compensation

In SuMi TRUST Holdings and SuMi TRUST Bank, the compensation structure and compensation table for directors and executive officers, and compensation amounts of individual officers shall be determined by the following procedures:

- The Nominating and Compensation Committee that was established as an advisory body to the Board of Directors of SuMi TRUST Holdings shall consider matters relating to officers' compensation of SuMi TRUST Holdings and SuMi TRUST Bank (officers' compensation structure, officers' compensation table and other important matters) and then report their proposals to their respective Boards of Directors.
- In principal, a majority of the Nominating and Compensation

Committee members shall be external directors, and the chair shall be selected from external directors, in principle, through a mutual election by the members.

- Monthly compensation amounts, bonus amounts, and the number of stock-compensation-type stock option rights and the like for individual directors (excluding external directors) and executive officers of SuMi TRUST Holdings and SuMi TRUST Bank based on their performance evaluations shall be proposed at the performance evaluation meeting that is composed of SuMi TRUST Holdings' internal officers and resolved at the Board of Directors meeting.
- Details of the determined compensation amount and the like shall be reported at the explanatory meeting for external directors and external corporate auditors of SuMi TRUST Holdings and SuMi TRUST Bank. This meeting is organized in order to establish an opportunity to hear opinions from an objective standpoint.

(3) Compensation for FY2015

The total amount of compensation for fiscal year 2015 for directors excluding external directors was 425 million yen, and for corporate auditors excluding external auditors was 58 million yen. SuMi TRUST Holdings has omitted individual disclosures of compensation as no one received compensation of 100 million yen or more, the amount subject to the disclosure requirements.

Total Amount of Compensation for Applicable Officers at SuMi TRUST Holdings

(From April 1, 2015 to March 31, 2016)

Millions of Yen

| Category | Headcount | Total amount of compensation | Total amount of fixed compensation | Basic compensation | Total amount of variable compensation | Bonus | Compensation as stock option | Retirement benefits |
|--|-----------|------------------------------|------------------------------------|--------------------|---------------------------------------|-------|------------------------------|---------------------|
| Directors (excluding External Directors) | 10 | 425 | 327 | 327 | 67 | 67 | 31 | — |
| Corporate Auditors (excluding External Auditors) | 2 | 58 | 58 | 58 | — | — | — | — |

*Amount of compensation stated above includes compensation for (concurrent) directorship at the significant consolidated subsidiaries.

4. Regarding Cross-Shareholdings

(1) Policies Regarding Cross-Shareholdings

The SuMi TRUST Group shall not acquire and hold the shares, etc. of business counterparties, etc. (the "Cross-Shareholding Shares"), except in the case where it is deemed that such acquisitions and holdings will contribute to medium-to-long term enhancement of the corporate value of the SuMi TRUST Group, from the perspective of, among other things, establishing a stable transactional relationship over the long term, a business alliance, or facilitating or reinforcing collaborative business development with a business counterparty, in principle.

Regarding major holdings from among the Cross-Shareholding Shares, SuMi TRUST Holdings shall verify, and report at a Board of Directors meeting regarding the medium-to-long term economic rationale for holding them, and the effect of holding them from the aspect of maintaining and enhancing the overall relationship with business counterparties, etc.

In principle, the SuMi TRUST Group shall sell the Cross-Shareholding Shares in cases where the significance and rationality of holding them is not observed, after taking

into consideration various factors, including the impact of selling the shares on the stock market.

(2) Standards for Voting on Cross-Shareholding Shares

SuMi TRUST Holdings and SuMi TRUST Bank, which is a core subsidiary of SuMi TRUST Holdings, shall decide to vote for or against each resolution and exercise voting rights pertaining to the Cross-Shareholding Shares (the "Voting Rights"), after comprehensively taking into consideration the business conditions, etc. of the issuer of the Cross-Shareholding Shares (the "Issuer"), as well as the impact on sustainable growth and medium-to-long term enhancement of the corporate value of the issuer and the SuMi TRUST Group.

In the case that SuMi TRUST Holdings or SuMi TRUST Bank is required to pay special attention upon the exercise of voting rights due to a long-term downturn of business conditions, a reorganization, or an occurrence of significant compliance violations, etc., of the issuer, SuMi TRUST Holdings or SuMi TRUST Bank shall decide to vote for or

against each resolution after collecting enough information through a variety of methods including engaging in dialogue with the issuer.

In the case that there is a risk of conflicts of interest upon

the exercise of voting rights, SuMi TRUST Holdings and SuMi TRUST Bank shall properly deal with the risk pursuant to the Management Policy Concerning Conflicts of Interest prescribed separately.

5. Measures for Protection of Stakeholders' Interests

(1) Management System of Related Party Transactions

When SuMi TRUST Group engages in transactions with its officers or major shareholders, etc., the transactions shall be referred to the Board of Directors for prior approval, in order to ensure that such transactions do not harm, among other interests, the interests of SuMi TRUST Group or the common interests of its shareholders, except where the trading terms are obviously equivalent to those of general transactions.

(2) Management System of Transactions Involving Conflict of Interest with Customers in SuMi TRUST Group's Business Operations

SuMi TRUST Group shall separately prescribe the Management Policy Concerning Conflicts of Interest (the

"Management Policy") pursuant to laws, etc., in order to ensure that none of the various services provided by each group company and its related parties unfairly harm the interests of its customers. Pursuant to the Management Policy, SuMi TRUST Group shall appropriately manage transactions that may give rise to a conflict of interest, and shall properly implement its business operations.

(3) Compliance Hotline System

In order to promptly and appropriately respond to any violation of laws, etc., SuMi TRUST Group has established a compliance hotline system where all officers and employees can directly report to the Compliance Department or external law firms.

6. Risk Appetite Framework (RAF)

(1) Outline of the RAF

SuMi TRUST Group integrates risk management with the process of formulation and implementation of management plans, aiming to achieve optimization of risk-return, improved transparency of management plans, and increased corporate value over the medium to long term.

Specifically, the SuMi TRUST Group conducts stress tests based on risk scenarios reflecting the internal and external environment and, within risk tolerance, clarifies risks that it is willing to accept (risk appetite) in order to achieve business strategies and financial strategies, whereby management plans shall be formulated.

In the meantime, for the purpose of monitoring the progress of management plans, the SuMi TRUST Group

establishes risk appetite indicators and systems for the monitoring thereof.

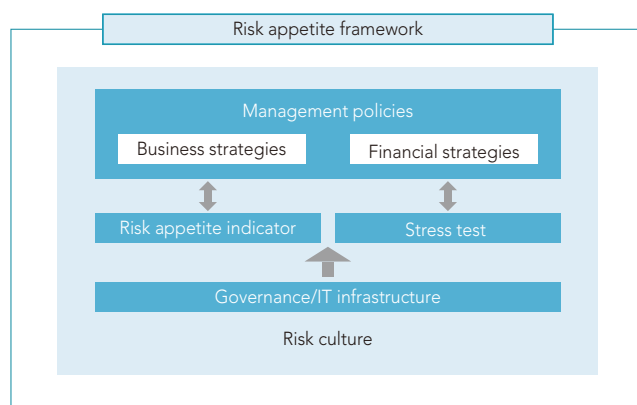
(2) Fostering a Risk Culture

The SuMi TRUST Group believes in its social role of creating distinct values by leveraging a new business model combining its banking, asset management and administration, and real estate businesses, based on the fiduciary spirit and with significant expertise and comprehensive capabilities. Towards fulfilling this role, the SuMi TRUST Group has formulated "management principles (mission)," an "ideal model (vision)" and "codes of conduct (value)".

The SuMi TRUST Group defines "risk culture" as a basic philosophy that prescribes the aspects of its operations involving appropriate acceptance of risks, as well as profit and risk management based on its business strategies and financial strategies, with a view to ensuring adequate profits within the Group's overall financial strength, and in compliance with broad-based social norms, and of course rules including laws and regulations, market rules and internal rules.

With a view to fostering a risk culture that takes root across the SuMi TRUST Group, we are endeavoring to have any development on this theme fully shared with, and known to all officers and employees through measures including regular delivery of messages from top management, compliance training, and e-learning.

Schematic Diagram of the Risk Appetite Framework



7. Internal Control

An internal control system is designed to prevent the occurrence of misconduct by putting various mechanisms and rules into place for the purpose of conducting sound management in a company. Basically, there are four objectives: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, (3) compliance with laws and ordinances concerning business activities, and (4) safeguarding of assets. Through development and operation of its internal control system, a company can attain these objectives.

To attain the aforementioned objectives, the Board of Directors has determined the Basic Policy on the Internal Control System so the Group can attain the aforementioned objectives. The basic policy pertains to the following: (1) the compliance system (ensures compliance with laws, regulations, etc.); (2) the risk management system; (3) the business execution system; (4) the system to ensure management transparency; (5) the management system to ensure appropriateness of Group operations; (6) the information storage and management system; (7) the internal audit system; and (8) the system for audits by corporate auditors.

1) On Compliance

The compliance program formulated to serve as a concrete action plan and ensure compliance and realize a management system for client protection and compliance has been approved by the Board of Directors. SuMi TRUST Holdings monitors and evaluates program progress and attainment and reports thereof to the Board on a regular basis. Based on the compliance program, SuMi TRUST Holdings guides Group subsidiaries and affiliates in formulating their compliance programs and monitors and evaluates their progress and goal attainment.

2) On Risk Management

The risk management plans formulated based on the SuMi TRUST Group's basic risk management policies has been approved by the Board of Directors. SuMi TRUST Holdings monitors and evaluates progress and goal attainment and reports the results thereof to the Board on a regular basis. Risk management departments develop and operate risk management processes to identify, evaluate, monitor, control and reduce risks for which they are responsible. Risk management departments also monitor the status of risks and risk management activities in order to restrain front office departments and units etc.

3) On Business Execution

The president, other directors and executive officers etc. report the status of business execution to the Board of Directors on a regular basis and also report on the stage of progress and results of matters the Board has resolved to the Board. In addition, the Compliance Department provides information on legal amendments to operational departments and units on a regular basis, and in-house regulations are established, revised, or eliminated according to the content of such legal and regulatory amendments.

4) On Management Transparency

Evaluation results of internal control systems pertaining to financial reporting are reported to the Board of Directors on a regular basis. In addition, appropriate information disclosure is implemented in accordance with provisions of the Financial Instruments and Exchange Act, the securities listing rules established by stock exchanges, and in-house regulations.



5) On Group Management

For compliance and risk management structures applicable to the entire SuMi TRUST Group, the Compliance Department and Risk Management Department, respectively, provide guidance on developing plans to subsidiaries, etc. in order for them to be in line with policies of the entire Group. They also monitor the status of management and operation of the entire Group and provide appropriate supervision and guidance, as necessary. In addition, the Corporate Planning Department receives from subsidiaries etc. the minutes of their monthly Board of Directors meetings and reports on the status of their business execution on a regular basis and provides them guidance as well as management and supervision as appropriate.

6) On Information Storage and Management

Minutes that record the stage of progress and gist of points discussed at meetings of Annual General Meetings of shareholders, the Board of Directors, and Executive Committee are prepared and kept with related materials. In addition, a specific implementation plan regarding information security risk management has been approved by the Board of Directors, and conditions underlying occurrences of information-related incidents as well as points to watch, countermeasures, etc. regarding information security risk management are reported to the Board of Directors on a regular basis.

7) On Internal Audit

Internal audit plans have been developed based on the policies for developing internal audit structures for the SuMi TRUST Group established by SuMi TRUST Holdings. The plans are approved by the Board of Directors after consulting with the Audit Committee. Results of internal audits, the status of progress and achievement of internal audit plans are reported to the Board of Directors on a regular basis.

8) On Audits by Corporate Auditors

Corporate auditors attend not only the Board of Directors meetings but other important ones, including meetings of the Executive Committee, as they deem necessary. In addition, corporate auditors conduct interviews and exchange opinions with the president and other directors and corporate auditors, receive results of internal audits and reports regarding information reported through a compliance hotline on a regular basis, and properly obtain information necessary to perform audits effectively.

8. Regarding Constructive Dialogue with Shareholders

SuMi TRUST Holdings has established the Policy for Constructive Dialogue with Shareholders, etc. as provided in the “Basic Policy on Corporate Governance”:

- SuMi TRUST Holdings shall emphasize constructive dialogue with its shareholders, etc., and shall endeavor to engage in dialogue with its shareholders, etc. through various opportunities under the initiative of its senior management.
- Through constructive dialogue, SuMi TRUST Holdings shall endeavor to obtain the understanding of its shareholders, etc. regarding SuMi TRUST Holdings’ management

policies, and it shall endeavor to support sustainable growth and medium- to long-term enhancement of the corporate value of the SuMi TRUST Group, by absorbing and reflecting analyses of management administration and views from the perspective of capital providers, etc. through listening to the voice of the shareholders, etc.

To promote constructive dialogue with shareholders, SuMi TRUST Holdings actively conducts IR activities. For details on specific efforts and measures, please see below.

Activities Regarding IR

| | Supplemental remarks |
|---|---|
| Preparation and publication of disclosure policy | SuMi TRUST Holdings has established the Disclosure Policy and disseminates it externally, as well as to SuMi TRUST Group’s officers and employees for the purpose of appropriately implementing it. The Disclosure Policy serves as SuMi TRUST Group’s IR activity guidelines, setting forth that we should make efforts to proactively disclose corporate information which we deem useful for our shareholders, investors, etc. in understanding the SuMi TRUST Group, adopting timeliness, accuracy, and fairness as basic requirements therefor. |
| Regular information meetings for individual investors | SuMi TRUST Holdings holds corporate briefings via securities companies and so on, where the representative director, and the officer and employee in charge of IR explain SuMi TRUST Group’s characteristics, earnings results and financial condition, and management strategies, etc. |
| Regular information meetings for analysts and institutional investors | SuMi TRUST Holdings holds investor meetings semi-annually (around May and November), inviting securities company analysts and institutional investors, with the representative director explaining SuMi TRUST Group’s earnings results and management strategies, etc. Further, SuMi TRUST Holdings holds one-on-one and group meetings for analysts and institutional investors from time to time, with the representative director, and the officer and employee in charge of IR providing explanations. |
| Regular information meetings for overseas investors | SuMi TRUST Holdings’ representative director, or the officer in charge of IR, visits major institutional investors in the U.S., Europe, and Asia, etc. several times per year, explaining SuMi TRUST Group’s earnings results and financial condition, and management strategies, etc. Further, SuMi TRUST Holdings regularly participates in IR conferences organized in Japan by securities companies for overseas institutional investors, as well as participates in such conferences held overseas. |
| Posting of IR materials on website | Promptly after their announcement, SuMi TRUST Holdings discloses various types of IR information and information for shareholders, etc. on its website. The types of information disclosed are, among others, as follows: financial results and related explanatory materials; annual securities reports; quarterly securities reports; summary of financial results; investor meetings’ presentation materials; the Basic Policy on Corporate Governance; stock information; business reports, annual reports, convocation notices for general shareholders’ meetings; results of voting, etc. Videos of investors meetings and corporate briefings for individual investors are also posted on the website. Further, on the page of its website entitled “For Individual Investors,” explanation is provided for individual investors regarding SuMi TRUST Group’s business and operational results in an easy-to-understand format. For overseas institutional investors, too, SuMi TRUST Holdings provides various types of IR information and so on in a timely manner via its English website. Japanese URL: http://smth.jp/IR/index.html English URL: http://smth.jp/en/IR/index.html |
| Establishment of department and/or manager in charge of IR | SuMi TRUST Holdings has appointed an officer in charge of IR, as well as established the IR Department as the section in charge of daily IR activities. SuMi TRUST Holdings makes efforts to appropriately disclose corporate information, as well as aiming for highly transparent corporate management through proactive IR activities and constructive dialogues with both domestic and foreign shareholders and investors. Officer in charge of IR: Yukihiro Kitano, Senior Managing Executive Officer/Koichi Onaka, Managing Executive Officer Section in charge of IR: IR Department The General Manager of the IR Department serves as the administrative IR contact person. |
| Others | <Internal organic cooperation to assist dialogues with shareholders> Through cooperation with the management team and each section, the officer in charge of IR and the section in charge of IR endeavors to appropriately understand management information and other internal information, and make efforts to disclose such information in a timely, accurate, and fair manner, as well as leverage such information for the purpose of constructive dialogue with shareholders and investors. <Feedback regarding shareholders’ opinions and IR activities to the management team and the Board of Directors> We provide timely and appropriate feedback to the management team regarding opinions or concerns, etc. expressed by shareholders, investors, and analysts, etc. In addition to an overall report on IR activities, reports regarding such opinions or concerns, etc. shall be regularly made to the Board of Directors. <Management of insider information during dialogues> For the purpose of the management of insider information, the SuMi TRUST Group regularly disseminates, within the SuMi TRUST Group, the laws, regulations, and rules, etc. which the SuMi TRUST Group is bound to comply with, as well as instructions for the appropriate handling of insider information. Strict management and operation is also conducted during dialogues with shareholders and investors. |

9. CSR of Sumitomo Mitsui Trust Group

Fundamental Perspectives

SuMi TRUST Group's Basic Policy on Corporate Governance sets out the role of the Board of Directors as working to support the sustainable growth of society and increasing the corporate value of SuMi TRUST Group by promoting active efforts to resolve environmental and social issues in consideration of its stakeholders. "Creating shared value" is the concept of pursuing social value together with corporate value. It has long been an issue ingrained in SuMi TRUST Group's management.

Dealing with issues of sustainability at the working level is SuMi TRUST Group's approach to CSR. As sustainability issues can be broken down into the three elements of environment, society and governance (ESG), we have defined our CSR to be the incorporation of ESG into our daily business processes.

Meanwhile, ESG stems from the concept of responsible investment that strives to balance the interests of various stakeholders while pursuing long-term corporate value (share prices). In other words, responsible investment is described as an investment method that assesses shared value. Therefore, SuMi TRUST Group puts particular emphasis on the perspective of responsible investment. It also serves as the starting point for the identification of materiality and undertaking internal engagements.

Structure for Promoting CSR Activities

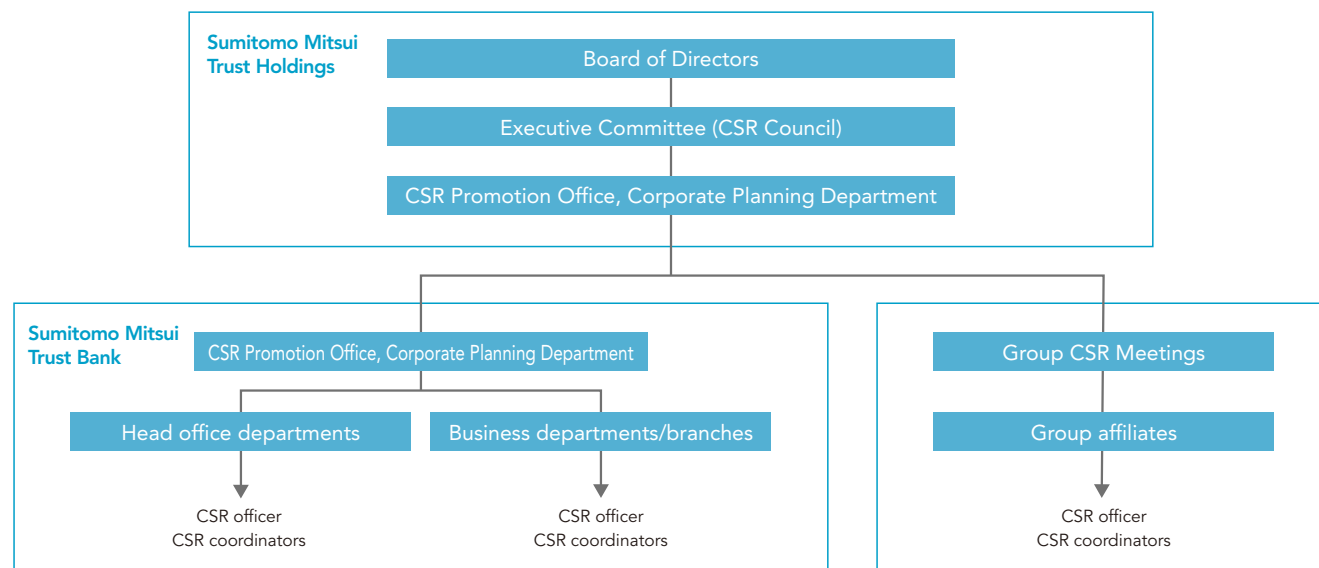
1) The Board of Directors formulates the Sustainability Policy, while managing CSR activities as a whole in an effort to enhance the awareness of officers and employees of SuMi TRUST Group. The Board of Directors also conducts multi-faceted discussions mainly on themes

of high materiality towards the creation of shared value and determines the direction which SuMi TRUST Group is to take.

- 2) The CSR Council, which is held as part of the Executive Committee, formulates medium-term policies on CSR as well as the policies for each fiscal year and manages the CSR activities of SuMi TRUST Group based on the PDCA cycle.
- 3) The CSR Promotion Office, Corporate Planning Department plays an integral role in promoting the CSR activities of SuMi TRUST Group based on the instructions of officers in charge (see page 84).
- 4) CSR officers and CSR coordinators have been appointed at each group company and each branch of the SuMi TRUST Bank to play a role in promoting CSR activities, as well as promoting activities that reduce the environmental burden at each office and leading "With You" activities (see page 122).
- 5) Group affiliates promote CSR activities by formulating policies on shared initiatives throughout SuMi TRUST Group and on each of the affiliates' own initiatives specific to the business. Additionally, Group CSR Meetings are held regularly to exchange information.

| | |
|---|--|
| Officer in charge of CSR activities | Masahiro Tsuchiya (Managing Executive Officer) |
| Head Office Executive of the CSR Promotion Office, Corporate Planning Department (Chief Sustainability Officer) | Tsukasa Kanai (Council member and General Manager in charge of CSR) |

SuMi TRUST Group's Structure for Promoting CSR Activities



The Four Pillars Supporting Activities of the CSR Promotion Office

ESG Management that aims to create shared value

- Identification of materiality and the provision of input to management
- Promotion of CSR activities that take into account the PDCA cycle and formulation of CSR policies for the fiscal year and medium term
- Dialogue with departments responsible for matters relevant to high materiality themes through internal engagement
- Information disclosure using CSR reports and our website, and dialogue with responsible investment (RI) investors, etc.

Penetration of CSR and development of the awareness of officers and employees

- Promotion of “With You” activities at the business departments and branches, granting budgets, managing points and managing blogs
- Holding various meetings
 - Group CSR meetings
 - Global ESG meetings
 - ESG Risk Response Project Team
 - Human Rights Due Diligence Liaison Committee
 - LGBT Matter Information Liaison Committee



Development of innovative products and services and rolling out CSV business

- Development of innovative financial instruments and services that will contribute to solving environmental* and social issues



*We have coined the word “Eco-Trustution” to describe initiatives that provide solutions to ecological issues through the use of our trust function, and we are actively promoting such initiatives.

- Development of “With You” strategies to address issues unique to each region stemming from the issues of an aging society

Building sound relationships with stakeholders

- Exchanging information with NPOs/NGOs in Japan and overseas, government organizations and universities, etc., and understanding the needs of stakeholders
- Actively participating in international initiatives (UNEP FI, United Nations Global Compact, Business and Biodiversity Initiative, Natural Capital Finance Alliance ([formerly The Natural Capital Declaration], etc.)
- Actively participating and playing a leading role in financial alliance projects in Japan (Principles for Financial Action for the 21st Century, COLTEM Financial Satellite, etc.)

CSR Medium-term Policies/FY2016 Policies

(1) CSR Medium-term Policies (FY2014 to FY2016)

Integrating ESG into day-to-day operations, SuMi TRUST Holdings will set the position of CSR as the foundation of SuMi TRUST Group's sustainable growth

| Themes | Medium-term policies |
|---|--|
| Building an ESG management system up to international standards | <ul style="list-style-type: none"> • Raising ESG risk management capability across all operations including loans and investment, SuMi TRUST Holdings will integrate it into the overall risk management system. • SuMi TRUST Holdings will issue integrated reports that disclose narratives where non-financial data make more financial value. |
| Developing CSV businesses for building a sustainable society | <ul style="list-style-type: none"> • SuMi TRUST Holdings will use its group capabilities to develop an ESG business model with total solutions that helps resolve social problems and increases corporate value. • SuMi TRUST Holdings will address issues it regards as crucial, designating super-aging society, climate change and natural capital as its highest priorities. |
| Working to expand the business scope | <ul style="list-style-type: none"> • SuMi TRUST Holdings will conduct leadership to nurture ESG markets by using SuMi TRUST Group's brand to call on stakeholders. |

(2) FY2016 CSR Policies

| Themes | FY2016 CSR Policies (overview) |
|---|---|
| Building an ESG management system up to international standards | <ul style="list-style-type: none"> • Further improve discussions on materiality through internal engagement, further improve non-financial data disclosure with an eye to preparing integrated reports • Support steady application of the Equator Principles, gather information on global trends relating to fossil fuel businesses • Revise human rights policies to respond to LGBT issues |
| Developing CSV businesses for building a sustainable society | <ul style="list-style-type: none"> • Strategically advance “With You” activities, focus in particular on initiatives with themes linked to super-aging society issues • Bolster initiatives relating to climate change-linked businesses, which are expected to grow in view of the Paris Agreement's adoption • Reinforce our advice functions based on growing interest in ESG |
| Working to expand the business scope | <ul style="list-style-type: none"> • Support healthy development of Japan's responsible investment (RI) market, which is expected to expand • Actively participate in COLTEM activities based on the themes of finance and dementia • Help develop and promote sustainability concepts in the financial sector, actively participate in Principles for Financial Action in the 21st Century |

Compliance and Conducting Business Activities Fairly

1. Basic Initiative Policy

With recent progress in deregulation of the financial industry, financial transactions and services are diversifying, and there is a need to work on various issues by thorough implementation of the self-responsibility principle and self help efforts in financial institutions. Under these conditions, to maintain and enhance the trust of clients, sound and appropriate management based on strict self-discipline is essential. From this viewpoint, the SuMi TRUST Group positions compliance as one of the most important management issues.

Compliance means adherence to various rules such as laws, regulations, market rules, and internal company rules, in addition to conformity to social norms. Trust is the Group's

greatest asset, and achieving compliance is naturally a basic principle. Executives and each individual employee must solidly practice compliance in our daily operations.

To achieve thorough compliance and an appropriate system which suits "The Trust Bank," the Group has established Codes of Conduct ("Value") and specific compliance standards in the Compliance Rules. A checking system and promotion system are also developed, so the Group complies with these and carries out sincere and fair company activities. By developing these systems, the Group is promoting various initiatives to address issues and problem points and to enable appropriate action based on self-discipline.

2. Outline of Initiatives

Group Compliance System

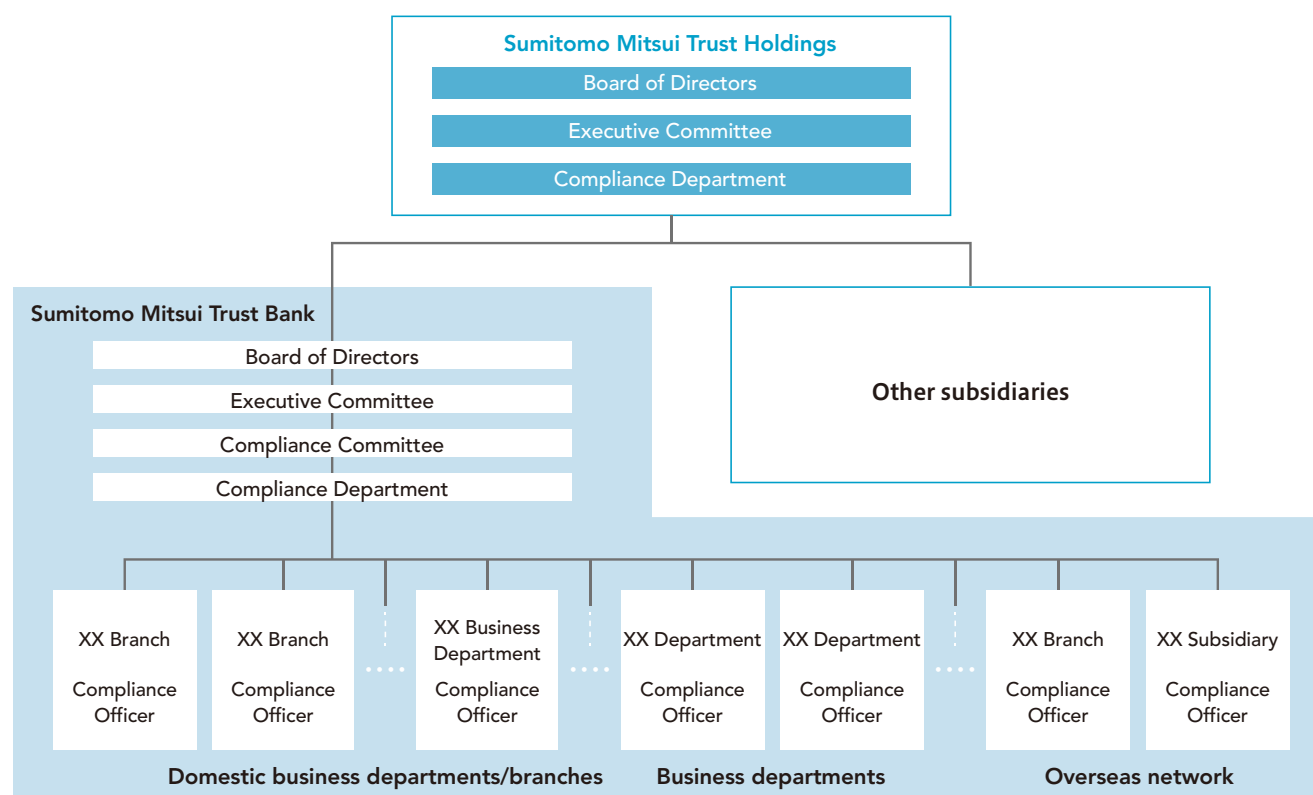
The Group positions supervision of the entire group's compliance system as one of its most important functions. SuMi TRUST Holdings' compliance rules establish standards which executives and employees must follow.

For specific practice plans in various measures on

compliance, a compliance program is made each fiscal year, and progress status is periodically assessed.

The roles of the Board of Directors, Executive Committee and other bodies are as follows.

Group Compliance Structure



The Roles of the Board of Directors, Executive Committee and a Director in Charge of the Compliance Department

- 1) The Board of Directors regards the achievement of thorough compliance at the SuMi TRUST Holdings and other group companies as the most important management matter. The Board supervises the development of the compliance system by developing and raising awareness of the compliance policy, Compliance Manual and Compliance Program, as well as developing organizational structures and monitoring and evaluating progress.
- 2) The Executive Committee makes decisions on matters concerning compliance and undertakes preliminary discussions of matters to be resolved by and reported to the Board of Directors. The Committee refers and reports to the Board of Directors matters concerning rules and regulations to be approved or communicated as well as matters concerning the development of the department to manage compliance.
- 3) Directors and executive officers engage in compliance oriented business management upon recognizing matters that need to be considered in accordance with laws especially for businesses for which they are responsible, in light of the importance of compliance. Additionally, the director in charge of the Compliance Department accurately recognizes the situation and considers policies and specific measures toward the development and establishment of an appropriate compliance system.
- 4) The Compliance Department oversees the overall compliance of SuMi TRUST Holdings and other group companies by establishing the rules and manuals necessary for the compliance system, implementing measures and providing instruction, dealing with various issues and improving the training systems, among other efforts. The Compliance Department also creates a compliance policy, monitors the situation of compliance management and execution, and reports to the Executive Committee on its findings regarding the status of compliance management and execution.

SuMi TRUST Bank also established the Compliance Department as a department to manage compliance. Based on the compliance policy established by SuMi TRUST Holdings, this department creates its compliance policy and Compliance Program, and monitors the situation of compliance management and execution. Also, the Compliance Department reports to the Executive Committee on its findings regarding the status of compliance management and execution after examined by the Compliance Committee, which is chaired by a director who is in charge of the Compliance Department.

Other subsidiaries develop appropriate compliance systems which suit their own operations' characteristics, based on the compliance policy established by SuMi TRUST Holdings.

Compliance Hotline System

In order to promptly and appropriately cope with any violation, SuMi TRUST Holdings has established a compliance hotline through which all executives and employees can directly report violations to the Compliance Department and an external attorney's office, without having to go

through regular reporting channels. This hotline system enforces rigorous control of information and protection of privacy to ensure protection of whistleblowers, who shall never be adversely treated so long as what and how they report is appropriate and fair.

There are no restrictions on the compliance hotline on the type of language used or the hours when reports may be made.

The SuMi TRUST Group posts on its website a contact phone number to which third parties may direct their opinions and requests.

Sumitomo Mitsui Trust Holdings, Inc. 03-6256-6000 (Main Number)

Each group company also posts its contact phone number on its website. The phone number for inquiries regarding SuMi TRUST Bank is as follows.

Customer Service Office

Weekdays from 9:00 a.m. to 5:00 p.m. (Service is not available on Saturdays, Sundays, holidays and the period from December 31 to January 3.)

*The personal information you will be required to give at the time of inquiries will be treated responsibly by SuMi TRUST Bank. It will only be used in replying to your inquiries and not be disclosed to third parties or used for any other purposes without your consent.

Response at the Time of Compliance Violations

Should a compliance violation occur, a system for reporting and managing it has been established at the SuMi TRUST Group by the Risk Management Department. This includes a system of customer care, a system for reporting internally and to the relevant authorities, and measures to prevent a recurrence (occurrence) of such a violation. The aim is to ensure appropriate responses, prevent and reduce accidents, and improve the quality of operations, among others.

In the event of a violation, SuMi TRUST Bank responds to the situation and manages it by following the process outlined below.

- 1) In the event of a compliance violation, the department in violation will appropriately and promptly make a report and responsibly manage and respond to the situation from the time the violation occurred until its resolution. Furthermore, upon conducting an investigation and analysis of the causes of the violation, it will formulate and implement measures to prevent recurrence.
- 2) Departments responsible for supervising businesses will cooperate with the department in violation and implement responses, investigate the causes and formulate measures to prevent recurrence. They also conduct case studies, raise awareness and implement measures to prevent recurrence within businesses as necessary.
- 3) Risk management-related departments (the Compliance Department) will provide instructions to the department in violation and departments responsible for supervising businesses as necessary. In the event a serious violation occurs, a compliance subcommittee will be convened, in principle, to examine the adequacy of the report and the appropriateness of the measures to prevent recurrence.

3. Response to Major Compliance Risks

Initiatives to Foster Compliance Awareness

In order to foster compliance awareness throughout the Group, a Compliance Manual has been created for SuMi TRUST Holdings and each group company, and employees are thoroughly informed about laws and regulations as well as various rules and items which must be followed.

The Group is also enhancing training courses including a course for rules to strictly comply with insider trading regulations, and each company's compliance department has

primary responsibility for providing training as to company-wide compliance themes. Meanwhile, the person in charge of compliance at each company is responsible for enhancing compliance awareness and ensuring thorough compliance with regard to business and product characteristics and client attributes by implementing training and study in his/her workplace and providing guidance and instructions in daily work processes.

Compliance Training through e-learning for 2015 (Sumitomo Mitsui Trust Bank)

| Course name | Content | Applicable executives and employees | Month of implementation |
|--|--|---|-------------------------|
| Basics of compliance: FY2015 | Basic items to promote comprehension: Compliance & client protection | All employees | May |
| Training to prevent insider trading & confidential information leaks: May FY2015 | Insider trading prevention, learning the basics on managing confidential information | All employees | |
| Preparedness against antisocial forces: 1H FY2015 | Basics of preparedness against antisocial forces | All executives and employees | June |
| Training to prevent insider trading & confidential information leaks: July FY2015 (written pledge) | Insider trading prevention, learning the basics on managing confidential information | All employees | July |
| Measures to prevent money laundering and similar practices: 1H FY2015 | Meaning and implementation of anti-money laundering (AML) measures | All employees at branches/departments with officers responsible for AML | |
| Training to prevent insider trading & confidential information leaks: Nov. FY2015 | Insider trading prevention, learning the basics on managing confidential information | All employees | November |
| Roles of branches/departments in the post-launch AML system | Confirm changes in burdens and roles of branches and departments attendant with AML system rollout | All employees at branches/departments with officers responsible for AML | |
| Preparedness against antisocial forces: 2H FY2015 | Basics of preparedness against antisocial forces | All executives and employees | December |
| Measures to prevent money laundering and similar practices: 2H FY2015 | Meaning and implementation of anti-money laundering (AML) measures | All employees at branches/departments with officers responsible for AML | January |
| Training to prevent insider trading & confidential information leaks: February FY2016 (written pledge) | Insider trading prevention, learning the basics on managing confidential information | All employees | February |

Major Compliance Risks

- Leakage of customer information
- Inappropriate acquisition and use of personal information
- Lack of credibility in products and services offered
- Violation of the principle of suitability
- Inadequate explanations to customers
- Insincere responses to customer consultations and complaints
- Relationships with customers that lack moderation
- Transactions with conflicts of interests
- Inappropriate accounting treatment
- Disregard for information disclosure
- Illegal payoffs
- Inhibiting free and fair competition
- Insider trading and other forms of unfair trading
- Violation of Foreign Exchange and Foreign Trade Act
- Infringement of intellectual property rights
- Opaque relationships with government authorities
- Dealings with antisocial forces
- Money laundering

Due Diligence in Transactions

Before conducting each transaction, SuMi TRUST Bank checks whether a potential customer has any connections to antisocial forces, as well as performing checks at the time of the transaction based on the Act on Prevention of Transfer of Criminal Proceeds and the Foreign Exchange and Foreign Trade Act. Additionally, transactions with customers of countries considered high-risk according to the Act on Prevention of Transfer of Criminal Proceeds are subject to even more stringent checks at the time the transaction is made. Foreign exchange transactions are subject to checks on whether the counterparty is an individual or entity designated for economic sanctions such as the freezing of assets. If a customer requests payment to or a capital transaction with such a counterparty, SuMi TRUST Bank conducts strict checks on whether permission has been obtained from relevant authorities.

Prevention of Money Laundering

Money laundering is the act of hiding the source of money obtained illegally (for example, through the sale of illegal drugs) by routing such money through multiple banks or bank accounts. Terrorists and perpetrators of remittance scams are examples of people who may abuse the accounts of financial institutions. It is the responsibility of financial institutions to prevent the misuse of financial services. Such efforts are referred to as "Money Laundering Prevention Countermeasures."

In order to prevent money laundering, etc., SuMi TRUST Bank conducts checks on personal identification items, such as the name and address, as well as customer management items, such as the transaction purpose and occupation, when starting continuous business relationships, when conducting large-lot cash transactions, or when conducting transactions with persons who reside or stay in specified countries.

Additionally, SuMi TRUST Bank has adopted an anti-money laundering (AML) system, which verifies whether any illicit transfers between accounts have taken place.

In addition, when they come across transactions suspected to be related to money obtained illegally or terrorist financing, employees immediately report to the person in charge, who notifies the relevant authorities. When the use of accounts for illegal purposes, such as "furikome" fraud, has been found, SuMi TRUST Bank strives to prevent expansion of the damage by quickly taking such measures as freezing the accounts.

SuMi TRUST Bank obligates employees at relevant branches and departments to periodically receive training concerning prevention of money laundering, etc. In fiscal year 2015, such training was provided to all employees at the relevant branches and departments once each half of the year.

Response to Antisocial Forces

Antisocial forces refer not only to organized crime groups and their members, but also to individuals and companies with ties to them, who may threaten public order and the security of civil society. The Group has declared, both internally and externally, its resolute stance against antisocial forces in its Code of Conduct ("Value") and various other codes. We have established a system for investigating and conducting systematic checks in all types of transactions in order to prevent transactions by antisocial forces.

We have also incorporated a clause to exclude organized crime in the provision of our loan and money transfer contracts. This clause deters antisocial forces from initiating

transactions with us. The measure gives us the legal grounds to dissolve contracts, once the presence of antisocial forces is detected, after the commencement of transactions.

If the counterparty in a transaction is shown to be as an antisocial force after the commencement of a transaction, we have developed a framework that allows us to take measures in close coordination with police and other external expert organizations for the eventual cancellation of such a transaction.

In addition, in order to strengthen awareness about and systems to deal with antisocial forces, in fiscal year 2015, SuMi TRUST Bank provided all executives and employees with training for the prevention of transactions with antisocial forces once each half of the year.

Management of Conformity with Legal Revisions

Head office departments of SuMi TRUST Bank gather information on legal revisions and report them to the Compliance Department. The Department centrally manages information on the revisions and instructs and manages the related departments to respond to them in an appropriate manner.

Prevention of Insider Trading

The Group prevents insider trading and other wrongdoings by strictly managing insider information that may be obtained during the execution of job duties.

Specifically, the "Rules on Insider Information Management" obligates employees to immediately report to their supervisors when they have obtained information that may constitute insider information. General managers at branches and departments strictly manage and report insider information to the necessary departments while it is completely prohibited to communicate such information to departments other than those deemed necessary. At entrusted asset business units, entrusted asset supervision departments are responsible for managing insider information.

Moreover, particularly strict measures are taken to shield information so as to prevent communication of insider information to departments involved in investment (asset management). In addition, in entrusted asset businesses, the "Guidelines on Contact, etc. with Securities Companies, etc." have been formulated to prohibit any inappropriate contact between personnel responsible for asset management and sales personnel of securities companies in principle.

SuMi TRUST Bank has developed a training system on a whole company basis. In fiscal year 2015, a training program for prevention of insider trading targeted at all employees was implemented four times (four additional times at entrusted asset business units). In addition, all

Progress in the implementation of the measures to prevent recurrence of insider trading

We have implemented all the measures to prevent recurrence of insider trading that were announced by the SuMi TRUST Group in March and June 2012. We are continuously conducting regular monitoring of the status of their implementation and consolidation.

*Details of the violation of insider trading regulations that occurred in 2012 are described in the 2012 CSR Report.

URL: http://www.smth.jp/en/csr/report/2012/2012e_04.pdf

executives and employees were required to submit written oaths pledging to comply with internal rules, etc. concerning prevention of insider trading twice during the fiscal year (two additional times at entrusted asset business units).

Fair Trade with Outsourced Contractors

When outsourcing its operations, the Group takes measures to ensure that the outsourced operation is consigned to a contractor capable of: (1) establishing regulations for the appropriate management of risks from unexpected losses incurred by the Group or its clients, (2) recognizing problems related to the quality of service and the reliability of service continuity, and (3) implementing the operation accurately, fairly, and efficiently. We also verify whether or not outsourced contractors are antisocial in nature before entering into new contracts, and we repeat this verification on a regular basis. The purpose is to prevent transactions with antisocial forces and to eliminate interference from them (please refer to Page 67).

Prevention of “Dango” Bid Rigging and Cartels

As the Antimonopoly Act is intended to promote “fair and free competition” in order to secure consumers’ interests and promote democratic and sound development of the national economy, it sets basic rules for the free economy, such as a ban on unfair restrictions on transactions (cartel). In order to comply with the Antimonopoly Act, the Group has formulated a compliance manual concerning compliance with the Antimonopoly Act and has established a rule requiring checks related to the prohibition of joint activities, abuse of a superior position and false and misleading advertising indications at individual business units and is strictly enforcing them.

Prevention of Bribery

The SuMi TRUST Group has set forth rules to be followed by officers and employees for the prevention of bribery, etc. in the Compliance Rules and prohibits the following transactions.

- Prohibition of providing entertainment or granting favors in excess of an acceptable level to interested parties, public servants and shareholders of SuMi TRUST Holdings
- Prohibition of receiving entertainment or favors in excess of an acceptable level from interested parties or others
- Prohibition of activities that mix individual and public interests
- Prohibition in principle of holding concurrent posts and dual employment
- Prohibition of being in a position that has a conflict of interest with SuMi TRUST Holdings and other group companies in conducting business operations and using one’s professional position to benefit oneself or a third party

Protection of Intellectual Property Rights

The Copyright Act and other laws ban the use of intellectual property rights such as copyrights without permission. The Group, while protecting the intellectual property rights of group companies, ensures employees’ thorough compliance with those laws by specifying, in the compliance manual, the prohibition of copying and use of other persons’ copyrighted materials, etc. without permission.

Sumitomo Mitsui Trust Group’s Basic Policy concerning Tax Compliance

The tax practices of large multinational corporations have become a focal point of public attention, shining a spotlight

on problems with legal tax avoidance schemes that use loopholes in national tax systems created by BEPS*¹ adoption and problems with tax havens that have been opened up to public scrutiny by the Panama Papers*² leaks.

The Group has over the years properly met its tax obligations in accordance with its basic policy concerning tax compliance, and we amended this policy in August 2016 to clarify the appropriateness of our international tax practices as a global company, adding transfer pricing documentation as a response to the attention on this topic.

Our response was aimed at further raising awareness about tax among our directors, executive officers, and employees and thereby ensure compliance with tax laws and appropriate fulfillment of our tax obligations. Through such efforts and the balancing of the interests of various stakeholders such as clients, investors, national governments and local communities from an overall perspective, the Group conducts its corporate activities in ways that are not contrary to social norms.

*1 BEPS is an acronym for base erosion and profit shifting. It is increasingly evident that many multinational companies lighten their tax burden via excessive pursuit of strategies for tax reduction using gaps and loopholes in the international tax system. To effectively address these issues, the OECD approved the BEPS action plan in October 2015 and recommended measures in the plan to member countries. Japan reflected these recommendations into its tax system revisions in fiscal year 2016.

*2 In April 2016, the Panama Papers refers to documents leaked from a Panamanian law firm that were released by the International Consortium of Investigative Journalists (ICIJ). Reporting based on these documents raised concerns about both individuals and corporations using tax havens for international tax evasion schemes as well as about aggressive tax avoidance and violations of anti-money laundering regulations. How to respond to these revelations is a subject of debate in many countries and multi-lateral organizations such as the OECD.

Tax Compliance Policy

Tax Law Compliance

We comply with rules regarding taxes such as national tax laws, directives and tax treaties and properly fulfill our tax obligations.

Response to Tax-related Risks

The Group recognizes risks relating to taxes as an important issue from a management viewpoint. In a context where we balance the interests of various stakeholders such as clients, investors, national governments and local communities from an overall perspective, we appropriately manage tax-related risks and conduct our corporate activities.

Relationship with the Tax Authority

We build a relationship of trust with the tax authority by enhancing transparency through information disclosure and other means.

The Group documents transactions that comply with the principle of arms’ length transactions between independent companies for transactions that cross borders but are between Group companies. We have put into place systems we can explain to the tax authority of each country where we operate.

Risk Management

1. Basic Philosophy on Risk Management

Reducing various risks surrounding a company is indispensable in averting any damage to its corporate value. Even so, strengthening the company's risk management structure ensures a robust corporate foundation and contributes to the enhancement of its corporate value. As the trust bank group which boasts the largest scale and the highest status in Japan, SuMi TRUST Group regards the development

of a risk management system suited to the characteristics of its operations and environmental changes as one of the most important management issues it faces. Accordingly, SuMi TRUST Group is making constant efforts to enhance and advance its risk management, which forms the basis of operations that support business expansion and sustainable growth of SuMi TRUST Group.

2. Risk Management Structure

The roles and responsibilities of the management structure and principal departments related to risk management are as follows.

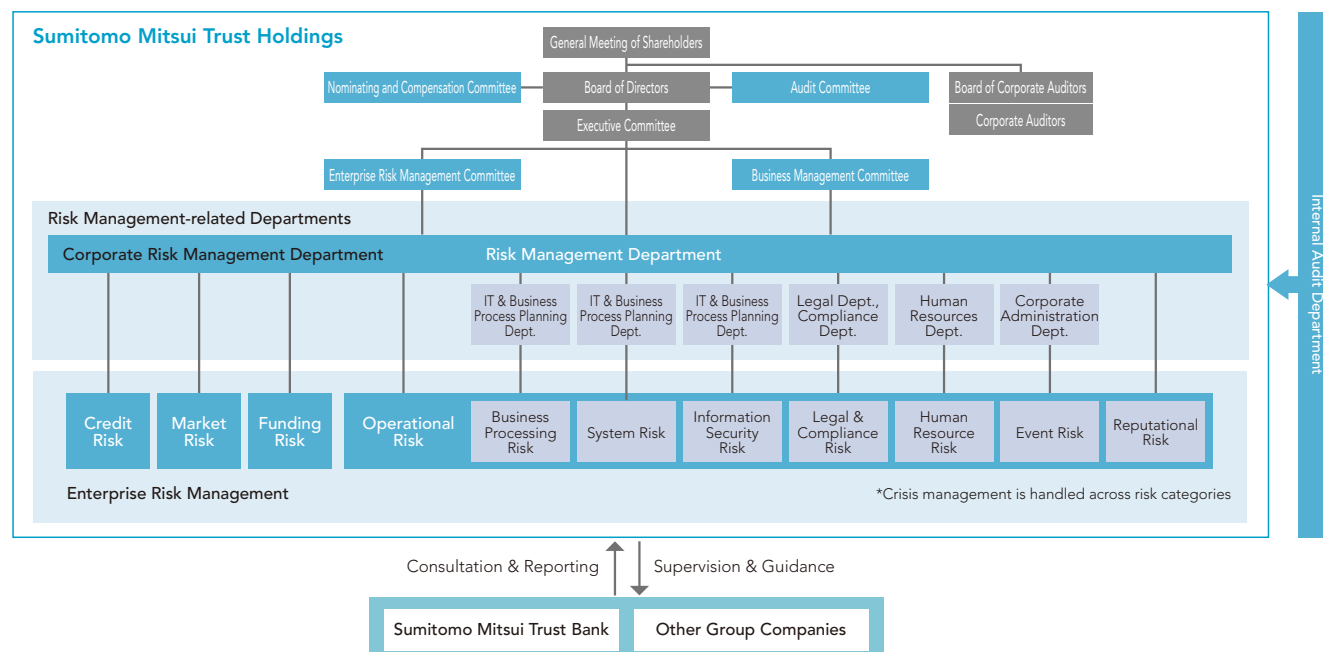
The Responsibilities and Roles of Each Governing Body

- 1) The Board of Directors formulates policies on the identification, assessment, monitoring, control and reduction of risks, formulates management plans that include the Risk Capital Allocation Plan and Risk Management Plan and informs SuMi TRUST Group of the plans. The Board also builds an appropriate reporting system and grants the necessary authority for it, among other efforts.
- 2) The Executive Committee, pursuant to the policies set forth by the Board of Directors, approves arrangements for the identification, assessment, monitoring, control and reduction of risks and develops systems to enable

the implementation of such arrangements, among other efforts.

- 3) The front offices, pursuant to the Risk Management Rules and other related risk management regulations, accurately recognize risks and conducts operations including practicing appropriate controls commensurate with the size and characteristics of the risk with the goal of ensuring the effectiveness of risk management.
- 4) The risk management-related departments develop and implement risk management processes including the identification, assessment, monitoring, control and reduction of risks under their control. To achieve effective checks on the front offices, the risk management-related departments plan and promote risk management systems by monitoring the risk status and risk management activities of the front offices and by making reports to management periodically or as necessary.

Risk Management Structure



Multi-tiered Risk Management

SuMi TRUST Holdings has adopted the Three Lines of Defense model as a risk management system. This enables risk-taking with the goal of achieving the profit plans of each business based on company-wide business strategies. The system also allows for appropriate revisions to the business model in line with changes in the risk status and implements appropriate responses in emergency situations.

The Three Lines of Defense comprise the following.

(i) First Line of Defense (Risk-taking)

- The first line of defense assesses risks and the situation at hand based on knowledge of services and products.
- In the event that a risk materializes, the first line of defense responds promptly on the on-site level and implements recovery measures.

(ii) Second Line of Defense (Risk Governance)

- The second line of defense identifies and evaluates company-wide risks and monitors and controls the determined risk limits.
- The second line of defense formulates recovery strategies when risks materialize.

3. Risk Management Operations

Types of Risk

SuMi TRUST Group classifies risk categories by causes of the risks it faces in its management as a whole into “credit risk,” “market risk,” “funding risk” and “operational risk.” SuMi TRUST Group manages these risks in accordance with their respective characteristics.

Risk Management Methods

SuMi TRUST Holdings has established a department to supervise the overall group risk management and monitor the risk status of SuMi TRUST Group as a whole, and has designated other risk management-related departments to supervise risk management for each risk category. These departments provide appropriate supervision of and guidance to group companies as needed.

SuMi TRUST Holdings has also established Risk Management Rules covering the basic points of risk management for SuMi TRUST Group as a whole. It has clarified the authority and organizational structure so that it can appropriately perform a series of activities, which include the identification, assessment, monitoring, control and reduction of risks. SuMi TRUST Holdings has also created risk management policies and plans (the Risk Management Plan and the Risk Capital Allocation Plan).

Group companies develop appropriate risk management systems suited to the characteristics of their own operations and risks, based on SuMi TRUST Holdings’ policy concerning risk management.

Enterprise Risk Management

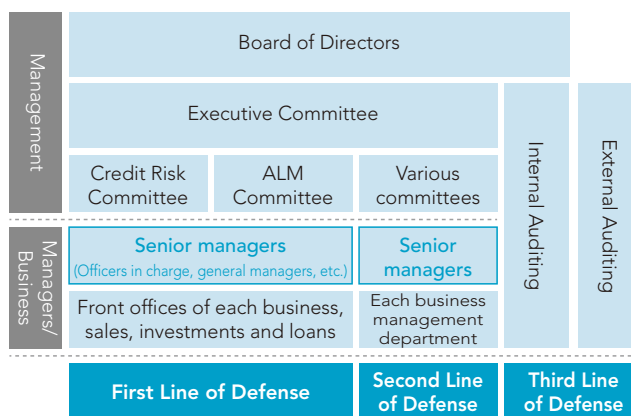
(1) Enterprise Risk Management Approach

SuMi TRUST Group has built an enterprise risk management approach using risk management as a framework to ensure sound management that keeps risks within the bounds of our corporate strength. Using enterprise risk management,

(iii) Third Line of Defense (Risk Assurance)

- The third line of defense verifies the appropriateness of risk-taking and risk governance.

Under this system, each line is monitored and controlled by high-level bodies, i.e. various committees, the Executive Committee and the Board of Directors.



we apply risk capital allocation management and conduct stress tests, and based on basic policies established by the Group, we execute appropriate management to optimize risk-return performance and increase corporate value by evaluating our capital adequacy level and reporting on these to the Board of Directors, the Executive Committee, etc. on a regular basis.

(2) Risk Capital Allocation Operations

For the purpose of the SuMi TRUST Group’s capital allocation operations, SuMi TRUST Holdings assesses capital adequacy level, in consideration of the external environment, risk-return performance status, strategic targets, and the results of its stress test, and allocates capital of the SuMi TRUST Group to each group company based on its risks (credit risk, market risk, and operational risk). The risk capital allocation plan is subject to the approval of the Board of Directors.

Each group company operates its business in compliance with the allocated amount of risk capital (risk capital). The risk management supervision department monitors adherence to the allocated risk capital (risk capital) and the risk amount status on a monthly basis and reports to the Board of Directors and others.

The risk capital allocation plan is reexamined semiannually, and also whenever deemed necessary due to modifications to the business plan of any one of the group companies or changes in risk status, etc.

(3) Assessment of Capital Adequacy Level, Capital Strategy

The capital management departments assess the level of capital adequacy from the viewpoint of soundness each time a risk capital allocation plan is formulated or reexamined, and reports to the Board of Directors and others.

The SuMi TRUST Group assesses capital adequacy level multilaterally by establishing multiple definitions of capital

and risk as follows.

From the viewpoint of ensuring business continuity, the SuMi TRUST Group assesses the capital adequacy level by comparing the amount of risk with a confidence interval of 99% with the regulatory required Common Equity Tier 1 capital (allocation fund). Also, from the viewpoint of depositor protection, it compares the amount of risk with a confidence interval of 99.9% and the amount of risk with a confidence interval of 99% after the consideration of stress events with the regulatory required total capital.

(4) Stress Testing

It is becoming increasingly important to develop and review countermeasures beforehand, against contingencies such as a financial crisis. These measures should be based on prior analysis and recognition of the impact on corporate management and finance, in the event of materialization of the stress event.

The SuMi TRUST Group conducts stress tests under the risk capital allocation plan (economic capital) and the capital adequacy ratio plan (regulatory capital), and utilizes the result for purposes including assessment of capital adequacy levels and development of countermeasures against the occurrence of the risks (contingency plan) when formulating management plans.

• Stress Test Framework

When formulating our management plan, we devise multiple scenarios as a point of departure for discussion such as the impact on our portfolio if events that actually happened in the past 10 to 20 years reoccurred (historical scenarios) and forward-looking scenarios that have a relatively high probability of occurrence depending on the market environment that would have a large impact on corporate management (hypothetical scenarios). The next step is to review and make a final selection of scenarios for use in formulating the plan. Based on these scenarios, we estimate the size of losses in the event a risk were realized, evaluate the impact against our capital adequacy level, and report

the results to the Board of Directors etc. within the reporting framework that has been established.

(5) Capital Adequacy Status

Under the risk capital allocation plan, against total capital of ¥3,051.8 billion (Common Equity Tier 1 capital of ¥2,240.9 billion) of SuMi TRUST Holdings on a consolidated basis, the allocated risk capital (risk capital) is ¥1,630.1 billion. Risk capital actually used (risk weights) is ¥1,139.7 billion. In addition, the net difference of ¥1,421.7 billion from subtracting allocated risk capital (risk capital) from total capital is at a sufficient level in view of the results of stress tests and other factors.

(6) Upgrading of Integrated Risk Management and Capital Management Systems

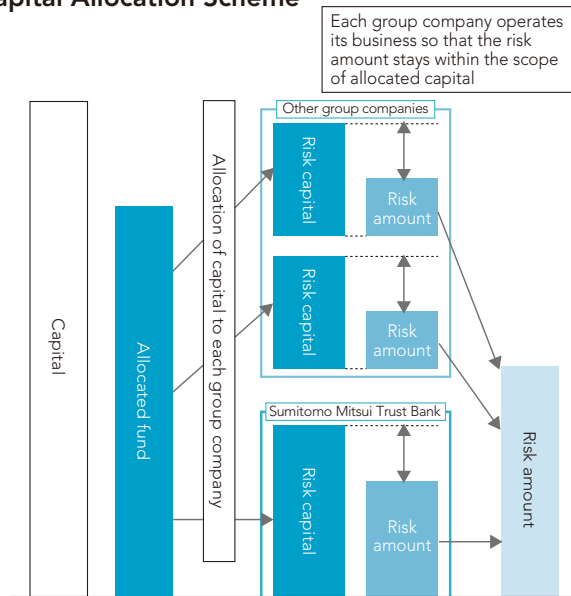
The SuMi TRUST Group will continuously verify the scope of risk to be managed, risk measurement methods, risk capital allocation methods, capital adequacy level assessment methods, etc., so that integrated risk management and capital management will be more effective, and will strive to improve and upgrade the systems.

Crisis Management Posture

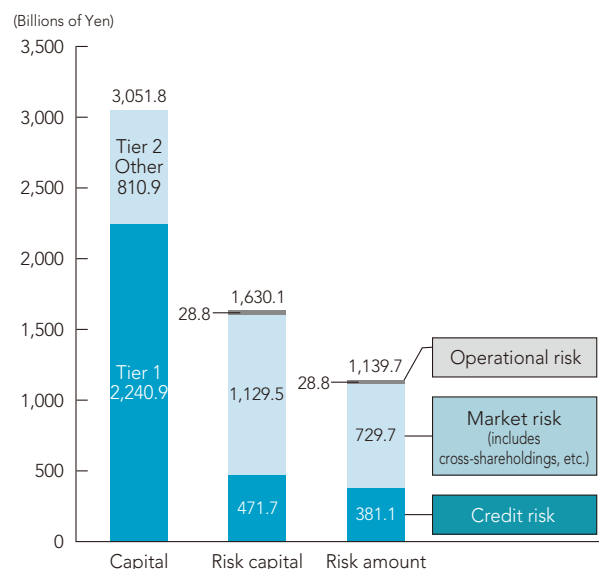
The Group has established emergency response head-quarter functions with the president serving as the head in the event of emergencies, such as natural disasters, system impairments, and outbreaks of new infectious diseases. This will enable us to respond to emergencies swiftly and properly.

In the event of an emergency, we first secure the safety of customers, executives and employees, and their families, and adhering to the business continuity plans (BCPs) in place, we work to ensure business functions continue to operate smoothly. To ensure the effectiveness of such systems, we periodically conduct exercises and make revisions to our BCPs.

Capital Allocation Scheme



Capital and Risk Capital (within a 99% confidence interval, 1 year holding period)



Response to ESG Risks

The need has become greater than ever before for companies to step up their responses toward environmental, social and governance (ESG) risks, as the necessity for companies to be mindful of sustainability issues grows increasingly stronger. While certain items under ESG risks overlap with operational risks (see page 94), these risks also contain new themes never perceived before. In December 2013, SuMi TRUST Group established the ESG Risk Response Project Team (sponsor is the CSR Promotion Office), where related departments jointly engage and discuss many facets of ESG risks. The CSR Promotion Office hosts the monthly global CSR meeting jointly with related departments, gathers the latest ESG information that is being discussed globally, and puts to use its understanding of latent ESG risks.

Key Initiatives in 2016

| | |
|--|--|
| Commence Application of Equator Principles | We drew up internal operating rules based on evaluation procedures for environmental and social impacts and policies for protecting the environment and communities, and commenced evaluations of individual projects (see page 96). |
| Revise Human Rights Policy | We revised our human rights policy to add text prohibiting discrimination against LGBT and disabled peoples (see page 116). |
| Response to Climate Change Issues | We identified climate change risks based on the latest trends among global financial institutions following the Paris Agreement, formulated policies on how to respond, and discussed this set of issues at meetings of our Board of Directors (see page 7). |

Management Status of Individual Risks

| Credit Risk | |
|------------------------|--|
| Definition | Risk that the Group incurs losses due to the value of an asset (including off-balance sheet assets) decreasing or impairing owing to such reasons as deterioration in the financial condition of an obligor. Of this, "country risk" in particular means risk that the Group incurs losses on credit provided overseas, due to foreign exchange, political and economic conditions of the country of the obligor. |
| Basic policy | <ul style="list-style-type: none"> A credit risk management system and an asset evaluation management system are developed to ensure the soundness and adequacy of credit-related operations, in accordance with established basic policies on Group-wide credit risk management. Meanwhile, we are dealing with obligors, based on the understanding that it is critical to keep informed of the obligors' actual business status and provide them with management consultation and guidance along with assistance for business improvement initiatives, in an effort to mitigate credit risk. Likewise, the affiliated banks engage in appropriate credit risk management based on risk management systems established in accordance with the aforementioned basic policy. |
| Risk management system | <ul style="list-style-type: none"> The Risk Management Department is designated as a department responsible for credit risk management at SuMi TRUST Holdings and engages in monitoring and analysis of the credit risk status across the Group. The department also provides supervision and guidance to affiliated banks and companies. The Risk Management Department is designated as a department responsible for credit risk management at affiliated banks as well, while the credit supervision departments, the departments responsible for problem loans management, and the departments responsible for asset evaluation/management are designated as departments responsible for credit risk-related management. |
| Risk management method | <p>An obligor's business status is managed on a consolidated basis across the Group. Not only loans but also assets and off-balance sheet assets associated with credit risk are managed on an integrated basis.</p> <p>Credit risk is evaluated and measured using criteria including credit ratings, while credit risk is adequately controlled through measures such as the imposition of risk limits and management of concentrated credit risk. The status of credit portfolio (concentration of credit to certain industry sectors or specific groups) is also adequately grasped and controlled.</p> |

| Market Risk | |
|------------------------|---|
| Definition | Risk that the Group incurs losses due to fluctuations in the value of assets/liabilities (including off-balance sheet assets/liabilities), or in the earnings generated from assets/liabilities, due to fluctuations in various market risk factors, such as interest rates, foreign exchange rates, stocks, commodities, and credit spreads. Of this, "market liquidity risk" in particular means risk that the Group incurs losses caused in a situation where it becomes impossible to conduct transactions in the market or becomes obligatory to trade at prices much more disadvantageous than usual due to market turmoil. |
| Basic policy | <ul style="list-style-type: none"> Adequate market risk management is in place, commensurate with the Group's strategic goals as well as the scale, characteristics, and risk profile of business activities, to ensure the soundness and adequacy of business activities, in accordance with established basic policies on Group-wide market risk management. Our affiliated banks also engage in market risk management in accordance with risk management policies established on the basis of the aforementioned basic policy. |
| Risk management system | <ul style="list-style-type: none"> The Risk Management Department is designated as a department responsible for market risk management at SuMi TRUST Holdings and engages in monitoring and analysis of market risk status across the Group. The department also provides supervision and guidance to affiliated banks. An adequate market risk management framework is in place at our affiliated banks, where the front office (trading/marketing departments), the back office (administrative departments), and the middle office (departments responsible for market risk management) are separated to achieve effective checks and balances between them. |
| Risk management method | Market risk is managed through monitoring and control of the status of conformity to the risk limits established based on risk capital allocated commensurate with the financial strength of each organizational unit, and to the alarm points established to prevent enlargement of loss. Meanwhile, market risk is measured by VaR (Value at Risk: the maximum amount of loss anticipated within a certain holding period and within a certain confidence interval), while stress testing is carried out to supplement such VaR-based measurement. Interest rate risk in the banking book in terms of the outlier criteria under Basel II is managed by regular monitoring. |

| Funding Risk | |
|------------------------|--|
| Definition | Risk that the Group incurs losses in a situation where it becomes impossible to secure necessary funds or becomes obligatory to raise funds at interest rates significantly higher than usual. |
| Basic policy | <ul style="list-style-type: none"> Adequate funding risk management is in place, commensurate with the Group's strategic goals as well as the scale, characteristics, and risk profile of business activities to ensure the soundness and adequacy of business activities, in accordance with established basic policies on Group-wide funding risk management. Our affiliated banks also engage in funding risk management in accordance with risk management policies established on the basis of the aforementioned basic policy. |
| Risk management system | <ul style="list-style-type: none"> The Risk Management Department is designated as a department responsible for funding risk management at SuMi TRUST Holdings and engages in monitoring and analysis of funding risk status across the Group. The department also provides supervision and guidance to affiliated banks. At our affiliated banks, an adequate funding risk management framework is in place, where the independence of the department responsible for funding risk management from the departments responsible for funding management and the trading/marketing departments is ensured to achieve effective checks and balances between them. |
| Risk management method | We adequately grasp the current degree of tightness of funding under the stipulated classification, based on analysis of information collected from domestic and overseas sources. We conduct funding operations in compliance with adequate predetermined limits in order to avoid funding risk and carry out stress testing to develop contingency plans, thus ensuring crisis preparedness. |

| Operational Risk | |
|------------------------|--|
| Definition | Risk that the Group incurs losses resulting from inadequate or failed internal processes, people and systems or from external events. |
| Basic policy | <ul style="list-style-type: none"> Adequate operational risk management is in place, commensurate with the scale and characteristics of business activities and risks, based on the recognition that operational risk is an inevitable risk associated with business execution, to ensure the soundness and adequacy of business activities, in accordance with established basic policies on Group-wide operational risk management. Our affiliated banks also engage in operational risk management in accordance with risk management policies established on the basis of the aforementioned basic policy. |
| Risk management system | <ul style="list-style-type: none"> The Risk Management Department is designated as a department responsible for overall operational risk management at SuMi TRUST Holdings, while departments responsible for business processing risk and system risk are separately designated. The Risk Management Department also engages in monitoring and analysis of overall operational risk status across the Group, while providing supervision and guidance to the affiliated banks. Likewise at the affiliated banks, departments responsible for the above three risk categories are separately designated. |
| Risk management method | The Group regularly carries out self-assessments with respect to internal control (CSA: Control Self Assessment) and measurement of operational risk to adequately identify and assess the risk from both qualitative and quantitative aspects. On this basis, the Group develops measures for preventing such risk from materializing, action plans in the event it does materialize, and recurrence prevention measures based on the analysis of its causal factors, in an effort to mitigate risk. Risk mitigation measures developed through the above exercise are tested for its effectiveness, as part of the process for review and improvement thereof. |

Operational Risk Sub-categories

| Business Processing Risk | |
|--------------------------|---|
| Definition | Risk that the Group incurs losses due to inappropriate business procedures arising from executives or employees neglecting to engage in proper business activities, or other incidents such as accident or fraud. |
| Risk management method | The IT & Business Process Planning Department is responsible for business processing risk. The Department comprehensively deliberates such risks and operational efficiency issues across businesses. It also promotes the development of systems to ensure effective management of business processing risks from a company-wide perspective. Additionally, a department to supervise and instruct business process has been established within each business to verify rules they set out and to instruct and train the head office departments and branches on business processing in general. |

| System Risk | |
|------------------------|---|
| Definition | Risk that the Group incurs losses due to such reasons as computer system failure, malfunction and defects, as well as the risk that the Group incurs losses due to unauthorized use of a computer. |
| Risk management method | The reliability of hardware, software and system operations is being enhanced through measures such as hardware maintenance and securing its backup and alternative functions, conducting backups and preparing manuals. Measures are also being taken to ensure the safety of information systems and prevent unauthorized access and use. Additionally, a clear notification and response system has been established to minimize the impact of malfunctions and disasters on information systems and enable quick recovery and business continuity. This system is complemented by the preparation of manuals for back-up measures and recovery procedures and the implementation of operational education and training. |

| Information Security Risk | |
|---------------------------|--|
| Definition | Risk that the Group incurs losses because information assets are not properly maintained or managed. This includes information leaks, incorrect information, an inability to use the information system or misuse of information. |
| Risk management method | <p>Each information asset held has been assigned an importance level according to the degree of damage its leakage, loss, alteration, etc. could have on SuMi TRUST Holdings and its customers. Appropriate security measures are being taken. This effort involves determining the methods for acquiring, using, managing, storing, internally communicating, taking out and disposing information assets depending on their level of importance.</p> <p>* For responses to cyber attacks, see page 95.</p> |

| Legal & Compliance Risk | |
|-------------------------|--|
| Definition | Risk that the Group incurs losses due to uncertain legal aspects of transactions, or due to insufficient compliance with laws, regulations, etc. |
| Risk management method | The consistency and compatibility of internal rules and the legality and appropriateness of transactions and business operations are being verified from a legal perspective (through legal checks, etc.). |

| Human Resource Risk | |
|------------------------|--|
| Definition | Risk that the Group incurs losses due to personnel and labor management issues, such as unequal or unfair management of personnel and harassment. |
| Risk management method | A management system is in place to deal with personnel and labor management issues such as unfairness and inequality in personnel matters and harassment. The system involves internal seminars, interviews and establishing consultation desks. |

| Event Risk | |
|------------------------|---|
| Definition | Risk that the Group incurs losses due to external events that impair business, such as natural disasters, crimes such as terrorism, damage to public infrastructure that prevents its functioning, the spread of infectious diseases, and the inappropriate use or management of tangible assets. |
| Risk management method | <p>Preventive measures for disasters and their mitigation, crime and safe-driving management are being implemented. Business continuity management systems have also been developed. The aim is to deal with a variety of incidents including fires, crimes, traffic accidents, natural disasters and epidemics that can disrupt operations.</p> <p>* See page 95 for information on crisis management and business continuity plans (BCP) in the event of disasters.</p> |

| Reputational Risk | |
|------------------------|--|
| Definition | Risk that the Group incurs losses as a result of deterioration in reputation for SuMi TRUST Holdings or its subsidiaries, owing to such reasons as mass media reports, rumors or speculation. |
| Risk management method | A system is in place to prevent media coverage, rumors and hearsay that threaten to impair the reputation of SuMi TRUST Holdings and its subsidiaries. The system also provides customer care and makes prompt and appropriate public announcements in the event of reputational damage. |

Crisis Management and Business Continuity Plan in Emergencies

Initiatives Conducted by Sumitomo Mitsui Trust Holdings and Sumitomo Mitsui Trust Bank

SuMi TRUST Holdings and SuMi TRUST Bank have developed contingency plans in order to quickly implement emergency response measures in the event of emergencies, such as natural disasters, computer system breakdowns and outbreaks of new infectious diseases.

Moreover, regarding important business operations, such as financial settlement, SuMi TRUST Holdings and SuMi TRUST Bank have developed systems to continue business, including BCPs (business continuity plans) and backup offices. In order to ensure the effectiveness of such systems, they periodically conduct exercises and revise BCPs.

When the crisis is serious and its impact is extensive, causing serious disruptions to the normal business operations of SuMi TRUST Bank and the Group and making it necessary to urgently make comprehensive and high-level management judgment, the Group will establish an emergency response headquarters as a company-wide response organization and will quickly implement emergency response measures.

In particular, in preparation for the possible occurrence

of a major earthquake, SuMi TRUST Bank, which has branches across Japan, periodically conducts exercises in order to make a response that gives consideration to the safety of customers and employees and to business continuity and ensure the effectiveness of the response.

As for company-wide response, in order to enhance the effectiveness of the functions of the emergency response headquarters, the Group is strengthening systems for information gathering and information coordination, in addition to periodically conducting exercises, and it is also promoting the enhancement of emergency response systems in the Osaka area on the assumption of a disaster in the Tokyo area.

Meanwhile, branches are striving to strengthen response capability through periodic exercises and are promoting disaster countermeasures in light of the location condition, the status of principal facilities and individual branches' specific circumstances. Branches are also developing a system for mutual support among them.

Code of Conduct for Executives and Employees

1. Executives and employees must fully recognize and understand the importance of crisis management and prepare for emergencies. At the same time, they must strive to develop their knowledge in normal times so that they can quickly and appropriately respond in the event of an emergency.
2. In the event of an emergency, executives and employees must make judgments and take actions based on the following principles:

(1) Securing the safety of life

In the event of an emergency, the top priority must be placed on securing the safety of customers, executives and employees, and their families. Executives and employees must also always give priority to humanitarian considerations when taking various emergency response measures.

(2) Protection of Sumitomo Mitsui Trust Bank's Corporate Assets

By taking disaster prevention and mitigation measures in preparation for the possible occurrence of emergencies, executives and employees must protect Sumitomo Mitsui Trust Bank's corporate assets in the event of an emergency. They must also do

their utmost to take risk mitigation measures to guard against adverse effects that may disrupt business activities.

(3) Business Continuity and Early Restoration

In the event of an emergency, executives and employees must strive to quickly restore and continue priority business operations.

(4) Cooperation with Local Communities

In the event of an emergency, executives and employees must strive to cooperate with local communities in rescue and other local activities.

Cyber Attacks

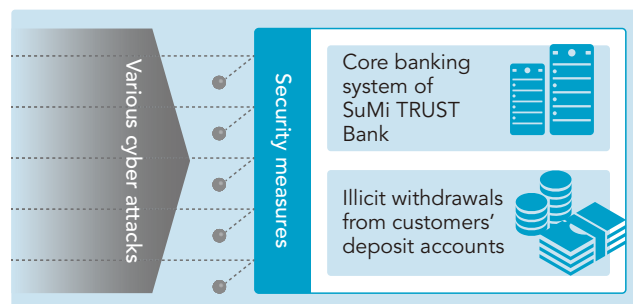
Response to Threat of Cyber Attacks

The threat of cyber attacks and the damage they can inflict are growing both in Japan and overseas. SuMi TRUST Holdings is engaged in the following activities to protect the precious assets of our customers from the attacks.

Improvement of Internal Response Systems in Preparation of Cyber Attacks

To respond to cyber attacks, SuMi TRUST Holdings monitors computer systems of SuMi TRUST Bank around the clock. In addition, SuMi TRUST Holdings has established SuMiTRUST-CSIRT as an internal organization for gathering information, conducting analysis and implementing measures relating to cyber attacks, and coordinates with outside expert organizations to strengthen its management system.

Cyber Security



Enhancement of Internet Banking

Transaction Security

In terms of internet banking, SuMi TRUST Bank offers "Rapport," a type of security software specifically for internet banking, free of charge to help shield customers' precious deposits from fraudulent transactions.

SuMi TRUST Holdings will continue to keep abreast of other companies' moves and new technologies and implement robust security measures so that customers' transactions remain safe. The measures include the early detection and prevention of unauthorized remittances.

Climate Change

The Financial Stability Board (FSB) has called attention to the potential exposure of financial institutions to various kinds of risks accompanying the emergence of climate change issues (see page 10). Based on this recognition, SuMi TRUST Bank identifies risks by envisioning how they could materialize in the future (see page 11).

Environmental and Social Considerations in Project Finance

SuMi TRUST Bank became a signatory to the Equator Principles in February 2016. This set of guidelines for private financial institutions requires due consideration of the impact on the natural environment and the regional community when approving project finance.

The Equator Principles

The Equator Principles are standards that enable private-sector financial institutions approving loans for a large-scale project to confirm the project pays sufficient care to impacts on the natural environment and regional communities. Regardless of the country where the project is sited or industry, the Principles apply to project finance, project-related corporate loans (PRCL), and bridge loans that are intended to be re-financed by a project finance or PRCL.

The Equator Principles are based on guidelines and standards concerning environmental and social risk management established by International Finance Corporation, a member of the World Bank Group. These standards and guidelines span many fields from implementation processes for assessing environmental and social risks and/or impacts, pollution prevention, and consideration for regional communities to environmental protections.

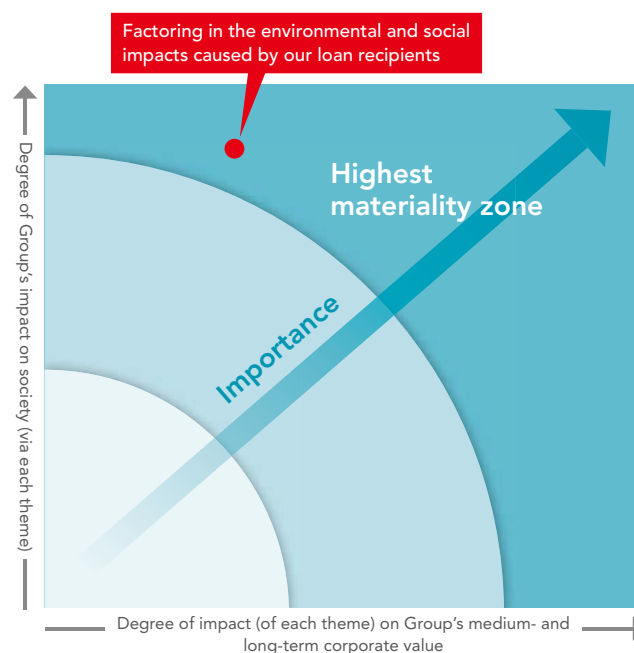
As of December 2016, 85 banks (including export credit agencies) from around the world have signed the Equator Principles. Signatories require project proponents to comply with the Equator Principles. The signatories can refrain from providing financing if requirements are not met, particularly in the case of large-scale projects in developing countries.

Adoption of the Equator Principles

SuMi TRUST Bank is aware that financing large-scale projects such as mine development, oil and gas development, power plants, petrochemical plants and infrastructure development may indirectly have an adverse effect on the natural

environment and the regional community. SuMi TRUST Bank also believes it is the responsibility of a sound financial institution to avert or mitigate risks of deterioration in loan receivables due to project suspensions as a result of environmental or social problems.

When we identified priority issues (materiality) regarding sustainability at the SuMi TRUST Group, we realized the importance of environmental and social risks and/or impacts when investing. In recognition of the necessity of integrating risk management procedures based on the Equator Principles, the global standard for private-sector financial institutions, we have adopted them into our project finance credit decision processes.

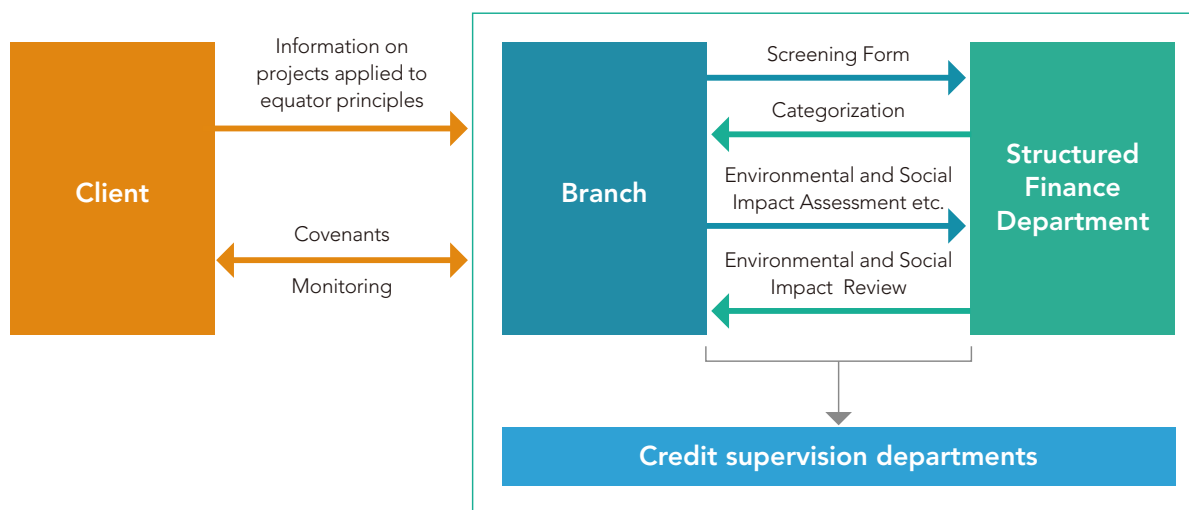


Equator Principles Operational Structure at Sumitomo Mitsui Trust Bank

Operational Structure and Processes for Application of Equator Principles

In adopting the Equator Principles, we drew up policies for protecting the environment and communities based on the

Equator Principles framework and procedures for evaluating social and environmental impacts. The Structured Finance Department carries out assessments of environmental and social impacts relating to individual projects.



Implementing Environmental and Social Risk/Impact Reviews

The Structured Finance Department carries out environmental and social risk/impact reviews on projects subject to the Equator Principles to confirm whether protections for the environment and communities the borrower has adopted for the project satisfy the standards established by the Equator Principles. In environmental and social risk/impact reviews based on screening forms, the relevant project is categorized into one of three categories—A, B, and C as shown

| Category | Definition |
|----------|---|
| A | Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented |
| B | Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures |
| C | Projects with minimal or no adverse environmental and social risks and/or impacts |

below—reflecting its environmental and social risks and/or impacts. The Structured Finance Department conducts detailed reviews based on environmental impact assessment reports that take into account the risk/impact category, the status of the country (designated* or non-designated country) where the project is sited, and industry. The results of the environmental and social risk/impact reviews are sent to a credit supervision department, where it devises a comprehensive risk assessment based on the review results.

*Designated countries are those countries deemed to have built robust environmental and social governance, legal systems, and institutional capacity to protect their people and the natural environment. Specifics can be viewed at the Equator Principles Association's website.

<http://www.equator-principles.com/index.php/ep3/designated-countries>

Company Training Programs

In adopting the Equator Principles in February 2016, we provide multiple training sessions for the employees of sales, assessment, screening and other departments and sections involved to foster a thorough understanding of Equator Principles concepts as well as implementation processes for environmental and social risk/impact reviews. Through regular training programs, we strive to go further to raise awareness regarding environmental and social impacts among our employees and deepen their understanding of Equator Principles concepts and implementation processes for environmental and social risk/impact reviews.

Monitoring Compliance with Equator Principles

As a rule, projects subject to the Equator Principles are engaged to submit regular reports in the loan agreement stipulating compliance with important items concerning

environmental and social laws, regulations and rules as well as approvals and permits. Based on regular reports submitted by the borrower of the projects, we monitor compliance with rules relating to the environment and communities.

Types of financial instruments and other criteria including financing size for the application of the Equator Principles

| Type | Application criteria including financing size |
|---|---|
| Project finance | All projects with total project capital costs equivalent to USD 10 million or more |
| FA services* ¹ | Same as the above |
| Project-Related Corporate Loans (PRCL)* ² PRCL: Project-Related Corporate Loans | If all four of the following criteria are met: 1. The majority of the borrowing amount is intended for a single project in which the borrower has effective control (either direct or indirect) of the project; 2. The total borrowing amount is equivalent to USD 100 million or more; 3. The commitment amounts (at syndication or prior to sell-down) of the individual signatories are equivalent to USD 50 million or more; and 4. The loan term is two years or more. |
| Bridge loans | Bridge loans with a loan term of less than two years that are intended to be re-financed by a project finance meeting the above criteria or PRCL |

*1 Project finance advisory services

*2 PRCL includes the buyer's credit-type export financing but does not include the supplier's credit-type export financing. Furthermore, it does not include asset financing, M&A financing, hedging transactions, leases, L/C transactions, general funds and general working capital to maintain operations of a company.

Transactions subject to the Equator Principles

The following data are for transactions subject to the Equator Principles implemented between February 1, 2016 and September 30, 2016.

Project Finance Cases

| | FY2016* ¹ | | |
|--|----------------------|----------|----------|
| | A | B | C |
| | 1 | 6 | — |
| Sector | A | B | C |
| Mining | — | — | — |
| Infrastructure | — | — | — |
| Oil & Gas | — | — | — |
| Power | 1 | 6 | — |
| Petrochemical | — | — | — |
| Others | — | — | — |
| Region | A | B | C |
| Americas | — | — | — |
| Europe, Middle East, and Africa | — | 1 | — |
| Asia and Pacific | 1 | 5 | — |
| Country classification | A | B | C |
| Designated Country | 1 | 5 | — |
| Non-Designated Country | — | 1 | — |
| Independent Review*² | A | B | C |
| Implemented | 1 | 6 | — |
| Not implemented | — | — | — |

*1 Transactions subject to the Equator Principles implemented from February 1, 2016 to September 30, 2016

*2 An independent review of a proposed project entails an independent consultant with expertise in environmental and social impacts and no direct ties to the borrower preparing a report that evaluates the social and environmental impact assessment conducted by borrowers as well as their environmental and social management plans on behalf of lending bank syndicates.

CSR Procurement (Procurement that Considers the Environment and Society)

The Sumitomo Mitsui Trust Group strives to give procurement priority to goods and services that factor in consideration for the environment and society based on its Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy). Through its cooperation

with suppliers who care about the environment and society and efforts to spread CSR procurement, the Group seeks to contribute to sustainable social development as a corporate group trusted by the public.

CSR Procurement Policy

Papers, stationery goods, fixtures and equipment used by SuMi TRUST Holdings in its businesses have been procured through a long supply chain that begins with the mining of resources and extends to its processing, manufacturing and sales. Throughout this process, it is a duty

of consumers to procure products and services that have been designed not to pollute the environment or cause human rights issues. SuMi TRUST Group has formulated a CSR procurement policy to promote procurement that gives consideration to the environment and society.

1. Fair Transactions

We select suppliers through a fair and transparent method by taking comprehensive account of economic rationality, appropriate quality, delivery punctuality, compliance with social norms, consideration for social challenges and consideration for the environment.

We do not provide profits to or impose undue disadvantages on specific clients without due reason.

2. Compliance with Laws, Regulations, etc.

We respect laws and social norms in procurement and never violate them in any case. We are not involved with antisocial forces in any way and reject unjust demands.

3. Consideration for Social Challenges

We strive to conduct transactions with and procure products and services from suppliers who respect basic human rights,

give consideration to industrial safety and health and avoid violations of human rights, such as unjust discrimination, forced labor and child labor.

4. Consideration for the Environment

We strive to conduct transactions with and procure products and services from suppliers who promote efforts to reduce the environmental burden and contribute to mitigating and easing environmental problems, including climate change and biodiversity problems.

5. Cooperation with Suppliers

We seek cooperation from and promote cooperative initiatives with suppliers in order to give consideration to social challenges and the environment across supply chains in our procurement activities.

CSR Procurement in Practice

SuMi TRUST Bank is promoting CSR procurement for SuMi TRUST Group as a whole. One of the products selected for CSR procurement is environmentally friendly and socially responsible paper, which is used and disposed of in massive volumes in our business operations. As far

as copy paper is concerned, the damage to biodiversity as a result of illegal logging of tropical rainforests and its effects on global warming have become major problems. The Corporate Administration Department and the CSR Promotion Office, Corporate Planning Department, which

CSR Procurement Initiative for Paper Products

- Commenced surveys of suppliers into the environmental and social responsibility of their paper products such as copier paper, office supplies, etc.
- Banned procurement of copier paper with environmental and social responsibility problems, such as illegal logging in tropical rain forests, for all Group companies and changed suppliers and products approved for procurement accordingly
- Procure copier paper, in principle, with a 100% recycled content ratio
- Reference the viewpoints of Rainforest Action Network and other domestic and overseas NGOs on the environmental and social responsibility of products



are in charge of procurement, conducted a survey on the manufacturers and distributors to determine how much their products reflect consideration to the environment and society. Based on the results of this survey, SuMi TRUST Bank prohibited the purchase of paper sourced from illegal logging and changed the suppliers and procured items. SuMi TRUST Bank uses FSC-certified paper for its business cards. The paper is sourced from well-managed forests and manufactured and sold in an environmentally friendly and socially responsible manner. Going forward, SuMi TRUST Bank plans to gradually expand its CSR procurement items to printed materials and other items.

Environmentally friendly and socially responsible products may cost more than other items when items are replaced for CSR procurement. For this reason, SuMi TRUST Bank, with the support of its suppliers, purchases goods in bulk with its group companies in order to procure them at reasonable prices.

Consortium for Sustainable Paper Use

SuMi TRUST Bank is aware of the severe consequences of logging of tropical forests to supply raw materials for paper and the ongoing destruction of the ecosystem. Accordingly,

it participates in the Consortium for Sustainable Paper Use with like-minded paper-consuming companies and the World Wide Fund for Nature Japan (WWF Japan). SuMi TRUST Bank shares the initiatives being taken by each company, while aiming to spread the sustainable use of paper throughout society as a whole by requesting our suppliers to provide paper that is friendlier to the environment and society.

Policies on Paper Procurement Upheld by the Consortium for Sustainable Paper Use



- Prioritize use of recycled paper and paper certified by reliable systems
- Do not use paper from sources that destroy forests with high protection value
- Use paper that has been produced through appropriate procedures, from logging of raw wood in compliance with laws in the country of origin
- Do not procure products from business operators connected to significant environmental or social problems

Hosting Symposium on Sustainable Paper Use at SuMi TRUST Bank

In July 2016, SuMi TRUST Bank's head office hosted a symposium, "Supply Chain Cooperation among Companies: Aiming to Spread Sustainable Paper Use,"



for the Consortium for Sustainable Paper Use (CSPU).

At the symposium, CSPU representatives reported on their initiatives, and suppliers and industry organizations introduced their initiatives. Based on these presentations, the panel discussion debated what obstacles and issues stand in the way of spreading sustainable paper use further and what can be done to address them.

In parallel with CSPU activities, SuMi TRUST Bank is deepening its interactions with suppliers as a CSPU member. Furthermore, we intend to promote further dialogue based on the theme of cooperation between suppliers and users in a bid to realize CSPU's founding purpose. We plan to disclose the results of these initiatives in our CSR report and on our website.

Rules on Human Rights Policy

The human rights policy formulated by SuMi TRUST Group prescribes that SuMi TRUST Group "gathers information on cases where the corporate activities of our domestic and overseas suppliers and contractors (supply chain), and companies we invest in or lend to, negatively impact human rights" and that "in cases where relevant laws,

standards and policies are violated, necessary measures are taken as appropriate." The measures include requesting the resolution of a situation where human rights are being violated and suspending transactions and refusing to purchase products and services in case the situation is not resolved.

Sustainability Policy 4

Address Environmental Issues

- We aim to build a low-carbon society, a natural symbiosis society which fosters biodiversity, and a circular society, and will work to solve problems which obstruct these aims through our core businesses by cooperating with various stakeholders.
- We work on energy and resource conservation to reduce the direct environmental burden caused by our own activities.



Environmental Burden Reduction Measures

The Group has strengthened environmental management activities that support reducing the environmental burden generated by its business activities. We promote an efficient approach to environmental management that enables us to improve our operational efficiency and attain our goals for reducing our environmental burden and business expenses.



Sumitomo Mitsui Trust Holdings Environmental Policy

1. Provision of Products and Services

We will strive to reduce environmental risks and enhance environmental value for the society as a whole by providing financial products and services that contribute to the preservation of the global environment and the realization of a sustainable society.

2. Environmental Burden Reduction

We will strive to preserve the environment and realize a sustainable society through efforts toward energy conservation, resource conservation, and resource recycling based on the recognition of the burden imposed on the environment by the consumption of resources and the discharge of wastes involved in our business activities.

3. Pollution Prevention

We will strive to ensure continuous verification and improvement of our environmental activities and make efforts to prevent pollution.

4. Regulatory Compliance

We will comply with the laws, regulations, rules, and agreements concerning the preservation of the environment.

5. Monitoring

We will strive to ensure the continuous improvement of our environmental activities by setting and periodically reviewing and revising environmental objectives and targets.

6. Education & Training

We strive to ensure group-wide awareness of compliance with the Environmental Policy and to provide appropriate environmental education.

7. Information Disclosure

We will strive to promote activities to preserve the environment through communications with external organizations by publicly disclosing the Environmental Policy.

*The Action Guidelines for Mitigating Climate Change (see page 10) and the Action Guidelines for Preserving Biodiversity (see page 21) are specific guidelines that were drawn up based on this Environmental Policy.

Further Promotion and Group-Wide Deployment of Environmental Management

1. Environmental Burden Generated by Business Activities

Environmental Management Systems Integrated with a Framework for Operational Efficiencies

The Group operates environmental management systems (EMS) for reducing the environmental burden generated by its business activities. With the aim since April 2016 of linking efficient operation of these systems to our business activities, the Group has moved to a approach to systems operation that promotes initiatives for reducing environmental burden based on a framework that pursues gains in operational efficiency. In this context, taking into account time (labor productivity), materials (resource productivity), and costs (efficiency), our aim is the simultaneous attainment of the goals of operational efficiency, environmental burden reduction, and cost reduction. We manage systems to promote activities that are even closer to operations and are integrative and efficient in lowering paper consumption and reducing electricity consumption from the use of lighting and air-conditioning

through their linking up with activities aimed at achieving gains in operational efficiency by reforming operational flows and reorganizing shifts to reduce overtime hours and thus generating such knock-on effects as reducing our environmental impacts. We returned our ISO14001 certification attendant with operational changes we adopted but we continue to follow a PDCA cycle that reflects the main elements of ISO14001, and our promotion of initiatives in CSR procurement is in keeping with the main theme of the 2015 revisions to ISO14001, supply chain management. Environmental management systems (new) in the main is aimed at the same four primary environmental items as EMS (former): reducing electricity consumption (CO₂ emissions), reducing paper consumption, reducing waste disposal volume, and promoting green procurement (CSR procurement).

EMS within a Framework for Operational Efficiencies

| | EMS (old) | EMS (new) |
|---------------------|-----------------------|---|
| Operating framework | ISO14001 | Promotion of operational efficiency |
| Program aims | Eco-burden reduction | Concurrent achievement of greater operational efficiency, lower eco-burden, lower costs |
| Targets | Four large buildings* | All buildings, all branches |

*Buildings apart from the four main buildings are also subject to the Act on the Rational Use of Energy and local ordinances such as the Tokyo Metropolitan Ordinance on Environmental Preservation.

Examples of Initiatives Aimed at Concurrent Achievement of Greater Operational Efficiency, Lower Environmental Burden, and Lower Costs

| Initiative example | Effects from greater efficiency | Effects from lower costs | Effects from lower eco-burden |
|--|--|---|--|
| Paperless meetings | Lighter work load (e.g. preparing copies, replacing materials) and fewer work hours; prevent information leaks | Spend less on purchasing paper, reduce waste disposal costs | Conserve environment on lower paper use, less waste disposal |
| Even out work allocation and manage time to reduce overtime (encourage people to leave work at a set time, create leave-work-early days) | Less overtime means more self-initiated activities during off hours | Less overtime trims personnel costs and lowers electricity costs (reduced use of lighting and air-conditioning) | Help mitigate global warming via reduced electricity use |

Attainment Status of Environmental Targets in ISO14001

| Item | Building | FY2015 targets | | FY2015 results | | FY2016 targets | |
|-------------------------|-------------|----------------|-----------|----------------|-------------------|----------------|-----------|
| | | Base year | Targets | Down (Up) % | Target attainment | Base year | Targets |
| Paper consumption | Head office | FY2012 | Down 15% | Down 2% | × | FY2012 | Down 20% |
| | Fuchu | | | Down 5% | × | | |
| | Senri | | | Down 14% | × | | |
| | Shiba | FY2013 | Down 10% | Down 10% | ○ | FY2013 | Down 15% |
| Electricity consumption | Head office | FY2012 | Down 4.5% | Down 10% | ○ | FY2012 | Down 6.0% |
| | Fuchu | | | Down 2% | × | | |
| | Senri | | | Up 2% | × | | |
| | Shiba | | | Down 8% | ○ | | |
| Waste discharge | Head office | FY2012 | Down 15% | Down 8% | × | FY2012 | Down 20% |
| | Fuchu | | | Down 17% | ○ | | |
| | Senri | | | Down 29% | ○ | | |
| | Shiba | FY2013 | Down 10% | Down 1% | × | FY2013 | Down 15% |
| Green purchase | Head office | — | 93% | 92% | × | | 94.6%* |

*FY2012 results

Initiatives to Reduce Energy Use and CO₂ Emissions Related to Business Activities

The Group is striving to reduce its environmental impacts in the form of both inputs such as electricity and gas used for business activities and outputs such as CO₂ emitted as a result of activities. As Sumitomo Mitsui Trust Bank ("SuMi TRUST Bank") is subject to the Act on the Rational Use of Energy, it calculates the volume of energy consumption and CO₂ emissions at all of its sites across Japan using a common system. In fiscal year 2015, total electricity consumption at all sites across Japan came to 71 million kWh, down 7.3% from 77 million kWh in the previous year. City gas consumption declined 10% at 2.1 million m³ from the previous fiscal year.

At the Fuchu Building, which consumes the most electricity among Group facilities, the declines in electricity use for uninterruptible power supplies (UPS) for computer-related and air-conditioner operating hours both contributed. The Group worked to promote strictness toward applications to extend air-conditioner use into off hours at meetings of the building's coordinating and communication group, and thoroughness in reminding employees to request air-conditioners be shut off if they were the last one remaining in their section or department and were leaving sooner than planned. Major benefits were obtained from raising awareness by providing feedback in the form of aggregate data on actual air-conditioner operating hours and early shutoff requests from each section and department, and from constant efforts to

disseminate information about implementation. At the Shiba Building, additional measures such as pruning light bulbs in office sections and reducing the number of elevators in operation yielded benefits.

Annual CO₂ emissions at all domestic bases totaled 43,816 t-CO₂ as a result of these reductions in energy use, down 13.0% against fiscal year 2013's 50,380 t-CO₂, the recent peak. SuMi TRUST Bank's largest buildings in the greater Tokyo metropolitan area are subject to the mandatory reductions in CO₂ emissions proscribed in the Tokyo Metropolitan Ordinance on Environmental Preservation. In the stricter regime of the No. 2 plan period, which commenced in fiscal year 2015, the mandatory reduction rate for the four bases subject to the original mandatory reductions was raised to 17% from 8%. The head office building was also added as a base subject to mandatory reductions in the No. 2 plan period, and it achieved its mandatory reductions (adjusted for a single fiscal year basis) in fiscal year 2015. In the five years of the previous No. 1 plan period from fiscal year 2010 to fiscal year 2014, our reductions far exceeded the mandatory level, so the Group received emission permits equating to 39,117 t-CO₂, and we carried forward these emission permits into the No. 2 plan period. We will make effective use of the emission permits in executing reduction measures vis-à-vis emission increases from the addition of facilities and relocations.

Energy Usage and CO₂ Emissions (Domestic Bases)

| Energy usage | | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|-------------------------|-----------|-----------|---------|-----------|---------|---------|---------|
| Total volume of energy usage (heating value) | GJ | 1,081,210 | 1,107,217 | 999,891 | 1,000,431 | 949,345 | 913,496 | 846,830 |
| Total volume of energy usage (converted to crude oil) | kl | 27,895 | 28,567 | 25,797 | 25,811 | 24,493 | 23,568 | 21,848 |
| Energy usage intensity | kl/m ² | 0.062 | 0.063 | 0.055 | 0.053 | 0.055 | 0.053 | 0.051 |
| Electrical power | thousand kWh | 95,656 | 96,831 | 87,081 | 85,901 | 79,933 | 76,768 | 71,206 |
| City gas | thousand m ³ | 2,019 | 2,116 | 1,875 | 2,475 | 2,502 | 2,398 | 2,158 |

| CO ₂ emissions | | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|-----------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Greenhouse gas emissions volume | t-CO ₂ | 45,900 | 45,545 | 40,233 | 47,867 | 50,380 | 48,921 | 43,816 |
| Greenhouse gas emissions after adjustment | t-CO ₂ | 42,607 | 40,562 | 38,788 | 46,531 | 41,994 | 48,188 | 43,470 |
| Emissions intensity | t-CO ₂ /m ² | 0.102 | 0.101 | 0.086 | 0.099 | 0.114 | 0.111 | 0.103 |
| Emissions intensity (after adjustment) | t-CO ₂ /m ² | 0.095 | 0.090 | 0.083 | 0.096 | 0.095 | 0.110 | 0.103 |

Scope of calculation: SuMi TRUST Bank facilities in Japan subject to the Act on the Rational Use of Energy. Group companies are tenants in some facilities.

Calculation method: The emission factors in "Ministerial Ordinance on Greenhouse Gas Emissions Produced in Conjunction with the Business Activities of Specified Emitters" were used.

Emission factors and emission factors after adjustment for each electricity business were used as the electricity emission factors for calculation of emissions intensity.

CO₂ Emissions at Bases Subject to the Tokyo Metropolitan Ordinance on Environmental Preservation

| | | No. 1 plan period | | | | | | No. 2 plan period | |
|---------------------------|-------------------|-------------------|--------|--------|--------|--------|------------|---------------------|-------------|
| | | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | Cum. total | FY2015 (Four bases) | FY2015 (HQ) |
| Standard emissions | t-CO ₂ | 27,690 | 28,790 | 29,891 | 29,891 | 29,891 | 146,153 | 38,475 | 13,287 |
| Mandatory reduction ratio | % | 8 | 8 | 8 | 8 | 8 | — | 17 | 6 |
| Maximum emissions limit | t-CO ₂ | 25,476 | 26,488 | 27,501 | 27,501 | 27,501 | 134,467 | 31,936 | 12,490 |
| Mandatory reduction | t-CO ₂ | 2,214 | 2,302 | 2,390 | 2,390 | 2,390 | 11,686 | 6,539 | 797 |
| CO ₂ emissions | t-CO ₂ | 20,810 | 18,186 | 18,860 | 18,993 | 18,501 | 95,350 | 21,024 | 10,711 |
| Emissions reduction | t-CO ₂ | 6,880 | 10,604 | 11,031 | 10,898 | 11,390 | 50,803 | 17,451 | 2,576 |
| Excess reduction | t-CO ₂ | 4,666 | 8,302 | 8,641 | 8,508 | 9,000 | 39,117 | 10,912 | 1,779 |
| Emission permits awarded | t-CO ₂ | | | | | | 39,117 | | |

The emission figures in the table above show the reduction status at SuMi TRUST Bank's four bases with regard to the "mandatory reductions in total greenhouse gas emissions" and the "mandatory reductions in total greenhouse gas emissions via the emissions trading system" proscribed in the Tokyo Metropolitan Ordinance on Environmental Preservation (The four bases are the Fuchu Building, Shiba Building, Chofu Building, and Meguro Building). The head office building is a multi-tenant building with mandatory reductions that come into effect from fiscal year 2015 but SuMi TRUST Bank's mandatory reductions have not yet been finalized and so this data is shown in two columns in a separate table. Our emission reporting has been verified by a third-party assessment organization. The coefficients used to calculate emissions for the No. 1 plan period and the No. 2 plan period differ, so the performance over time of these periods cannot be compared.

Other Initiatives to Reduce Our Environmental Burden

As for copier paper, we reduced our paper use 15.7% year on year to a total of 726 tons in fiscal year 2015, returning our consumption to about the level of two years ago. Apart from the one-off jump in fiscal year 2014, we have made steady progress in reducing paper consumption in the past five years. The levels recorded for total waste disposal and paper disposal, both output categories, were lowest of the past five years. In these output categories, there have been temporary ups and downs due to system integration and

the base integrations or closures but a steady downtrend has been maintained overall. There are no silver-bullet measures that will yield an especially large reduction but through reforms to work flows and the like, we will work to reduce inputs such as limiting paper use in upstream workflows as much as possible, and we will apply a comprehensive operational approach to promoting reductions to outputs (disposals).

Performance concerning Paper Consumption, Water Use, Waste Disposal and Recycling

| | | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|
| Paper consumption | t | 898 | 992 | 808 | 764 | 861 | 726 |
| Recycled paper | t | 338 | 377 | 592 | 524 | 508 | 526 |
| Water use | thousand m ³ | 200 | 151 | 210 | 193 | 178 | 166 |
| Total waste disposal | t | 1,882 | 1,766 | 1,749 | 1,972 | 1,646 | 1,347 |
| Paper disposal | t | 1,360 | 1,360 | 1,361 | 1,064 | 1,057 | 946 |
| Recycled amount | t | 1,334 | 1,309 | 1,296 | 1,015 | 1,018 | 930 |
| % of total | % | 98 | 96 | 95 | 95 | 96 | 98 |
| Other waste disposal | t | 471 | 406 | 387 | 909 | 589 | 401 |
| Recycled amount | t | 233 | 207 | 96 | 357 | 142 | 124 |
| % of total | % | 49 | 51 | 25 | 39 | 24 | 31 |

Tabulation scope: Site buildings (excluding some branches in the case of water use)

2. Initiatives to Reduce the Environmental Burden at Group Companies

Nikko Asset Management Co., Ltd. (Nikko AM) has been a pioneer, launching Japan's first eco-fund in August 1999, and has contributed to conserving the environment as an asset manager that offers products that factor in environmental considerations. As a corporate citizen, Nikko AM proactively promotes environmental initiatives and administers the Nikko AM Employee Charity Program, a social

Nikko Asset Management's Three Environmental Policies

Increase green investors

As flows of funds through socially responsible funds (SRIs) are very significant for preservation of the environment, Nikko Asset Management strives to increase green investors.

Promote office activities such as energy and resource conservation

Nikko Asset Management strives to promote energy and resource conservation and recycling of waste and expand green procurement in offices. Nikko Asset Management also strives to prevent environmental pollution by complying with laws, regulations and other requirements related to the environment.

Develop information disclosure

Based on the recognition that it is extremely important from the perspective of the preservation of the environment that information disclosure related to the environment takes hold and develops as a social system, Nikko Asset Management develops information disclosure by actively disclosing information concerning its environment-related initiatives, including the environmental policies.

contribution program run by employees. With regards to reducing its environmental load, Nikko AM has targets to reduce copier paper consumption, conserve electricity, and reduce CO₂ emissions as well as a green procurement program. In fiscal year 2015, its performance deteriorated versus the previous fiscal year in all target categories due to an office space expansion but Nikko AM is working to constantly communicate in ways that remind its employees of the need to improve and reduce its environmental impact.

Sumitomo Mitsui Trust Panasonic Finance Co., Ltd. (SMTPFC) aims to reduce electricity consumption, copier paper consumption, and gasoline consumption. The adoption of a system where employees can work wherever a desk is empty along with the networking of PCs and projectors enabled SMTPFC to realize a compact office, and SMTPFC continued to sharply reduce electricity and copier paper use through reductions to overtime hours, a switch to electronic settlements that enabled work flow reforms, and paperless meetings. SMTPFC continues to promote activities aimed at concurrent attainment of greater operational efficiency, environmental burden reduction, and cost reduction. The elimination of personal trash containers at SMTPFC reminds employees to reduce waste disposal and promotes effective use of materials, and SMTPFC is working to ensure comprehensive implementation of this program.

At Group companies that are tenants of base buildings of SuMi TRUST Bank, the parent promotes the same initiatives for environmental burden reduction that it is advancing. The employees tasked with CSR or related responsibilities at each Group company are also in charge of promoting initiatives for environmental burden reduction.

Environmental Performance of Nikko Asset Management

| | | FY2012 | FY2013 | FY2014 | FY2015 | YoY Change |
|--|-------------------|--------|--------|--------|--------|------------|
| Electricity consumption | thousand kWh | 1,068 | 1,025 | 1,026 | 1,071 | 4.4% |
| Total energy consumption | GJ | 13,928 | 13,280 | 13,317 | 14,022 | 5.3% |
| CO ₂ emissions | t-CO ₂ | 532 | 508 | 510 | 537 | 5.3% |
| Copy paper procurement amount per employee | Piece | 660 | 628 | 627 | 672 | 7.1% |
| Stationery goods green procurement ratio | % | 57.2 | 58.6 | 59.6 | 50.6 | Down 9.0% |

Facilities covered by the above data: Head office building (Midtown)

CO₂ emissions: calculated based on the method of specified greenhouse gas emissions in the Tokyo Metropolitan Ordinance on Environmental Preservation (same emission coefficients as in fiscal year 2014).

Environmental Performance of Sumitomo Mitsui Trust Panasonic Finance

| | | FY2012 | FY2013 | FY2014 | FY2015 | YoY Change |
|-------------------------|-------|------------|------------|------------|------------|------------|
| Copy paper consumption | piece | 20,988,000 | 18,016,100 | 16,788,100 | 16,589,900 | Down 1.2% |
| Gasoline consumption | l | 186,384 | 167,991 | 140,031 | 127,237 | Down 10.1% |
| Electricity consumption | kWh | 1,923,028 | 1,691,772 | 1,218,525 | 1,007,260 | Down 21.0% |

Group CSR Meetings

Employees tasked with CSR or related responsibilities at each Group company are also in charge of promoting CSR activities such as environmental conservation and social contribution initiatives. These employees host Group CSR meetings on a regular basis and strive to share information with each other about important items and topics. At the Group CSR meeting held in December 2016, examples of initiatives implemented at Group companies in connection with environmental and social themes such as pursuit of business opportunities and social contribution as identified in the Group's materiality process were introduced. Group CSR meeting participants also strive to develop products and services that factor in environmental and social considerations and implement activities that align with the distinctive attributes of our businesses while working to disseminate information on amendments and revisions to rules, regulations and operating policy concerning environmental policies, CSR procurement policies, and human rights policies.



A photo of a Group CSR meeting

3. Medium- to Long-Term Targets

The Group sets medium- to long-term targets for reducing CO₂ and creating a circular society with a view to enhancing initiatives of the whole Group. Our targets reference the

numerical targets set by the Japanese Bankers Association, and we plan to set our own targets based on the Basic Energy Plan etc. issued by Japan's national government.

Medium- to Long-Term Environmental Targets for SuMi TRUST Bank

| | |
|--|---|
| CO ₂ reduction (reduction of electricity consumption) | Reduce electricity consumption rate (electricity consumption/total floor area) in fiscal year 2020 by 10.5% compared to fiscal year 2009. (Sumitomo Mitsui Trust Bank) |
| Creation of circular society (waste disposal) | Raise purchase rates of recycled paper and environmentally friendly paper to 75% or more in fiscal year 2015. (Sites consisting of the head office, Shiba, Fuchu, and Senri) |

4. Bolstering Supply-Chain Initiatives

SuMi TRUST Bank makes it a priority to purchase environmentally friendly products, especially products that factor in the environment such as energy-saving products and products on green procurement lists for purchases of office supplies and equipment for internal use. In addition to measures against resource depletion, SuMi TRUST Bank believes it has an obligation as a user to ensure the sustainable use of natural capital and prevent illegal logging of tropical rainforests.

The CSR procurement policy SuMi TRUST Group established calls for preferential procurement of goods and services that give due consideration to the environment and society, and CSR procurement, including at Group companies, is moving ahead. While seeking the cooperation of suppliers, we plan to expand CSR procurement in steps from paper products and office supplies to include printed materials and the like (to read our CSR procurement policy, please refer to page 99).

Sustainability Policy 5

Respect the Individual

- We respect individual rights and diverse values, rejecting unjustifiable acts of discrimination in all our activities.
- We create a safe and pleasant workplace environment, respect employees' diverse ways of working, and strive to achieve work-life balance.
- We work to develop the skills of employees and strive to build sound minds and bodies.



SuMi TRUST Group's Human Resources Strategy

Human resources are the most valuable resource of financial institutions. The Group endeavors to educate employees in human rights so that individuality is respected and they will not be subject to discrimination based on age, gender, nationality, etc. It also aims to increase corporate value by fostering a pool of human resources that can devise total solutions using all-around capabilities and well-developed expertise that fully draw on their individual uniqueness and creativity to create added value for the organization.



Increase Corporate Value

Fair Evaluations and Treatment

Highly Capable Human Capital

Bolster Human Resources

Foster human resources

Foster next-generation leaders

Global perspective

Diversity & inclusion

Maintaining Workplace Environments

Appropriate work management

Optimize work styles

Employee health

Prevent labor affairs problems

Stimulate Communication

Seminars and learning circles

Employee awareness surveys

"The Trust Bank" discussion

Personnel System Management Principles

Basic Policy for Personnel Affairs Management

SuMi TRUST Group's Human Rights Policy

Enhancing Human Capital to Increase Corporate Value

Basic Policy for Personnel Affairs Management

SuMi TRUST Bank provides a workplace in which individuals' diversity and creativity are fully utilized as valued added to the organization and they can have dreams and pride and feel a sense of satisfaction when working. SuMi TRUST Bank also forms a group of personnel capable of providing total solutions by making full use of their advanced expertise and comprehensive capabilities and helps them to make successful achievements.

Personnel System and Management Principles

- 1 SuMi TRUST Bank respects individuals' diversity and promotes voluntary initiatives so as to exercise creativity and create value added in a broad range of fields.
- 2 SuMi TRUST Bank promotes friendly rivalry among employees to improve themselves as well as their autonomous growth in order to enhance its expertise and comprehensive capabilities as a trust bank.
- 3 SuMi TRUST Bank assigns the right person to the right job according to job capability in order to make the most of individuals' potential.
- 4 SuMi TRUST Bank gives fair and just evaluation and treatment to individuals according to their capability, role and achievement so that they can have motivation and feel a sense of satisfaction at achieving self-fulfillment and contributing to the Company.

Bolstering Human Capital

Foster Human Resources

Recruiting Highly Capable People

It goes without saying that employing capable personnel is the starting point for developing a robust corporate foundation. The recruitment section of SuMi TRUST Bank website provides clear explanations of the characteristics of our personnel system, the function of trusts and their importance, and the business content of each of our divisions. The website is also designed to give visitors an idea of what working at a Group company is really like with features such as employee interviews, etc.

Like in the previous year, we featured CSR as a recruitment workshop theme.

More than 37,000 recent graduates applied via the website during the recruitment period for new entrants to join the Group in April 2017. As the number of job applicants has been increasing year after year, we pick successful applicants through a rigorous selection process.

Personnel Assignment System

Supporting Our Business Strategy

Career Course System Enabling Proactive Choice

SuMi TRUST Bank has implemented a course-based system that promotes employee career formation. Employees are streamed into three courses, the G Course, the R Course, or the A Course, depending on their likelihood of being

Number of New Recruits

| | Total (total of male and female) | Male | Female |
|--------|--|------|--------|
| FY2012 | 312 | 130 | 182 |
| FY2013 | 334 | 140 | 194 |
| FY2014 | 377 | 152 | 225 |
| FY2015 | 377 | 166 | 211 |
| FY2016 | 412 | 168 | 244 |

transferred and the nature of their work duties.

There is also a system, applied to all courses, that places employees into four work groups based on their demonstrated capabilities. By adopting this system, we encourage personnel management based on ability, rather than age or gender.

All employees regularly talk with their superiors on the status of career formation to be evaluated and receive feedback.

| Course name | | Residence and workplace relocation | Eligible business operations | Primary role |
|---|-------------------------------------|-------------------------------------|------------------------------|---|
| G Course (General and Global) | Nationwide relocation type | Possible | All operations | <ul style="list-style-type: none"> • Leaders of department- and branch-level organizations, or • High-level professionals regarding various specific operations |
| R Course (Retail & Region) | Operation- and region-specific type | Possible within the specified area* | Retail operation | <ul style="list-style-type: none"> • Leaders of retail-related department- and branch-level organizations, or • High-level professionals regarding retail operation |
| A Course (Area) | Region-specific type | None | All operations | <ul style="list-style-type: none"> • General managers of departments and branches, or • Professions regarding various specific operations |

*Nationwide- and regional-types (Tokyo, Kinki and Chukyo areas)

Respect for Employees' Will in Job Assignment

SuMi TRUST Bank determines job assignments after examining incoming new hires' aptitude through interviews with each of them before they formally join the bank. On the other hand, SuMi TRUST Bank attaches importance to new hires' will and motivation and provides them with opportunities to try acquiring qualifications hirers themselves desire (pension actuary, real estate appraiser, etc.) and offer them opportunities for challenging work at their first assignment (asset management and administration, market-related operations, etc.).

Internal Job Posting System

We have initiated an internal job posting system to encourage our employees to independently and voluntarily shape

their own careers. Under this system, employees applying for jobs to be allocated through the internal job posting system can move to the departments where the jobs are available if they pass the Human Resources Department's selection process.

Personnel Exchanges among Group Companies

At SuMi TRUST Bank, from the standpoint of bolstering our human resources across the entire Group and bolstering group-wide management, we promote seconding Group employees not only to affiliates but we also accept employees from affiliates at the parent bank. We offer training to Group employees seconded to affiliates at Sumitomo Mitsui Trust Career Partners Co., Ltd. to ensure such personnel exchanges go well.

Skills Development

While employee training and skill development in the Group are generally provided on an OJT* basis, group training is also provided. The objective is to improve employees' operational skills and management abilities. Many opportunities for self-development are also provided to encourage employees to continue improving their skills.

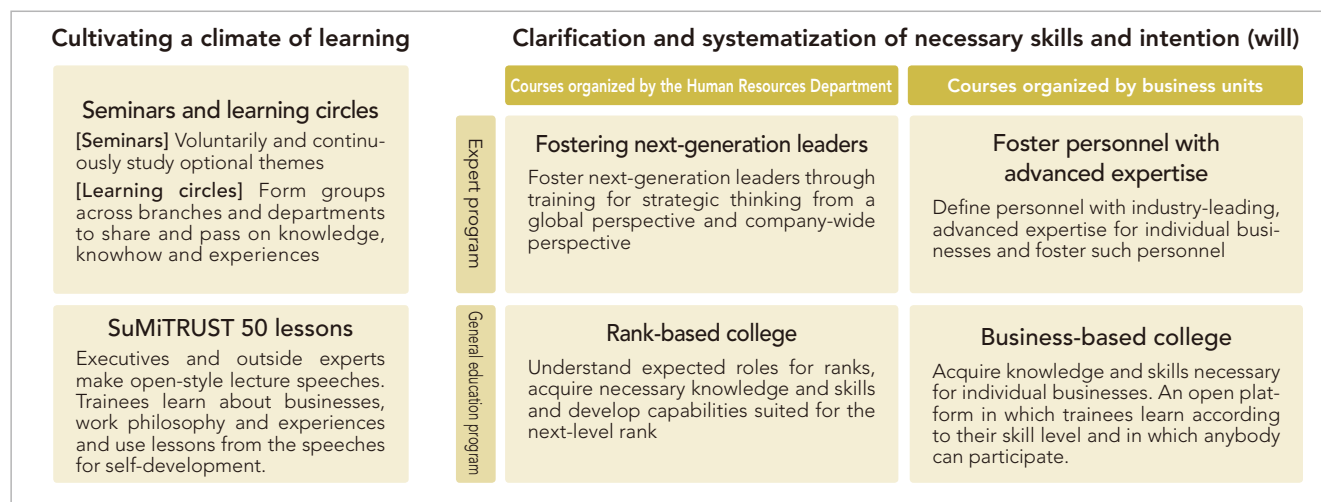
For example, we established SuMiTRUST University in May 2012. This company-wide program is aimed at realizing distinct added value that is "unique to a trust bank" and "distinctive of Sumitomo Mitsui Trust Bank." The program also develops human resources who can swiftly provide comprehensive solutions to clients. Under the operation principle of "building a culture of learning and developing human resources who can help themselves and be independent," we are developing a system to support employees improving their skills.

SuMi TRUST Bank's president serves as SuMiTRUST University's president, while SuMi TRUST Bank's executive in charge of the Human Resources Development and an outside expert serve as the university's vice presidents. The SuMiTRUST University receives advice regarding its management from Hitotsubashi University graduate school.

*OJT=On the Job-Training. OJT is a process whereby workplace supervisors and senior employees teach subordinates the knowledge, skills, and duties required of them via their daily tasks.

| | |
|--------------------------------------|---|
| OJT | Practical education is provided systematically and continuously in the workplace. |
| OFFJT (various training programs) | <p>Trainees acquire knowledge and skills systematically at the SuMiTRUST University as a "place of learning."</p> <ul style="list-style-type: none"> ◆ Various training programs • Training for new employees, rank-based training, business process-based training, language training (English and Chinese) <p>Carefully tailored training is provided according to the levels of experience and skill.</p> <ul style="list-style-type: none"> ◆ Web Campus • Learning system using the Internet, including e-learning |
| Self-development support | Financial assistance to cover the cost of various qualification and certification tests, grants to support obtaining credentials, support to obtain books for the disabled |
| Internal job posting system | Opportunities to apply for jobs desired by employees are provided. |
| Various trainee programs | <p>Capability development training programs, including training for acquiring qualifications and language training programs, are implemented.</p> <p><Overseas training and language training programs (English, Chinese and Thai), business process trainee program (New York, London, Shanghai, Singapore, etc.)></p> |

Concept Image of SuMiTRUST University



- Clarify skills and intentions (will) necessary for desirable personnel
- Launch rank-based colleges managed mainly by the Human Resources Department and business-based colleges managed mainly by individual business units and enhance the curriculum by classifying them into “general education programs” in which all trainees participate and “expert programs” in which trainees acquire advanced skills and expert knowledge.
- Launch an open-style lecture program in which executives and outside experts talk about businesses, work philosophy and experiences so that employees can use lessons from their talks for self-development.

Data concerning Training for Human Resources Development (FY2015)

| Training implemented by business units (a college for each business) | Training implemented by the Human Resources Department (rank-based training) | SuMiTRUST Academy* | Total |
|--|--|---------------------|-------------|
| 401 days (2,807 hours) | 63 days (441 hours) | 30 days (212 hours) | 3,460 hours |

*SuMiTRUST Academy is a program to provide various training in order to support employees willing to actively learn in a challenging environment from the perspective of fostering a culture of proactive learning.

Developing Next-Generation Leaders

In cooperation with Hitotsubashi University's Graduate Programs, we offer “GL” training for Global Leaders (for deputy general managers, associate general managers, and equivalents) and SL training for Strategic Leaders (managers, operational chiefs, or equivalents) to develop the next-generation executive candidates. Candidates receive instruction on the values, general liberal arts knowledge, and MBA elements they need for management, and through sessions and courses, they complete the program by presenting a proposal to senior executives.

Through visits to historical Mitsui and Sumitomo sites and exchanges with external lecturers and exchange students, the program aims to reaffirm SuMi TRUST Bank's origins and business spirit, broaden horizons, instill global awareness, and enable participants to build networks within and outside the company.

Global Response

Strategy for Recruiting Globally Minded Human Resources

We offer training every year to local-country employees working at our overseas branches and overseas subsidiaries and affiliates. Training is focused on deepening employee understanding of our operations and the bank. To strengthen

networks among participants and business lines, the training includes a management strategy briefing with an accompanying discussion as well as classes on Japanese business culture and history, and overviews relating to our various operations.

To further promote our global human resources strategy, we plan to increase the number of employees sent from Japan to work overseas to 223 as of September 30, 2016 from 115 as of March 31, 2012. We also plan to increase the number of employees with foreign citizenship working in Japan to 39 as of September 30, 2016 from 22 as of March 31, 2012. Moreover, some employees hired at overseas locations will be transferred to other overseas locations.

Diversity & Inclusion

Promote Diversity via Personnel Utilization

The Group has since its founding managed a range of diverse businesses and thus pursued a human resources strategy built on initiatives to develop expertise and recruit human resources from diverse backgrounds, and in October 2016, we established the Diversity & Inclusion Promotion Office (D&I Promotion Office) to promote communication among internal and external stakeholders amid growing recognition and penetration of the concept of diversity promotion in society.

Rather than stopping at diverse working styles for each

employee, the D&I Promotion Office aims to link work process reforms and innovation to the creation of value added for the organization and mutually reinforcing growth of human resources. The D&I Promotion Office along with managers with relevant responsibilities from the Human Resources Department and members of business oversight departments draw up effective D&I promotion measures that match the actual situation at each business.

Promoting and Supporting Women

The Group ensures “the right people are placed in the right positions based on their capabilities in order that all of our employees can realize their full potential.” We make sure that decisions about managerial promotions are based on merit. As of the end of September 2016, SuMi TRUST Bank had one female at the level of director, corporate auditor, and executive officer, 12 female employees at the level of general manager, 224 female employees at the level of section manager and 1,022 female employees at the level of assistant manager. To prepare the way for more proactively promoting female employees to the position of section manager or above, we offer training for female employees at three occupational ranks—those just under assistant manager, those appointed at a rank equivalent to an assistant manager, and those just under a section

manager—aimed at helping them build networks and form career paths on their own. Moreover, from the standpoint of supporting a balance between work and family life, we have put into place a variety of systems and cultivated a workplace environment that makes it easier for employees to choose flexible ways of working so they can readily adapt to major life events such as childbirth, childcare, and nursing care. Since October 2016, from the standpoint of promoting a diversity of work styles, we began to accept applications for transfers to another region on the basis of relocation for reasons such as marriage, the transfer of a spouse, and the need to care for a relative for A-course employees, who are hired as non-transferrable employees.

Employment of Disabled Persons

The Group hires disabled people who want to work, as well as to strive to create a more comfortable workplace for disabled people. As of March 31, 2016, our disabled person employment ratio was 2.04%.

Postretirement Employment of the Elderly

SuMi TRUST Bank has a program that re-employs retirees who meet certain criteria until they reach the age of sixty-five if they request employment (the Elder Partner Program). In recent years, approximately 90% of employees that reached retirement age use this program.

We certify employees with advanced expertise as Fellows, and have adopted a system where, depending on their results, their benefit levels do not decline. Employees that are eligible to become Fellows are re-employed through the age of sixty-five and, in principle, can extend their reemployment through the age of seventy.

Number of Female Employees in Management Positions

| | End of March 2015 | End of September 2015 | End of March 2016 | End of September 2016 |
|----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|
| Executives | 0 | 0 | 0 | 1 |
| Level of General Manager | 10 | 9 | 10 | 12 |
| Level of Section Manager | 186 | 193 | 192 | 224 |
| Level of Assistant Manager | 1,087 | 1,062 | 1,080 | 1,022 |

Upholding Positive Workplace Environments

Appropriate Work Management

Support for International Principles regarding Work

We support the ILO* Declaration on the Fundamental Principles and Rights at Work as a signatory to the UN Global Compact.

* ILO: International Labor Organization

Improving the Workplace Environment

The Group is conducting a broad range of initiatives to improve the workplace environment. Specifically, we have been working on reducing the level of overtime work by carrying out thorough work-efficiency and time-management measures. In addition, we have attempted to reduce total working hours by encouraging employees to take long holidays and by conducting promotions such as a “Go-Home-Early” month and a “Leave-the-Office-on-Time” week.

Specific Initiatives

- Set a ceiling on overtime hours for employees who habitually work long hours;
- Develop good management practices for implementing efficient operations;
- Ensure a flexible approach is in place for employees working long hours by encouraging them to take half-day paid leave or come to work later in the day; and
- Regarding the status of overtime work and the management of systems to promote employee health, we discuss these issues four times per year at meetings of the Board of Directors and listen to the opinions of attendees, including those from external directors and external corporate auditors, and utilize these in drawing up and executing proposals.

Optimize Work Styles

Measures to Promote the Realization of a Healthy Work-Life Balance

The Group actively works to establish a workplace environment where employees can work while feeling at ease and still maintain a good balance between work and their personal lives. SuMi TRUST Bank offers childcare leave for fathers and up to 10 days per year (in the case of employees with two or more children requiring care) of additional leave to look after sick children, in addition to offering childbirth and childcare leave until children reach the age of two. Furthermore, we offer employees who are pregnant or who live with and raise children of or below the third grade of elementary school a system of shorter working hours and the freedom to choose to refrain from working overtime or at night. These measures have allowed us to create an environment where parents can raise their children with peace of mind. Moreover, we plan to enable the 368 employees taking childcare leave as of end-March 2016 to access Web Campus while on leave and to provide them forms to file for childcare leave extensions, etc. available

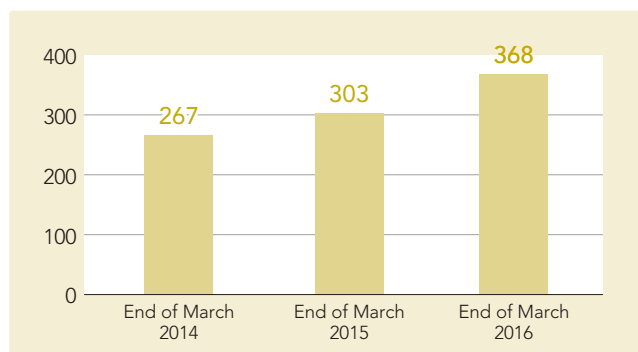
on the website. We plan to prepare introductory handbooks for employees and managers on this system, various procedures, and points to be considered.

Moreover, for employees with family members who require nursing care, we offer up to 10 days (with two or more family members requiring care) of nursing care days-off, a nursing care leave system that provides leave for as long as a one-year period, and a shortened workday system that applies for up to three years (for each applicable family member).

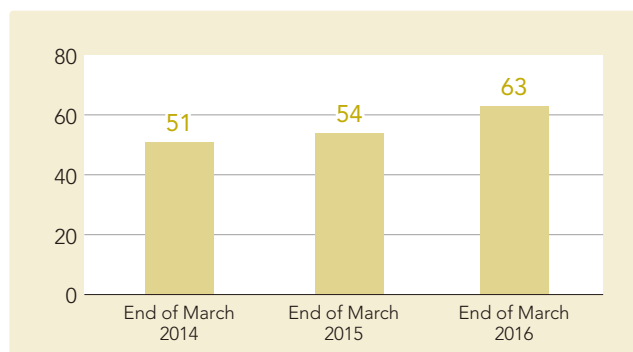
In addition, we hold "Family Visit Days," when family members of employees are invited to the workplace in order to deepen bonds and communication between family members, and to provide an opportunity for families to consider what it means to work as part of society.



Number of Employees Taking Childcare Leave



Number of Employees Taking Nursing Care Leave



SuMi TRUST Bank's System for Childbirth and Childcare (as of end of March 2016)

| Item | Pregnancy | Before childbirth | After childbirth | Under 1 year of age | Until the child's second birthday | To under elementary school age | Until third grade of elementary school |
|--|-----------|-------------------|------------------|---------------------|-----------------------------------|--------------------------------|--|
| Staggered working hours | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Secure time for hospital visits, ease the burden of commuting, etc. | ○ | ○ | ○ | ○ | | | |
| Prenatal and postnatal leave (8 weeks before and after childbirth/paid) | | ○ | ○ | | | | |
| Maternity and childcare leave (first week is paid leave) | ○ | ○ | ○ | ○ | ○ | | |
| Childcare time (1 hour a day or two 30 minute periods a day/paid) | | | | ○ | | | |
| Exemption from overtime work | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Exemption from late-night work | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Shortened workday system (shorten working hours by no more than 2 hours a day) | ○ | ○ | ○ | ○ | ○ | ○ | ○ |
| Nursing care leave | | | | ○ | ○ | ○ | |

Prevent Labor Affairs Problems System to Respond to Complaints related to Labor Practices, etc.

From the perspective of promoting appropriate labor affairs management, SuMi TRUST Bank has established, within the Human Resources Department, the Personnel Consultation Desk, at which employees can receive consultation without going through the regular reporting line when problems related to personnel and labor affairs management, such as unfair and unjust labor affairs management practices and workplace harassment, occur. As a safety net to guard against labor affairs problems, the Personnel Consultation Desk strives to appropriately handle consultation cases while promptly cooperating with relevant persons.

Regarding skilled contract employees, SuMi TRUST Bank has started personnel affairs support services, including rotation interviews with employees, through an affiliated company (Sumitomo Mitsui Trust Business Service). SuMi TRUST Bank prevents labor affairs problems by grasping the circumstances of individual employees and collecting opinions and views which may be difficult to express in the workplace through these services.

Number of Consultations Concerning Labor Practices, etc. at SuMi TRUST Bank

| | |
|--------|----|
| FY2013 | 39 |
| FY2014 | 46 |
| FY2015 | 42 |

A Handbook for Overseas Employees, Domestic Employees Posted Overseas

Based on discussions (please refer to page 93) by our ESG Risk Response Project Team, the "Overseas Application Handbook" SuMi TRUST Bank has published notes all the social and cultural custom risks that overseas employees and domestic employees sent overseas ought to be aware of.

In drafting the handbook, we referenced reports by Business for Social Responsibility (BSR), a nonprofit that originated in the United States that works with companies on sustainability issues, and research materials released by the Industrial Federation for Human Rights, Tokyo.

Understanding the customs and taboos emanating from the culture, religion, national identity, and unique attributes

of each country enable our employees to obtain a deeper understanding of the behavior and sentiments of people in other countries and thus build a foundation for smooth communication and mutual trust. The handbook covers a wide array of bases from summary data on each country such as Transparency International's Corruption Perception Index* (country rankings), manners for various scenarios such as when doing business or sharing a meal, widely shared sensibilities and basic knowledge as well as taboos, differences between Japanese culture, customs, and lifestyles and those of the relevant country to the human rights of women in each country and customs and rules arising from religion. With our Global Business Planning and Coordination Department and Human Resources Departments at the fore, we publicize the handbook to encourage employees to look through it as a reference before going overseas.

*Transparency International is an international NGO dedicated to fighting corruption, especially corruptions among public-sector authorities. The handbook's country ranking is based on Transparency International's Corruption Perception Index that covers 175 countries and territories.

Dialogue with Employees

SuMi TRUST Bank's labor union has a total of 8,512 members, equivalent to 63% of all of its employees (as of the end of March 2016).

The Company and the union have concluded a labor agreement and are conscientiously complying with it in order to ensure sound development of the Company and enhance the status of union members.

Under the labor agreement, management consultation meetings, which are attended by the President and other senior managers as well as union representatives, and branch and department consultation meetings, which are attended by representatives of the labor and management sides at individual branches and departments, are periodically held to discuss working conditions for union members and how to maintain the working environment.

The union conducts organizing activities at individual workplaces and implements surveys concerning employees' satisfaction level and the workplace environment in order to reflect employees' opinions in business management through management consultation meetings and branch and department consultation meetings.

At other group companies as well, there are initiatives to ensure smooth business operation and maintain and improve the workplace environment through dialogue between the companies and unions or representatives of employees.

Employee Health Employee Health Management

In an effort to help our employees manage and improve their health, we have appointed medical and hygiene supervisors (hygiene promoters) at each of our business locations to provide detailed health management guidance. Moreover, we provide health examinations every year and assistance to employees and their families to enable them to receive comprehensive physical examinations at facilities through our health insurance association.

Moreover, we offer mental health counseling at clinics within the company in addition to conducting stress checks once a year for all employees. Our health insurance association also provides free health advice to employees by telephone. In addition, we have activities such as training for managers to raise their awareness at recognizing the importance of employee health management.



Specific Initiatives

- From the standpoint of bolstering employee health management, we thoroughly disseminate to employees their duty to manage their health, and we encourage independent and voluntary health management.
- We ensure a flexible approach is in place for employees working long hours by encouraging them to take half-day paid leave or come to work later in the day.
- Regarding regular health checkups, re-examinations, and those who have missed checkups but need medical treatment, we commenced a comprehensive program for checkups in coordination with branches and departments.
- We put into place conditions for ascertaining the health status of each employee through daily communication within departments, human resource appraisal interviews, and the filing of job condition applications (once a year), in addition to regular health checkups.
- We offer influenza shots at the head office building, the Shiba Building, and some branches and issue warnings to protect against the spread of influenza, norovirus, and other infectious diseases.
- We encourage employees to participate in radio calisthenics at the start of the work day.
- Regarding the status of overtime work hours and the management of systems to promote employee health, we report on these issues four times per year at meetings of the Board of Directors, and we listen to a broad range of opinions, including those from external directors and external corporate auditors, and utilize these in drawing up and executing proposals.

Fair Evaluations and Treatment

Personnel Evaluation Systems with Individual Employee Participation

The purpose of our personal evaluation system is as follows.

- 1 To maximize our performance as an organization by aligning the vectors of the company and individual employees in the same direction;
- 2 To ensure goal setting and issue identification, daily communication, and face-to-face meetings to review performance, etc. lead to changes in behavior and capacity development;
- 3 To fairly evaluate the various achievements of employees and the diverse capabilities they have demonstrated to ensure they are assigned to appropriate jobs and treated justly.

SuMi TRUST Bank's personnel evaluation system enables individual employees to participate in the evaluation process. At the beginning of each business term, SuMi TRUST Bank's employees consult with their supervisors and determine specific business execution tasks.

After the end of the term, supervisors meet face to face with employees and review their attainment level versus issues identified and the process they went through to deliver results, provide them with assessments they find convincing, and afford them capability evaluations across the process they followed to achieve results.

Bonus System Reflecting Business Performance

From the perspective of encouraging individual employees to fully exercise their capabilities, SuMi TRUST Bank has introduced a system to appropriately reflect the business performance of the whole of the Group and individuals' performances and achievements in the bonus amount with a view to realizing "incentives for building up earnings for the whole Group as well as for contributing to business units, branches and departments" and "fair and highly

transparent system management through clarification of the process of reflecting business performance."

Through appropriate evaluation of personnel and the payment of bonuses reflecting performance, the Group has developed an environment that enables capable personnel to fully exercise their capabilities.

| Employees to be evaluated |
|--|
| 9,712 employees in career formation courses (as of end of March 2016) |
| Business performance indicators used to determine performance-linked bonuses |
| Achievement ratio of the consolidated net business profit before credit costs |
| Achievement ratio of the consolidated net income |
| Evaluation method used to measure individuals' performance |
| Decided through relative distribution among employees belonging to the same business unit based on the results of performance evaluation specified under the personnel evaluation system |

Results of the Employee Satisfaction Survey

SuMi TRUST Bank conducts an "attitude survey" of all employees in order to objectively identify employees' perception of the dissemination of measures taken by the company, the personnel system and its operation, the workplace environment and engagement.

| | FY2012 | FY2013 | FY2014 | FY2015 |
|--------------------|--------|--------|--------|--------|
| Vitality level | 63.0 | 62.3 | 62.1 | 61.5 |
| Satisfaction level | 62.3 | 61.3 | 61.4 | 61.1 |

Vitality level: Indicator of the level of expectations for the future, forward-looking thinking, willingness to contribute to the organization, work motivation

Satisfaction level: Indicator of how much satisfaction employees get from the contents of their job duties, the working environment and personal relationships.

Initiatives concerning Human Rights

1. Human Rights Management

Establishment of Human Rights Policy

Under the “Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy),” the Group upholds respect for individuals’ human rights and diverse values and rejects unjustifiable acts of discrimination in all its activities. Moreover, in December 2013, to ensure the execution of the aforementioned basic policy, the Group formulated its human rights policy, which serves

as a standard for acts and judgments concerning human rights, and on November 1, 2016, we amended this policy to add text prohibiting discrimination against LGBT and disabled people. Based on this policy, the Group respects the human rights of all stakeholders with whom we are involved when conducting routine business activities and providing products and services.

Human Rights Policy

At the Group, based on the “Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy),” we strive to foster a corporate culture and workplace environment that respects the basic human rights of clients and all stakeholders, always act with a strong sense of ethics and social conscience in all aspects of our corporate activities, and achieve sustainable development as a corporate group that is trusted by society.

1. Respect International Standards

We respect international standards on human rights, such as The Universal Declaration of Human Rights and corporate codes of conduct based on the United Nations Global Compact.

2. Prohibit Discrimination

We reject, in all our corporate activities, discrimination and infringement of human rights based on race, nationality, gender, sexual orientation, gender identity, origin, social status, beliefs, religion, disability, physical characteristics, and the like.

3. Foster a Corporate Culture that Respects Human Rights

We regard every kind of human rights issue as one facing us and encourage our employees to think from the other person’s point of view so as to foster a corporate culture that respects human rights.

4. Establish a Pleasant Workplace Environment

We establish a pleasant workplace environment by encouraging all executives and employees to treat each other as business partners

and build equal relationships that allow a free exchange of opinions.

We acknowledge that such behavior as sexual harassment and power harassment impair human dignity; therefore, we do not allow such behavior.

5. Ensure Fair Recruitment

We implement strict and fair screening in the recruitment of employees and others, solely based on individual capability and suitability.

6. Implement Human Rights Education Training

With the aim of resolving all kinds of actual or potential issues related to human rights and encouraging all executives and employees to develop a deep appreciation of human rights that appropriately reflects relevant and accurate facts and information, we work on a wide range of human rights education activities, including one addressing discrimination against the Dowry caste, a specifically Japanese social minority, through every kind of opportunity, mainly annual workplace-based human rights education training.

The above-mentioned policy also applies to our overseas network, and the Group gathers information on cases where the corporate activities of our domestic and overseas suppliers and contractors (supply chain), and companies that we invest in or lend to, negatively impact human rights. In cases where relevant laws, standards, and policies are violated, necessary measures are taken as appropriate.

Basic Philosophy

The Group’s human rights management is based on the “Guiding Principles for Business and Human Rights,” which

was adopted by the United Nations Human Rights Council in June 2011.

Human Rights Management System based on the Guiding Principles for Business and Human Rights

| | |
|--|---|
| Commitment | Establishment of the Human Rights Policy |
| Implementation of human rights due diligence*1 | Once a year, the Human Rights Due Diligence Self-check List*2 is distributed to all branches, departments, and affiliates both at home and abroad as a tool to check the status of respect for human rights at each unit. |
| Access to redress | The Personnel Consultation Desk (LGBT consultation desk) in the Human Resources Department serves as a contact point. |

*1 Human rights due diligence refers to a series of initiatives to identify actual or potential impact on human rights, resulting from the activities of the Group or related outside parties, to develop measures for the prevention or mitigation of such impacts, and to continuously verify and disclose the effectiveness of such measures.

*2 A check list serves to verify the progress in each department concerned with the Human Rights Management System, such as the status of implementation of human rights due diligence, compliance with the Human Rights Policy, and occurrence of human rights violations.

Outline of the Human Rights Management System

The Human Rights Due Diligence Liaison Committee chaired by the Head Office Executive of the CSR Promotion Office, Corporate Planning Department, was established in December 2013 as a joint organization by Sumitomo Mitsui Trust Holdings ("SuMi TRUST Holdings") and Sumitomo Mitsui Trust Bank ("SuMi TRUST Bank"). The roles of the concerned units are as follows.

Human Rights Due Diligence Liaison Committee

- Chaired by the Head Office Executive of the CSR Promotion Office, Corporate Planning Department, this committee engages in investigating the status in addressing human rights at all Group companies including overseas entities, derives tasks to be addressed, and discusses measures for improvement.
- This committee conducts annual investigations into the status of addressing human rights by using the Human Rights Due Diligence Self-check List.

Departments Forming Human Rights Due Diligence Liaison Committee

| Sumitomo Mitsui Trust Holdings |
|---|
| Corporate Planning Department, Human Resources Department, Corporate Administration Department, Risk Management Department, Compliance Department |
| Sumitomo Mitsui Trust Bank |
| Corporate Planning Department, Human Resources Department, Corporate Administration Department, Risk Management Department, Compliance Department, Customer Satisfaction Promotion Department, Global Business Planning and Coordination Department, Fiduciary Business Planning Department, and Wholesale Business Planning Department |

Corporate Planning Department

This department formulates objectives and plans for the development and reinforcement of the framework to address human rights issues within the Group, based on discussions at the Human Rights Due Diligence Liaison Committee.

Human Resources Department and Human Rights Education Committee

These organizations engage in the planning and implementation of measures including human rights education

Organizational Structure of the Human Rights Education Committee

| | |
|---------------|--|
| Chairman | Executive in charge of the Human Resources Department |
| Vice Chairman | General Manager of the Human Resources Department |
| Members | General Managers and employees responsible for personnel affairs at branches and departments |
| Secretariat | Human Resources Department |

training, based on discussions at the Human Rights Due Diligence Liaison Committee. Specifically, the Human Rights Education Committee, chaired by the executive in charge of the Human Resources Department, plays the central role in implementing various training programs and conducting education activities concerning human rights issues.

All Branches, Departments, and Affiliates at Home and Abroad

Each unit verifies the status of compliance with Human Rights Policy, based on the Human Rights Due Diligence Self-check List.

Main Items on the Human Rights Due Diligence Self-check List

- ☒ Consideration for Human Rights Issues in Management
- ☒ System to Promote Human Rights Awareness (system administration, response when human rights issues occur, etc.)
- ☒ Human Rights Education (implementation of human rights awareness training, etc.)
- ☒ Response to Human Rights Issues by Category
 - ☒ Understanding and awareness of the Dowry Issue
 - ☒ Whether recruitment and hiring are implemented fairly
 - ☒ Companies and society (ending discriminatory expressions, understanding of universal design, etc.)
- ☒ Human rights in the workplace (harassment prevention, consideration for the elderly, consideration for the disabled, understanding for those with contagious diseases such as HIV, etc., understanding for LGBT community)
- ☒ Balancing work and family (consideration for employment diversity in personnel system, consideration for maiden name use, understanding for childbirth & childrearing support and for nursing case leave, etc.)
- ☒ Pursuit of job satisfaction (fairness in personnel evaluation and treatment, equality of opportunity, respect for the individual, safety and crisis management that take into account disabled and pregnant workers, etc.)
- ☒ Awareness activities about various human rights issues (discrimination on the basis of nationality, discrimination against the elderly, child labor; discrimination against lepers, those identifying as LGBT, and ex-convicts, etc.)
- ☒ Consideration for human rights issues in loans & investments and supply chain (racial discrimination, child labor, human health, environmental destruction that affects people's livelihoods, weapons and armament manufacture contrary to humanitarian concerns, fairness in hiring activities, consideration for employee human rights, etc.)
- ☒ Activities of those responsible for human rights awareness in Human Resources Department

Personnel Consultation Desk (LGBT Consultation Desk)

While responding to various claims and inquiries concerning human rights, the relevant departments and units work together to swiftly take necessary steps (see page 119) in cases where it becomes evident human rights have been infringed.

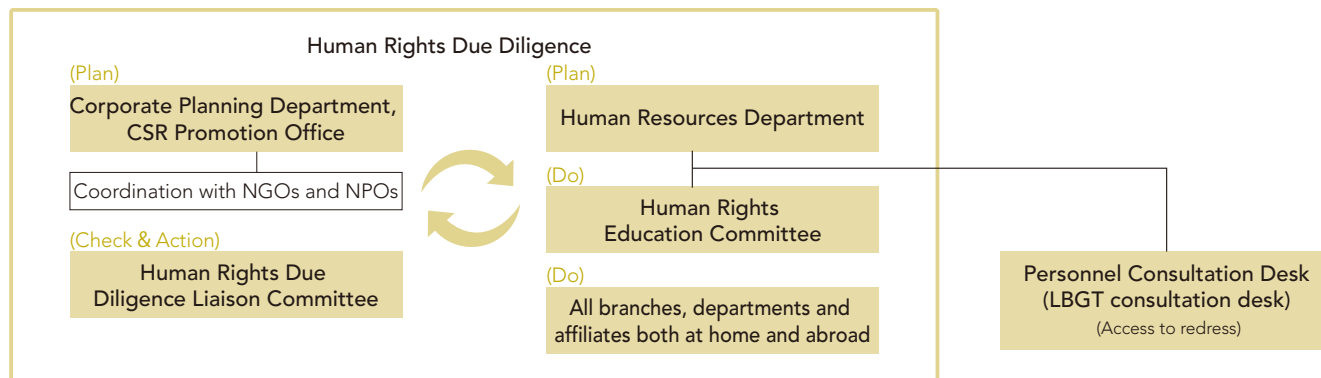
The total number of consultations received through the consultation desk came to 42 in fiscal year 2015. All cases have been resolved, with the exception of one case.

Human Rights Management based on PDCA Cycle

Through the PDCA cycle, the Group strives to improve the quality of its human rights management so as to cultivate a workplace environment and corporate culture where the

basic human rights of all stakeholders are respected, unjustified acts of discrimination are rejected, and individual rights and diverse values are respected.

Human Rights Management System Based on PDCA Cycle



2. Education concerning Respect of Human Rights

The Human Rights Education Committee dispatches a “Human Rights Awareness Tool” by e-mail to all employees on a monthly basis, which cites outstanding examples that illustrate respect for human rights. The Committee also organizes workplace based human rights education training for about one hour per year for each employee on average at all branches, departments, and affiliates across the Group. In fiscal year 2015, 21,881 employees out of the 23,433 employees at 282 departments who were required to receive training received a total of 423 hours of training (training participation ratio of 93.38%).

In the meantime, human rights-related themes are taken up in collective training such as rank-based training and in

divisional meetings, in an effort to enhance human rights awareness among employees.

In fiscal year 2015, 25 sessions of rank-based training were held for a total of 16 hours with the participation of a total of 1,434 employees.

Training concerning Human Rights in FY2015

| | Number of trainees | Training hours |
|---|--------------------|----------------|
| Workplace-based human rights education training | 21,881 | 423 |
| Rank-based training | 1,434 | 16 |

3. Protecting Various Human Rights

Initiatives for Diversity & Inclusion

The Group disseminates information to employees to promote diversity & inclusion with conviction and as a way to respond to laws to end discrimination against the disabled (Elimination of Disability Discrimination Act) and to promote a more active role for women at work (Act of Promotion of Women’s Participation and Advancement in the Workplace) that came into effect in April 2016.

Initiatives to Address Dowa and Foreign Residents Issues

The Group regards tackling discrimination against the Dowa caste as a particularly important theme in the promotion of human rights education. The origins of our Group’s efforts to be more active in human rights education goes back to the Dowa issue. The Group has continued to draw on insights from external bodies, such as the Industrial

Federation for Human Rights, Tokyo, and at the same time, we have worked to completely eliminate prejudiced or discriminatory views against the Dowa caste through various training programs and education activities, including new employee training.

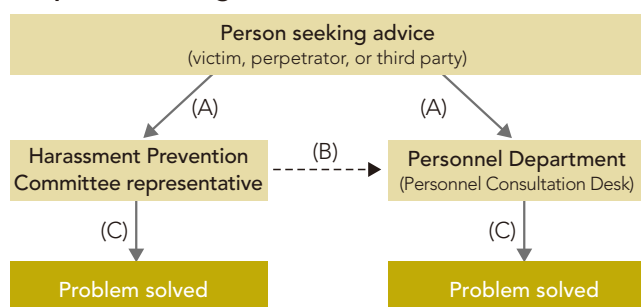
With regard to foreign residents issues, we discuss the residency management system, which was launched on July 9, 2012. Rank-based training was provided on giving consideration to the human rights of foreign residents, including the handling of personal authentication documents and respecting privacy, envisioning such situations as identifying oneself at service counters.

Prevention of Sexual Harassment and Power Harassment

Sexual harassment and power harassment are actions that infringe on the human rights and personal dignity of individuals

and are prohibited. In particular, we strictly prohibit sexual harassment. Such behavior can both damage the character of an individual and infringe upon his or her human rights. We have taken a particularly strict stance on prohibiting sexual harassment within the workplace. In terms of power harassment, we are working toward the elimination of all forms of this problem. This problem is based on advantageous positions in the workplace. It is not limited to harassment by superiors of subordinates, but also includes harassment between senior employees and junior employees, colleagues, and even harassment by subordinates of their superiors. In the event harassment does occur, advice is sought and complaints are

Structure for Advice/Complaints and Response relating to Harassment



- (A) Advice is sought and complaints are registered via the Harassment Prevention Committee representative in each branch or department, or directly by the Personnel Consultation Desk within the Human Resources Department.
- (B) The Harassment Prevention Committee representative will, where necessary, consult the Personnel Consultation Desk within the Human Resources Department and request advice or measures to address the case.
- (C) The Harassment Prevention Committee representative or the Personnel Consultation Desk within the Human Resources Department will, once they understand the details of the complaint being registered by the complainant, interview the party accused of harassment, as well as other related parties as necessary, in order to accurately understand the situation, and attempt to solve the issue via advice or other measures.

registered via the Harassment Prevention Committee representative in each branch and department, or directly by the Personnel Consultation Desk within the Human Resources Department. When advice is sought by a victim, a person in charge conducts an overall investigation that includes interviews with relevant parties on the specific behavior indicated, the relationship of the people involved, the response of the victim, etc. Either stringent corrective measures or punishment—or both—are implemented against the perpetrators.

Furthermore, we discuss harassment in workplace-based human rights education training, new employee training, and training implemented for different management levels. We are committed to ongoing educational activities to ensure that all employees are well acquainted with the principles and issues.

Initiatives to Prevent Discrimination against LGBT People

One theme of our training on human rights in the workplace in fiscal year 2016 is sexual minorities such as LGBT and ensuring thoroughness in preventing discrimination against them in hiring or performing their work. Our Personnel Consultation Desk (LGBT Consultation Desk) responds to such concerns as an ally (supporter). In October 2016, we published an LGBT consultation response manual to enable those responsible to respond when an employee comes to them to discuss LGBT-related issues in a workplace context. In November 2016, we amended our human rights policy to add text prohibiting discrimination against LGBT people.

The LGBT Information Liaison Committee, launched in November 2015, comprises the Human Resources Department, Corporate Planning Department, Corporate Administration Department, and departments responsible for operations and retail business planning. It gathers LGBT-related information concerning employees, clients and suppliers and studies internal systems and product development.

4. Factoring Human Rights Issues into Lending and Investment Decisions

Basic Policy

The Group collects information on whether the business activities of the companies in our loan and investment portfolios, including those based overseas, negatively impact human rights. In cases where relevant laws, standards, and policies are violated, necessary measures are taken as appropriate.

Investments and Loans related to Cluster Bombs

The Group refuses to provide loans to either domestic or overseas borrowers for the purpose of financing production of cluster bombs, which are recognized as a weapon raising strong humanitarian concerns. In asset management as well, regarding active investment, the Group prohibits investment in companies involved in the production of cluster bombs and anti-personnel mines in principle. Regarding passive investment, the Group conducts engagement activities (please refer to page 46).

SuMi TRUST Bank encourages companies involved in

the manufacture of anti-mine personnel and cluster bombs to stop doing so through our engagement activities, and as a result, we received a letter expressing intent to exit this business in August 2016 from U.S.-based Company C, which follows a November 2015 letter from Asia-based Company B also expressing exit intent.

Applying Equator Principles to Project Finance

Large-scale projects such as mine development and infrastructure can have substantial impacts on the natural environment and local communities. In February 2016, we became a signatory to the Equator Principles, international guidelines on project finance for private-sector financial institutions, and have commenced operational structures necessary for implementation (see page 96). The Group has adopted this framework to check whether large-scale development projects adequately factor in human rights and local communities.

5. Human Rights in Supply Chain Management

Based on the CSR procurement policy we have formulated, we strive to conduct transactions with and procure products and services from suppliers who respect basic human

rights, give consideration to industrial safety and health, and avoid violations of human rights, such as unjust discrimination, forced labor and child labor (Page 99).

Employee Breakdown (Sumitomo Mitsui Trust Bank)

| | As of end of March 2015 | As of end of March 2016 |
|---|--|--|
| Number of employees | 13,552 (6,329 men)(7,223 women) | 13,463 (6,221 men)(7,242 women) |
| Hong Kong | 44 | 50 |
| Japan | 12,910 | 12,800 |
| China | 143 | 137 |
| Korea | 3 | 3 |
| Thailand | 6 | 4 |
| Singapore | 123 | 129 |
| Indonesia | 6 | 6 |
| UK | 147 | 157 |
| USA | 170 | 177 |
| Average age | 42.2 (Male: 43.1)(Female: 41.4) | 42.5 (Male: 43.4)(Female: 41.8) |
| Average continuous years of employment | 12.8 (Male: 15.8)(Female: 10.2) | 13.0 (Male: 16.0)(Female: 10.5) |
| Average annual salary | 7,205 thousand yen | 7,220 thousand yen |
| Number of temporary staff | 536 | 508 |
| Number of part-timers | 128 | 125 |
| Number of disabled persons employed | 259 (Disabled person employment ratio: 2.06%) | 258 (Disabled person employment ratio: 2.04%) |
| Number of employees using the Elder Partner Program | 485 | 448 |
| Number of absentees (annual) | 330 (131 men)(199 women) | 361 (127 men)(234 women) |
| Number of employee turnover (annual) | 318 (84 men)(234 women) | 335 (127 men)(208 women) |
| Number of work-related accidents (annual) | 90 (accidents during work: 51; accidents during commuting 39) | 73 (accidents during work: 38; accidents during commuting 35) |

Sustainability Policy 6

Participate in and Contribute to the Community

- We aim to revitalize communities and build a rich living environment in cooperation with various partners in all communities where we engage in corporate activities, through our business activities and social contributions such as educational and cultural activities.



"With You" Activities Carried Out across Japan

As a good corporate citizen that embraces the idea of acting together "With You," Sumitomo Mitsui Trust Bank ("SuMi TRUST Bank") promotes social contribution activities rooted in local communities, known as "With You" activities, primarily through its local branch offices located across Japan.

Support for the environment and living creatures



- ESD Project (environment education)
- Conservation activities to protect and rear endangered species
- Donation activities
(Vending machines directing a percentage of sales to social contribution programs, Bellmark, ring-pulls on cans, used stamps, recyclable books, etc.)
- Initiatives to save energy at domestic offices
- Lobby exhibitions on World Heritage sites, nature, and biodiversity

We support the activities of Natural Trusts ▶ see page 37

SuMi TRUST
With You[®]
Enhancement of trust through diligent efforts

Support for this generation of seniors

- Send seminar speakers to organizations & local elderly-care homes
- Initiatives involving dementia
- Distribute "The Healthy Centenarian's Encyclopedia"
- Lobby exhibitions supporting "Second Life"
- Hold lectures and seminars for the elderly

Our Silver College seminar series ▶ see page 34

Contributions to local communities and society



- Events offering financial education & workplace experience
- Participate in community development events
- Host seminars on disaster preparedness, initiatives to prevent financial scams
- Campaign to support traffic safety
- Lobby exhibitions with local roots
- Participate in local beautification & clean-up activities

Initiatives to Promote "With You" Activities



Initiatives Common to All Branches across Japan

To build strong relationships of trust with community members, SuMi TRUST Bank engages in social contribution activities rooted in local communities, which are known as "With You" activities. These activities are promoted with a focus on the following three areas: (1) support for this generation of seniors, (2) support for the environment and living creatures, and (3) contributions to local communities and society.

With a view to promoting these activities systematically, SuMi TRUST Bank introduced a point system in fiscal year 2012 as a guideline that establishes standards for these activities, dividing activities into categories and measuring their degree of difficulty and effectiveness. The point system sets a baseline point target for each year and assesses each branch from the standpoint of "achieving business

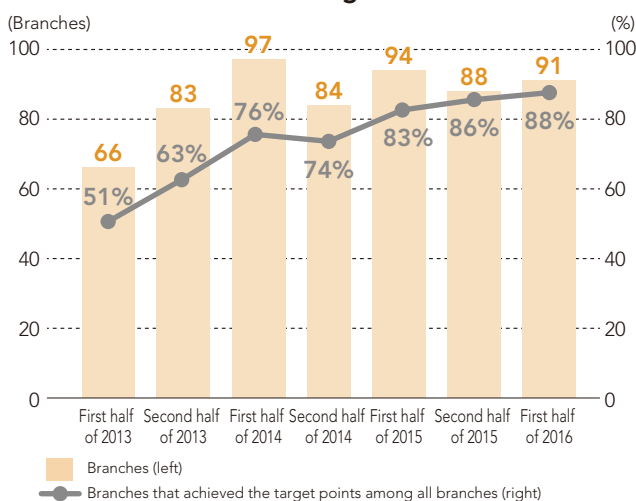
results," "reducing environmental burden," "improving brand image," and "disseminating information" as well as on the basis of its ingenuity in achieving sales results and disseminating relevant information, and posts on its "With You" branch blog. The branches have been steadily achieving their targets since the system began, and use of "With You" activities as an effective marketing approach has taken hold.

Furthermore, the "With You Excellence Award," "With You Special Award," or "With You 'Shine Activities' Award" are awarded to branches that have achieved outstanding results from "With You" activities. We are actively developing "With You" activities by sharing these award-winning initiatives at branches nationwide.

Goals of "With You" Activities



Branches that achieved Target Points



Note: The total number of branches in each fiscal year was as follows: 130 branches in the first half and 133 branches in the second half of fiscal year 2013; 128 branches in the first half and 114 branches in the second half of fiscal year 2014; 113 branches in the first half and 102 branches in the second half of fiscal year 2015; 103 branches in the first half of fiscal year 2016.

Main Initiatives at Branches



Support for this generation of seniors



Support for the environment and living creatures



Contributions to local communities and society



Ichinomiya Branch

The Ichinomiya Branch is proactively engaged in “With You” activities as a financial institution with roots in the local community through activities aimed at conserving the Deepbody Bitterling, an endangered fish species with an IA designation from Japan’s Ministry of the Environment (MOE).

The Deepbody Bitterling is a rare freshwater fish that lives in just three areas of Japan. The Ichinomiya Branch has since 2012 promoted and been recognized for a variety of initiatives linked to environmental and ecosystem conservation in the Kiso River basin as a “With You” activity theme. These include participation in local conservation activities and the display of an exhibit on this theme in our lobby. Moreover, the branch is a member of a council looking at ways to promote greater collaboration within a network focused on the Kiso Mikawa basin ecosystem, supports Education for Sustainable Development (ESD) projects at Aichi Prefecture-run Kisogawa High School, and works with students from the high school to use a quiz to raise awareness about the bitterling. After obtaining approval from MOE in August 2016, the branch began a breeding exhibit for Deepbody Bitterlings in a joint project with private-sector companies, a first of its kind.

In boring down into the theme of endangered species



Using a quiz, students from Aichi Prefecture-run Kisogawa High School raise awareness about the Deepbody Bitterling



An endangered fish species, the Deepbody Bitterling is designated in Japan as a natural monument



Branch-produced “With You” booklets on their activities are distributed to clients

conservation activities as a way to support the environment and living creatures, the branch will continue to work with a wide range of organizations such as national agencies, local authorities, and aquariums as it continues to remain proactively engaged on this theme.



Urawa Branch

The Urawa Branch participates in a forest maintenance project led by Reifukai, an alumni association for Saitama Prefecture-run Urawa Daiichi Girls’ High School in an effort to support initiatives aimed at energizing the local community.

This project was born of shared principles motivating the alumni association’s activities and initiatives SuMi TRUST Bank carries out as CSR activities. In addition to participating in the forest maintenance project, branch employees prepared a “With You” booklet for the Urawa Branch to provide clients with a broad-based overview of the branch’s operations and the ways it contributes to the local community.



A forest maintenance project led by Reifukai, an alumni association for Saitama Prefecture-run Urawa Daiichi Girls’ High School



Sendai Branch and Sendai-Aoba Branch

Working on a rotating, half-year schedule, the branch has housed six lobby exhibits on a wide variety of themes with local roots such as ones on breeding an endangered type of Japanese medaka rice fish; supporting the local pro baseball team, the Tohoku Rakuten Golden Eagles; calling attention to the Tohoku region’s summer matsuri festivals; alerting people to the harm of money transfer scams; and displaying watercolor paintings by the branch’s lobby attendant. In organizing these exhibits, the branch actively engages with local groups and organizations and broadens its network by building relationships with outside entities. It will move forward with such activities as a financial institution with local community roots.



A lobby display on the local pro baseball team, the Tohoku Rakuten Golden Eagles

Koganei Branch

The Koganei Branch actively posts to its “With You” branch blog, viewing it as the best tool to disseminate information to clients. In fiscal 2016, the branch made available in real time a wide variety of content ranging from seminar notifications, reports following up seminars, and announcements on branch employee study meetings to information about lobby exhibits and community events.

Blog posts at the “With You” branch blog for Koganei Branch



Five branches in Tokyo's Johnan area*

After the silver college seminars (see page 34) concluded, we followed up by seeking feedback and requests from clients who attended them. On this basis, we organized two seminars on a half-year schedule as a combination of either single-branch projects or multi-branch collaborations based on area attributes. Our unique approach—combining large seminars for about 200 participants arranged by five branches in close proximity to each other and small-group seminars at a single branch—enabled us to be successful with a large-scale seminar series.



Five branches collaborated in organizing seminars

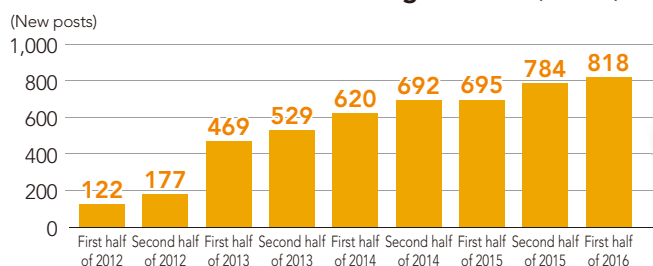
*Shibuya Branch, Shibuya-Chuo Branch, Meguro Branch, Sangenjaya Branch, Jiyugaoka Branch, and Futako-Tamagawa Branch

“With You” Branch Blog

Website URL: <http://branchblog.smtb.jp/>

SuMi TRUST Bank launched the “With You” branch blog site in 2012. In addition to introducing the “With You” activities of branches around the country, the branch blog has become an important tool for communicating with clients and providing them with timely information about seminars and panel exhibitions. It has also become a tool for deepening the relationship between our branches and local communities. With the number of blog posts by each branch increasing every year, the branch blog has now emerged as an important tool for disseminating information to local communities.

Posts on “With You” Branch Blog Website (Trend)



Promoting Activities Fostering Employee Participation

Activities to Support the Environment and Living Creatures

Embracing the idea that “we enjoy lives of abundance thanks to the blessings of natural capital,” SuMi TRUST Bank branches promote various activities with local community



Volunteers prune undergrowth for wetland conservation in keeping with expert advice



A learning session on Japan's northern-most native beech forest

roots in keeping with “support for the environment and living creatures,” one of the three major themes defining our “With You” activities. Among these initiatives are employees joining environmental conservation activities and hosting eco-tours as well as employee participation in various events that partner with local and regional authorities and organizations. In June 2016, the Sapporo and Sapporo-Chuo Branch hosted its fifth tour for restoration and conservation of the National Trusts-owned land in Kuromatsunai town. Our employees went to this site to perform conservation work while studying the native beech forest, the northern-most in Japan, and the Utasai bog, one of the oldest in the Hokkaido region.

Protection of Endangered Species

Several branches are actively engaged in activities to conserve species unique to Japan as a part of the “support for the environment and living creatures” theme. In August 2016, after obtaining approval from the Ministry of the Environment (MOE), the Ichinomiya Branch commenced an exhibit on the Deepbody Bitterling, an endangered fish species, in a joint project with private-sector companies, a first of its kind. The exhibit arose from our participation in environmental and ecosystem conservation activities for the Kiso River basin that we have promoted in concert with local organizations. In addition, other branches are breeding endangered fish species such as the Japanese Rosy Bitterling and Japanese Medaka rice fish indigenous to their region in fish tanks in their lobbies, widening the circle of participation in the SuMi TRUST Fish Project to a nationwide basis.



Breeding Deepbody Bitterlings in a fish tank

SuMi TRUST Fish Project

| Branches | Type of fish |
|------------------------|--|
| Ichinomiya | Deepbody Bitterling |
| Sendai and Sendai-Aoba | Medaka rice fish (a line that lives near the Natorigawa River mouth) |
| Aobadai | Oikemedaka rice fish |
| Yao | Rosy Bitterling |
| Odawara | Medaka rice fish (a line that lives in the Sakawagawa River) |



*Medaka rice fish: Genetic divergence has been confirmed in each line of Japanese Medaka rice fish for each of their habitats, and each region is advancing conservation activities for unique lines according to a system for fostering endangered flora and fauna.

Forest where Tsushima leopard cats live

The Tsushima leopard cat is an endangered wildcat living exclusively on Tsushima Island, Nagasaki Prefecture, with its population now down to just around 100. In addition to programs for Kuromatsunai town and Amami Oshima, SuMi TRUST Bank administers a donation program for funding purchases of National Trusts land-holdings through social contribution donation trusts.

Forest where Amami-no-kurousagi (Amami Rabbit) lives

SuMi TRUST Bank has joined the Trust Campaign run by the Association of National Trusts in Japan to protect the rare Amami Rabbit, whose sole habitats are the islands of Amami Oshima and Toku-no-shima. The Kagoshima Branch donated a sum commensurate to that needed to purchase 8,066 m² of forest lands for the rabbit.

The Grey-faced Buzzard Forest Trust, the Miyako Island

Our Activities Supporting National Trusts

A movement that traces its origins to nineteenth-century England, the National Trusts acquires sites with natural value and historical buildings via donations from citizens. Its conservation activities protect private-sector sanctuaries as “trust land,” highlighting this approach as an effective way to steadfastly protect natural capital. The National Trusts as a movement in Japan goes back to 1960, and the scope of its activities has broadened to now include over

50 regions across Japan.

SuMi TRUST Bank recognizes that increasing National Trusts landholdings is an investment in the foundation supporting our livelihoods, and through land acquisitions, environmental education, and our products using the trust system, we support its activities, which are rooted in the characteristics of each site.

Nakaikemi Wetlands



The roughly 25-hectare Nakaikemi wetlands, surrounded by mountains on three sides, are rich with nature and designated under the Ramsar Convention. SuMi TRUST Bank has produced a video on the wetlands highlighting the 3,000 species of flora and fauna that call it home despite its proximity to a city center. The video is to be used for environmental education in Fukui Prefecture.

Utasai Bog, Hokkaido's Oldest



SuMi TRUST Bank joined a campaign led by the Association of National Trusts in Japan to protect the Utasai Bog, the oldest high-elevation marshland in Hokkaido with a history that goes back 24,000 years. The donation of the Sapporo Branch and Sapporo-Chuo Branch for the Utasai Bog is commensurate to the sum needed to purchase 1,500 m² of the site.

Northernmost Beech Forest



The Beech Forest in Kuromatsunai town is the most northern habitat of native beech. Moreover, the forest is valuable for awakening us to the environmental changes caused by global warming. Employees of the Sapporo Branch and Sapporo-Chuo Branch planted beech saplings on the National Trusts site and are active in regular activities to conserve the beech trees.

Tenjinzaki



Tenjinzaki is a promontory in Tanabe City, Wakayama Prefecture. Despite its location near a city center, the site is home to a rich natural environment. SuMi TRUST Bank produced education videos from interviews conducted by students of a nearby elementary school, and used these for environmental education classes.

Water Head in Mimasaka Forest Trust



The water head for the Yoshii River watershed is in a 62 hectare forest where nature has been preserved in a pristine state. SuMi TRUST Bank created educational materials on the water head forest and used them to teach environmental education classes to elementary school students, prompting the students to think about the importance of water.

Koaji Forest



Koaji Forest, located near the tip of the Miura Peninsula, has been preserved by the activities of the National Trust chapter in Kanagawa Prefecture. SuMi TRUST Bank, in collaboration with Green TV Japan, interviewed experts for an education video it produced for use in environmental education classes at elementary schools.

Oyatsu Forest



Oyatsu Forest spreads out behind the Tsurugaoka Hachimangu shrine. To protect this forest, the Kamakura Environment Conservation Society was established in 1964 as the first National Trusts chapter in Japan. SuMi TRUST Bank sponsored an environmental education class in Kamakura City to mark the 50th anniversary of the Society's founding.

Education for Sustainable Development (ESD) Projects

SuMi TRUST Bank has worked on activities to raise awareness about National Trusts in collaboration with Green TV Japan, an Internet broadcaster specializing in the environment, on Education for Sustainable Development* (ESD) projects aimed at children, from whom tomorrow's leaders will come.

Since 2012, this project has developed videos on nature conservation activities and National Trusts sites across

Japan for use in local classrooms. Appealing to children's sense of sight and sound, these educational videos communicate a large amount of information in a short span, directing the interests of children toward learning. It is hoped the videos will increase their interest in the real world around them and relevant issues.

*ESD is a United Nations Education, Scientific and Cultural Organization (UNESCO) program.

Nakaikemi Wetlands Near to Tsuruga City

In January 2016, sixth graders at Fukui City-run Yashironishi Elementary School were taught about Fukui Prefecture's Nakaikemi wetlands in an ESD-sponsored class.

In the class, SuMi TRUST Bank employees taught the students about the site's natural riches and scarcity value and that it had been developed for rice cultivation until farming in the region waned and it was abandoned. A plan to install gasoline storage tanks at the site was advanced but people living in the area rose up to conserve the Nakaikemi wetlands after hearing about the plan and organized National Trusts activities, the teachers told the students.

In recognition that "precious natural sites should not be heedlessly destroyed" and in a bid to "protect valuable wetlands," people donated money to purchase and conserve the site. The Nakaikemi wetlands were registered as a swamp under the Ramsar Convention, an intergovernmental treaty, in July 2012, and the site's value was recognized internationally. Learning that preservation of these wetlands was a factor in determining the Hokuriku Shinkansen route, the students, raising their voices in surprised awe, said they didn't realize they lived so close to such an incredible place of international importance.

Kiso River's Deepwater Bitterlings

In July 2016, high school students in the business club at Aichi Prefecture-run Kisogawa High School learned about the Deepbody Bitterling, a local endangered fish species, in an ESD-sponsored class.

Mr. Ikeya, a curator at Gifu World Fresh Water Aquarium, taught the class using ESD videos and other tools, introducing the students to the rich natural splendor of the Kiso river basin, its history, how their lives are linked to the river, and how changes stemming from human activities are affecting the river's ecosystem.

Mr. Ikeya explained how river control infrastructure and the growth of non-native species have imperiled the Bitterling population, along with illegal fishing. He told them the population was thought to be on the brink of extinction but after a few specimens were found, local citizens came together to protect and boost the population through breeding. After hearing the presentation, students were asked to share their opinions and most seemed to agree it will be important in the years to come to create a favorable environment not just for the Deepwater Bitterling but for all varieties of wildlife.



The wetlands are habitat to some 3,000 species of flora and fauna, including endangered species

Many students voiced their opinions after watching the ESD video



The Deepbody Bitterling is designated in Japan as a natural monument

Kisogawa High School students learn in a class about the endangered Deepbody Bitterling



Timeline of ESD Projects on Natural Trust Themes

Aiming to provide environmental education that brings nature into the classroom and energizes National Trust activities

2012



Local elementary school students interview a local expert at Tenjinzaki, Wakayama Prefecture.

2013



An expert is interviewed about conservation activities in Koajiro Forest in Kanagawa Prefecture.

2014



A National Trust staffer provides viewers with an introduction to the water head in forested land in Mimasaka, Okayama Prefecture.

2015



A video is produced on the Oyatsu forest in Kamakura, Kanagawa Prefecture, for use in classrooms.

2015



A video is produced on the Rosy Bitterling fish in Yao City, Osaka Prefecture, for use in classrooms.

2016



Students at Yashironishi Elementary School learn about Fukui Prefecture's Nakaikemi wetlands in an ESD class.

2016



Students at Aichi Prefecture's Kisogawa High School learn about the Deepbody Bitterling fish in an ESD class.

SuMi TRUST Bank received an award from the Biodiversity Action Award 2015 (sponsored by the United Nations Decade on Biodiversity 2011-2020).



via information sent to the entire community



Educational materials created from video footage



A SuMi TRUST Bank employee serves as a facilitator for a class using educational videos

Promoting Public Awareness about National Trusts

at home

Children talk with their family about what they learned

on the web

The day's video footage is immediately uploaded

at branch lobbies

Videos on class activities, etc. are shown



Green TV

Green TV Japan has more than 1,200 videos available for viewing free of charge, including a large selection of overseas videos as well as videos originated and produced in Japan.

SuMi TRUST Bank has supported Green TV Japan as a media sponsor since it was established in 2007. We have collaborated on various projects including producing environment-related video content and promoting ESD.

Website URL: <http://www.japangreen.tv/>

Supporting Education for Children through ISAK

Financial Support for Preparing Students to Be Tomorrow's Leaders

The International School of Asia, Karuizawa (ISAK), opened in August 2014 as the first international boarding school in Japan that is intended to foster next-generation leaders. Accepting students from overseas, mainly from the Asia-Pacific region, ISAK high school provides support so that students from a variety of backgrounds can have equal access to education. Counting first-, second-, and third-year students, there are now a total of 155 students at the school, which keeps class sizes small ranging from 10 students to as many as 20. All lessons are in English. The high school's curriculum is designed so students can graduate with both a Japanese high school diploma and the International Baccalaureate (IB) Diploma, which universities around the world recognize in their admission process or regard as conferring eligibility to sit their entry examinations.

As an enthusiastic proponent of ISAK's guiding principles, SuMi TRUST Bank has acted as a "foster parent" for a foreign student in the summer school since 2013



ISAK school building located in Karuizawa

before ISAK high school opened, providing financial assistance to cover travel, stay and school expenses. We have so far sponsored four students—one from Vietnam, two from India, one from Mexico—in need of economic support for the summer school program. In 2016, SuMi TRUST Bank sponsored Eduardo Bautista. He aims to secure a job in the future so he can become a contributor to people in need and society in the hope that the many social problems plaguing Mexico, such as organ donation cases, can be addressed. SuMi TRUST Bank intends to provide ongoing support to foreign students so bright students like Eduardo can learn there.



Scenes from summer school



A thank you letter from Eduardo Bautista

A Thank You Letter from Eduardo Bautista

Dear Sumitomo Mitsui Trust Bank,
Happiness cannot be traveled to, owned, earned, worn or consumed. Happiness is the spiritual experience of living every minute with love, grace and gratitude. You just gave me the opportunity to have the happiest moments in my entire life and meet amazing people.









Thank you for your support!!



A Mexican felt sombrero from Eduardo Bautista presented to us as a gift



Summer-school students we have sponsored through 2016

| 2013 | 2014 | 2015 | 2016 |
|--|--|--|---|
|  |  |  |  |
|  Vietnam Hong Lien Ngyuen |  India Thulasi Priya Ramesh |  India Thanuja Ramesh |  Mexico Eduardo Bautista |

Support for India's Children

Thulasi Priya Ramesh is the first student from Shanti Bhavan, a school in India that helps the nation's most socially disadvantaged children to learn and succeed, SuMi TRUST Bank supported for the ISAK summer school program in 2014. She is now a student at ISAK high school. We plan to continue to provide ongoing support for Shanti Bhavan students so they can learn at ISAK and go on to support the next-generation of children born into disadvantaged circumstances in India.



A comment from Thulasi Priya Ramesh

It's been a while. I am now a student at ISAK high school. I was able to come to ISAK high school thanks to SuMi TRUST Bank's sponsorship of me for the summer program. I've been able to learn a wide variety of things due to the support I've received from SuMi TRUST Bank. I have also made many friends and feel very happy that I am again studying at ISAK.



Shanti Bhavan's Mission as an Education Program for India's Most Underprivileged

Shanti Bhavan is an education program intended to foster children who are the most socially and economically disadvantaged under the Hindu-based system of hereditary social stratification. Dr. Abraham George, who is the program's founder, believes educating children is the most important way to improve the situation of people who are most disadvantaged by birth and break the negative cycle that extends to the next generation. Learning in a boarding school environment in a rural natural setting, the children enrolled in the Shanti Bhavan program receive a top-notch education aimed at preparing them for the type of work they seek and

developing their careers and that cultivates values that enable them to think, work and thrive globally. If children from these poor communities receive a quality education and become leaders later in life, their example could inspire other outcasts, including their families, and create positive spillover effects for future generations. If many other schools adopted education programs like Shanti Bhavan, this could open a pathway to abolishing the Hindu-based hereditary system of social stratification and discrimination that goes back more than 2,000 years.

CSR Activities at Group Companies

This is a guide to various CSR activities at SuMi TRUST Group companies.



Nikko Asset Management

Nikko Asset Management works to promote various CSR activities as it places a high value on contributing to global environment and development of a sustainable society.

In addition to proactively managing the Nikko AM Employee Charity Program, a social contribution program by employees, Nikko AM strives to advance CSR activities through its core asset management business

as a signatory to Principles for Responsible Investment (PRI) and Principles for Financial Action towards a Sustainable Society (Principles for Financial Action for the 21st Century). In particular, Nikko AM has been a member of the drafting committee for the Principles for Financial Action towards a Sustainable Society since its inception.

Oxfam Trailwalker Tohoku 2016

The Oxfam Trailwalker is a charity event in which teams of four people strive to reach the goal line. Two teams from Nikko AM participated in the July 2016 event, a 100km course that opened in Fukushima Prefecture and required teams to finish in less than 48 hours. The donations collected through the event went to support reconstruction in the Tohoku region, which was heavily damaged by the 2011 earthquake and tsunami that struck eastern Japan.



A heavy rain fell on the event's first day

Oxfam Trailwalker Tohoku 2016

FIT for Charity Run

Financial Industry in Tokyo (FIT) for Charity Run is a charity event created by financial service companies in Tokyo that draws participants from across the industry with the aim of supporting non-profit organizations in Japan.

Nikko AM has served as a member of the executive committee for this event since 2006 and also contributes as a corporate sponsor. In the December 2016 charity run, a total of 36 people with Nikko AM ties participated, centering on employees and their family members and volunteers.



A Nikko AM employee won the gold medal for the five-kilometer run



Nikko AM participants in FIT for Charity Run 2016

Wheelchair Rugby

Nikko AM has been an official sponsor of the Japan Wheelchair Rugby Federation (JWRF) since April 2015.

Two Nikko AM employees are designated practice squad players that help members of Japan's national wheelchair rugby team prepare for games. We support disabled athletes and wheelchair rugby to raise their public profile, while actively hiring people who come from a wide variety of backgrounds and helping to advance acceptance of diversity.



Scenes from wheelchair rugby games

Regular Gatherings for Child Wheelchair Maintenance

Nikko AM participates in monthly gatherings for child wheelchair maintenance held by a non-profit organization which sends wheelchairs for children abroad. The NPO is a beneficiary of the Nikko AM Employee Charity Program. The NPO collects and repairs second-hand wheelchairs for children and sends them free of charge to children overseas that need a wheelchair. At the October 2016 gathering, wheelchairs for disabled Cambodian children were tuned up and packed for shipment.



Volunteers cleaning and packing wheelchairs into boxes for shipping

"Dream" Canayell 2016 Speech Contest

Nikko AM has since 2013 supported the Canayell speech contest for adolescents who grew up in institutional homes to speak publicly about their dreams or plans to pursue further education. The Canayell program offers a scholarship grant that does not need to be repaid to entrants who give a speech at the contest. Forming a team with three adult volunteers, would-be contestants spend 120 days preparing for the speech contest. In 2016, a total of 24 young people in one of three cities—Tokyo, Yokohama or Fukuoka—overcame hardships and nerves to deliver their speeches about moving toward their dreams.



An audience of over 400 fills an auditorium to listen to the Canayell speech contestants

Sumitomo Mitsui Trust Realty

On October 16, 2016, Sumitomo Mitsui Trust Realty hosted a Grandchildren's Day event on the grounds of Nagoya City's Higashiyama Zoo and Botanical Gardens as it had the year before.

At the event, invitees received a specially prepared calendar, and those who brought their grandchildren could line up to have a commemorative photo taken with Trust-san, our tiger-costumed mascot. This year we handed out 5,000 calendars and snapped commemorative photos of 183 pairs of grandparents with their grandkids. Getting a picture with Trust-san was so popular that a long line formed from the many people waiting their turn.

2016 was the third year this event has been held, and the number of participants grows each year. Beyond the many people on the zoo grounds who shouted out to Trust-san, in our everyday sales activities, there are people who discuss the event with us, and we believe Sumitomo Mitsui Trust Realty is clearly establishing a name for itself among clients through this initiative. We intend to continue with such events in the future, and will work to cultivate employee awareness, raise our public profile in the Chubu region, and improve our brand image.



People wait in a long line to have commemorative pictures taken with Trust-san



A photo stand



Commemorative photos with Trust-san and Zoobo-kun, the mascot of Higashiyama Zoo and Botanical Gardens

SBI Sumishin Net Bank

This quiz event is billed as "economics Koshien" and aims to make learning about finance and economics enjoyable for high school students across Japan.

Like in 2015, SBI Sumishin Net Bank sponsored the Online Economics Competition, a preliminary for the all-Japan contest that is separate from prefecture-based preliminaries. In the online preliminary, high school students respond to quiz questions via the Internet with teams competing based on their knowledge about a wide range of money-related topics such as current events and money-related trivia. The winning team qualifies for the national finals. In 2016, the tenth time the online competition has been held, 16 teams competed for the opportunity to advance, and Kindai University's Hiroshima High School in Higashihiroshima came out the winner. We will continue to sponsor this contest as a way to encourage even more high school students to participate and learn about economics and finance.

Using its internet platform, SBI Sumishin Net Bank will continue sending its message as an internet bank for the purpose of sharing happiness with people in the years ahead and creating a society of the future.



| | | |
|--|--------------------|---|
|  | Winner | "Dekamakura Bakufu" team, Kindai University's Hiroshima High School in Higashihiroshima |
|  | Runner-up | "Churagenai" team, Nishiyamato Gakuen High School |
|  | Third place | "Hayakawa Children" team, Kaisei Senior High School |

Sumitomo Mitsui Trust Club

In December 2015, the SuMi TRUST Bank Group took a step forward, bringing Diners Club International in Japan under its umbrella. Diners Club (issuer is Sumitomo Mitsui Trust Club) embarked on one project to mark this major changeover, the Japanese

food culture support project. Under the slogan "Championing Japanese food culture," Diners Club has been implementing initiatives since June 2016 based on two key ideas.

One

Recommitting to the basics

Diners Club's origins are in food and the idea of a club. We are resolved to return to these founding ideas. Diners Club is the only credit card in Japan that offers the charm of a club that brings together people with the same values. We strive to make Diners Club, with its strong brand connection to fine cuisine, into a champion of Japanese culinary culture.

Two

Build trust, while keeping an eye on the road ahead

What is important at present is to awaken people to the future of Japanese cuisine. Along with Diners Club members, we call attention to and support the new generation laboring to preserve Japan's food culture, food innovators blazing new paths, and strivers facing constraints who continue to put forth their best efforts. Through these shared commitments, we hope all Diners Club members will feel a sense of pride and belonging.



Japan's SAKE COMPETITON Adds Diners Club's Young Brewer Award in 2016

The SAKE COMPETITON 2016 awards ceremony, run by a Japanese sake appraisal society, was held on July 29, 2016. In connection with our support of and cooperation with the society's mission of illuminating a new standard for Japanese sake that increases opportunities for sake

drinkers to experience delightful sake without relying on labels, we established the "Diners Club Young Brewers Encouragement Award" as a way to recognize the generation of talented young brewers who are the future of Japanese sake and its traditions. The Diners Club award went to Hiroyuki Matsuzaki, the youngest sake artisan at Matsuzaki Shuzoten in Fukushima Prefecture, which is a sake brewery that has won the highest awards by the sake appraisal society. Signature, our magazine for Diners Club's members, subsequently ran a feature on Matsuzaki Shuzoten's Hirotoogawa sake, and we continue to provide it support by offering Hirotoogawa sake to our members on special terms.

Diners Club's deep ties to fine cuisine go back to its founding, and it will continue to support Japan's unique food culture in ways that stays true to its origins.



SAKE COMPETITON 2016 awards ceremony

Award recipient Hiroyuki Matsuzaki from Matsuzaki Shuzoten

Other Initiatives

Sponsor of Documentary "Tsukiji Wonderland"

Diners Club International is a sponsor on a documentary on the bustling Tsukiji fish market, a giant market unlike any other in the world that is scheduled to close soon. We help the professionals that sustain Japan's seafood culture give outsiders a glimpse into their world.



Launch of Card Payments for Investment-type Crowd Funding

In a first of its kind for Japan, we offer Diners Club members the option of using card payments to respond to crowd-funding opportunities from producers who are working to promote and preserve food culture across Japan.



CSR Activities at Our Overseas Branches



New York Branch

Relocating to a new building in November 2015, the New York Branch is working with the manager of the building where it moved on a variety of activities to contribute to the local community to accompany the activities it has so far carried out of its own initiative.

The branch has made it easy for employees to commute by bicycle in an initiative linked to building-sponsored green actions and a city-sponsored green program aimed at saving energy and conserving the environment. A parking rack for up to eight bicycles installed in a corner of the new office is one way it encourages bicycle commuting. Amid growing interest in health and fitness, we expect the number of employees who commute by bicycle to increase over time.

In addition to the aforementioned initiative, the branch receives high marks for its recycling program and for installing energy-efficient LED lighting with controls that automatically switch off lighting when it is not needed. The branch has been certified a "Green Office" because the building where it relocated has LEED certification (a plaque is on display at the reception desk).



Singapore Branch

Singapore's POSB PAssion Run for Kids was held on September 4, 2016.

Jointly organized by POSB^{*1} and PAssion^{*2}, the annual event gathers donations from corporate sponsors and participants that are later allocated, along with a portion of runner entry fees, to the POSB PAssion Kids Fund, which supports education and outreach events and programs for local youth.

The Singapore Branch donates to the POSB PAssion Run for Kids every year, and many of its employees and their families join in, thereby showing our support for POSB PAssion Kids Fund activities. In 2016, a total of 117 people with ties to the Singapore Branch joined the event, running the course at their own pace. People of all ages came together on the day of the event, walking or running the course at a pace that suited them. The event was a valuable opportunity for people in the community to interact.

^{*1} Formerly known as Post Office Savings Bank, POSB is the oldest bank in Singapore; DBS Bank, with which SuMi TRUST Bank has a major alliance, owns POSB.

^{*2} PAssion is an acronym for The People's Association, an organization sponsoring local community centers formed by the Singapore Government.



Other “With You” Activities

“Inheritance from Me” Series

Since June 2013, SuMi TRUST Bank has invited clients to share stories with an “Inheritance from Me” theme. These stories, up to 400-characters in length, are on the precious people, things, and matters the writer wants to pass on as an “Inheritance from Me” legacy for future generations. The stories selected for the Grand Prize and the Second Grand Prize are published as a collection in a booklet that is available at our branch lobbies across Japan.

Three works were selected for the Grand Prize in the first, second and third annual competitions. The Grand Prize winner in Year One was a story entitled “A life-sustaining ten-yen coin.” It describes how a ten-yen coin helped form a bond of trust between a teacher and a student. The story appealed to many, even inspiring Aki Yashiro, a well-known Japanese enka (folksong) singer, to turn the story into a song. The Grand Prize winner in Year Three is a story entitled “Celebratory meals on New Year’s Day.” The author shares a heart-warming tale that evokes scenes of a family forming tight bonds as they come together every year on New Year’s Day.

We plan to continue to accept “Inheritance from Me” entries from people, encouraging them to send us stories infused with the precious memories of the most important people in their lives and of unforgettable episodes from their past.



No. 3
Grand
Prize

Sakaguchi Kazuhiko (kyoto)

“With You” Quarterly Reports on our Local Contribution Activities

SuMi TRUST Bank engages in social contribution activities that are rooted in local communities, primarily through its local business offices across Japan, in order to build a strong bond of trust with community members. One way we do this is the publication of a quarterly report aimed at clients called “SuMi TRUST With You.” The report also serves as a vehicle for communicating information on issues of particular interest to seniors and seasonal topics. The quarterly reports in fiscal year 2016 featured a special series on nursing care and elderly-care homes. Introducing readers to specifics on themes around nursing care, something that strikes close to home for many people in Japan’s aging society, the quarterly reports also offer guidance on what preparations need to be made beforehand, how to select an elderly-care home, what services to look for, and how much money needs to be set aside.



Branch-produced “With You” Booklets

Branches publish their own booklets that highlight their distinctive traits and draw attention to their contributions and activities to accompany the information they disseminate via posts on their “With You” branch blogs and the “With You” quarterly reports. The free booklets are handed out to branch customers.

The branch-produced “With You” booklets highlight local attractions, contain employee self-introductions, and publicize “With You” activities and environmental conservation activities the branch views as important.



Reconstruction Support for Disaster-Afflicted Regions

A Project to Encourage Tourists to Visit Oita Prefecture, Japan's Hot Springs Capital

Earthquakes originating in Oita and Kumamoto prefectures in April 2016 prompted over 700,000 reservation cancellations at travel lodgings across the Kyushu region. While reservations are now back at a level on par with 2015 thanks in part to the "Kyushu Fukkou-Wari" program offering lodging discounts, the program's second stage ended in 2016, so an important point to watch is whether tourism in the region returns to pre-quake levels in 2017 and beyond.

In Oita Prefecture, many people are working to lure back tourists and restore demand to pre-quake levels based on the catchphrase "Oita Prefecture—Japan's Onsen (Hot Springs) Capital, Home to Many Attractions." A project was launched from June 2016 to encourage tourists to come and spend money in the prefecture and support its recovery. The Oita Branch is helping to advance initiatives linked to the project in cooperation with local clients such as hotels, traditional Japanese ryokan inns, and sake breweries. The branch drew up plans inviting Group employees to visit the prefecture's tourist attractions such as hot springs and purchase local sake made using river-bed water. The plans attracted many inquiries.



Planting Saplings for "Great Forest Wall" Project

Our involvement in this sapling-planting project started with an invitation from Dr. Akira Miyawaki, Professor Emeritus at Yokohama National University, the lecturer at a 2012 seminar on "The power of forests to renew—reconstruction and regeneration in harmony with nature" that was convened to commemorate the new address of the Sendai Branch and Sendai-Aoba Branch. The project's plan is for volunteers to plant broadleaf tree saplings into an embankment that is to extend 300 kilometers along the Sanriku coast to create a forested tidal barrier embankment based on the inherent capacity of the land to foster flora. When completed, the tidal barrier is expected to offset some of the power of tidal waves, with the trees that have been planted into the mounds helping to prevent slope failure. As of June 2016, a total of 40,000 volunteers have planted 300,000 saplings since the project's inception.

The Sendai and Sendai-Aoba branches have continued as project volunteers since its launch in 2013, and Group employees and members of their family pitched in at the tree-planting event again this year. To contribute to land regeneration and protect against future natural disasters, both branches will remain active.

Planted saplings take root



Our group comprised 36 concerned members



Volunteers planting saplings



✧✧✧ Connecting to the Future ✧✧✧

Arranging Project Finance for a Megasolar Farm Developed by Town Residents

Support for Reconstruction via Solar Power



In September 2016, SuMi TRUST Bank signed a contract to provide loans for a megasolar farm developed by residents of Tomioka town in Fukushima Prefecture.

Located about seven kilometers from the No. 1 Fukushima Nuclear Power Plant that had been run by Tokyo Electric Power Co. (TEPCO), Tomioka town residents were forced to evacuate due to the accident and all its residents still live offsite. Polluted with radioactive contaminants, farming land around the town remains off limits but farming sites in restricted residence areas can still be put to effective use. With the aim of rebuilding and achieving self-sufficiency, residents embarked on developing the Tomioka reconstruction solar farm on such a site. A little more than 30 town residents obtained leases for about 35 hectares of farming land and erected a megasolar farm with 110,000 photovoltaic (PV) panels. Income received from reselling the electric power is to be used to support reconstruction projects and projects aimed at restoring quality of life.

About 50 people, starting with Mayor Koichi Miyamoto and other officials, landowners, and parties involved in the project, gathered on November 29, 2016 for the solar farm's groundbreaking ceremony and prayed for safe project execution.

Of the about ¥10 billion in construction costs for the megasolar farm, about 90% came from project finance loans arranged by SuMi TRUST Bank. The farm aims to commence operations in March 2018. Town reconstruction is expected to advance using money from reselling electric power over twenty years. The solar farm is expected to generate about 30,000kW per year, equivalent to the consumption of 10,000 ordinary households. The scale of investment and electricity output of this megasolar farm is expected to be among the largest for a project funded in part with local citizen investment, and it is likely to attract much attention as a pioneering renewable energy project in Fukushima Prefecture.



A briefing on the megasolar farm for Iwaki city residents



A scene from the groundbreaking ceremony



Accession to International Guidelines for Corporate Conduct and Related Activities

The Group has signed on to various international guidelines and principles involving corporate conduct. It has actively involved itself in the formulation of international standards in cooperation with international organizations, foreign companies and NGOs, while it implements such activities.

Signatory to the United Nations Environment Programme Finance Initiative (UNEP FI)



The UNEP FI is an international network that encourages financial institutions to take action to preserve the environment and to make development sustainable. The Group has proactively supported UNEP FI ever since it became the first Japanese trust bank to sign on to it in October 2003.

Natural Capital Finance Alliance (formerly The Natural Capital Declaration)



The Group became a signatory to the Natural Capital Declaration (NCD) proposed by the United Nations Environment Programme Finance Initiative (UNEP FI) in June 2012. The Group is the only financial institution in Japan to have signed the declaration. NCD signatories are working toward implementing NCD commitments through Natural Capital Finance Alliance (NCFA) projects overseen by a steering committee of signatories and supporters and supported by a secretariat.

Participation in the UNEP FI Property Working Group (UNEP FI PWG)

The UNEP FI PWG is one of the working groups formed by signatory institutions of the UNEP FI to promote property finance that facilitates sustainable development, namely Responsible Property Investment (RPI). In addition to joining the working group in June 2007, the Group became a member of the media team that promotes RPI and conducts activities as one of its leading members.

Signatory to the Principles for Responsible Investment (PRI)



SuMi TRUST Bank and Nikko Asset Management became signatories of the Principles for Responsible Investment (PRI), which were jointly established in May 2006 by the UN Global Compact and the UNEP FI. These principles require institutional investors such as pension funds and asset managers to give consideration to ESG factors when making investment decisions.

Signatory to Leadership Declaration under the Business and Biodiversity Initiative "Biodiversity in Good Company"



At the ninth meeting of the Conference of the Parties to the Convention on Biological Diversity held in May 2008 in Bonn, Germany, the Group, together with 33 other companies from around the world, signed a leadership declaration under the Business and Biodiversity Initiative "Biodiversity in Good Company," which was led by the German government. Since that time, we have been playing a role as a leading company in this field and making proactive efforts to address this issue.

Signatory to the Equator Principles



The Equator Principles are international guidelines for private-sector financial institutions for confirming that impacts on the environment and regional communities are fully taken into consideration when implementing project finance loans. SuMi TRUST Bank became a signatory to the Equator Principles in February 2016.

Signatory to the United Nations Global Compact (UN Global Compact)



The UN Global Compact, proposed by former UN Secretary-General Kofi Annan, is a code of conduct regarding human rights, labor, the environment, and anti-corruption. Signatory companies are called on to take measures to implement the compact. In July 2005, the Group signed the compact, becoming the first Japanese bank to do so, and declared its resolve to act as a good corporate citizen by complying with and promoting the code of conduct. The Group also became a member of the Global Compact Network Japan Network (GCN-JN), in which signatory companies of the UN Global Compact participate.

Formulation and Practice of "Principles for Financial Action toward a Sustainable Society" (Principles for Financial Action in the 21st Century)



The Group has been actively involved in the formulation of the Principles for Financial Action in the 21st Century. These principles aim at concrete action toward creating a sustainable society jointly taken by Japan's major financial institutions. As the current chair of the steering committee, we are pressing ahead with efforts to coordinate the signatories and to ensure the widespread adoption of these principles.

GRI Content Index

Global Reporting Initiative (GRI)

Established in 1997 as a joint project between the Coalition for Environmentally Responsible Economics (CERES), a nonprofit organization in the United States, and the United Nations Environment Programme (UNEP), the GRI aims to improve the contents of sustainability reports to the level of financial reports while attaining the basic conditions of comparability, credibility, accuracy, appropriateness of timing, and verifiability of the information included in the sustainability reports. The initial guidelines were issued in 2000, revised in fiscal year 2002, and further revised in fiscal year 2006 based on the 2002 revisions, and fourth generation guidelines were released in fiscal year 2013.

● = Required General Standard Disclosures for both 'in accordance' criteria options

* Global Compact

| Indicator | Core Indicators | Page No. | GC* |
|------------------------------|--|--------------|-----|
| GENERAL STANDARD DISCLOSURES | | | |
| Strategy and Analysis | | | |
| 4.1 ● | Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability. | P4,5 | |
| 4.2 | Provide a description of key impacts, risks, and opportunities. | P1,90-96 | |
| Organizational Profile | | | |
| 4.3 ● | Report the name of the organization. | P150 | |
| 4.4 ● | Report the primary brands, products, and services. | P9-60 | |
| 4.5 ● | Report the location of the organization's headquarters. | P151 | |
| 4.6 ● | Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report. | P150 | |
| 4.7 ● | Report the nature of ownership and legal form. | P150 | |
| 4.8 ● | Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries). | P150-151 | |
| 4.9 ● | Report the scale of the organization, including: <ul style="list-style-type: none"> • Total number of employees • Total number of operations • Net sales (for private sector organizations) or net revenues (for public sector organizations) • Total capitalization broken down in terms of debt and equity (for private sector organizations) • Quantity of products or services provided | P120,149-150 | |
| 4.10 ● | <ul style="list-style-type: none"> a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries). | P109,120 | |
| 4.11 ● | Report the percentage of total employees covered by collective bargaining agreements. | P114 | |
| 4.12 ● | Describe the organization's supply chain. | P7 | |
| 4.13 ● | Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: <ul style="list-style-type: none"> • Changes in the location of, or changes in, operations, including facility openings, closings, and expansions • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) • Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination | P99-100,106 | |

| Indicator | Core Indicators | Page No. | GC* |
|--|--|----------------------|--------|
| Commitments to External Initiatives | | | |
| 4.14 | ● Report whether and how the precautionary approach or principle is addressed by the organization. | P80-81,102-106 | Rule 7 |
| 4.15 | ● List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses. | P21,43-44,84,100,140 | |
| 4.16 | <p>List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization:</p> <ul style="list-style-type: none">● Holds a position on the governance body● Participates in projects or committees● Provides substantive funding beyond routine membership dues● Views membership as strategic <p>This refers primarily to memberships maintained at the organizational level.</p> | P140 | |
| Identified Material Aspects and Boundaries | | | |
| 4.17 | <p>a. List all entities included in the organization's consolidated financial statements or equivalent documents.</p> <p>b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.</p> | P4-7 | |
| 4.18 | <p>a. Explain the process for defining the report content and the Aspect Boundaries.</p> <p>b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.</p> | | |
| 4.19 | ● List all the material Aspects identified in the process for defining report content. | | |
| 4.20 | <p>For each material Aspect, report the Aspect Boundary within the organization, as follows:</p> <ul style="list-style-type: none">● Report whether the Aspect is material within the organization● If the Aspect is not material for all entities within the organization (as described in G4-17), select one of the following two approaches and report either:<ul style="list-style-type: none">– The list of entities or groups of entities included in G4-17 for which the Aspect is not material or– The list of entities or groups of entities included in G4-17 for which the Aspects is material● Report any specific limitation regarding the Aspect Boundary within the organization | | |
| 4.21 | <p>For each material Aspect, report the Aspect Boundary outside the organization, as follows:</p> <ul style="list-style-type: none">● Report whether the Aspect is material outside of the organization● If the Aspect is material outside of the organization, identify the entities, groups of entities or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified● Report any specific limitation regarding the Aspect Boundary outside the organization | | |
| 4.22 | ● Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements. | | |
| 4.23 | ● Report significant changes from previous reporting periods in the Scope and Aspect Boundaries. | | |
| Stakeholder Engagement | | | |
| 4.24 | ● Provide a list of stakeholder groups engaged by the organization. | P4-7, 62-72 | |
| 4.25 | ● Report the basis for identification and selection of stakeholders with whom to engage. | | |
| 4.26 | ● Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process. | | |
| 4.27 | ● Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns. | | |
| Report Profile | | | |
| 4.28 | ● Reporting period (such as fiscal or calendar year) for information provided. | Cover2,P151 | |
| 4.29 | ● Date of most recent previous report (if any). | | |
| 4.30 | ● Reporting cycle (such as annual, biennial). | | |
| 4.31 | ● Provide the contact point for questions regarding the report or its contents. | | |

| Indicator | Core Indicators | Page No. | GC* |
|---|---|----------|-----|
| GRI Content Index | | | |
| 4.32 | <div><div></div><div>a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option (see tables below). c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.</div></div> | P141-148 | |
| Assurance | | | |
| 4.33 | <div><div></div><div>a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.</div></div> | — | |
| Governance | | | |
| Governance Structure and Composition | | | |
| 4.34 | <div><div></div><div>Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental, and social impacts.</div></div> | P74-84 | |
| 4.35 | <div><div></div><div>Report the process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees.</div></div> | | |
| 4.36 | <div><div></div><div>Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics, and whether post holders report directly to the highest governance body.</div></div> | | |
| 4.37 | <div><div></div><div>Report processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.</div></div> | | |
| 4.38 | <div><div></div><div>Report the composition of the highest governance body and its committees by:<ul style="list-style-type: none">• Executive or non-executive• Independence• Tenure on the governance body• Number of each individual's other significant positions and commitments, and the nature of the commitments• Gender• Membership of under-represented social groups• Competences relating to economic, environmental, and social impacts• Stakeholder representation</div></div> | | |
| 4.39 | <div><div></div><div>Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).</div></div> | | |
| 4.40 | <div><div></div><div>Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including:<ul style="list-style-type: none">• Whether and how diversity is considered• Whether and how independence is considered• Whether and how expertise and experience relating to economic, environmental, and social topics are considered• Whether and how stakeholders (including shareholders) are involved</div></div> | | |
| 4.41 | <div><div></div><div>Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum:<ul style="list-style-type: none">• Cross-board membership• Cross-shareholding with suppliers and other stakeholders• Existence of controlling shareholder• Related party disclosures</div></div> | | |
| Highest Governance Body's Role in Setting Purpose, Values, and Strategy | | | |
| 4.42 | <div><div></div><div>Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social impacts.</div></div> | P74-84 | |

| Indicator | Core Indicators | Page No. | GC* |
|--|--|------------|-----|
| Highest Governance Body's Competencies and Performance Evaluation | | | |
| 4.43 | Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics. | P74-84 | |
| 4.44 | a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental, and social topics, including, as a minimum, changes in membership and organizational practice. | | |
| Highest Governance Body's Role in Risk Management | | | |
| 4.45 | a. Report the highest governance body's role in the identification and management of economic, environmental, and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental, and social impacts, risks, and opportunities. | P90-96 | |
| 4.46 | Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics. | | |
| 4.47 | Report the frequency of the highest governance body's review of economic, environmental, and social impacts, risks, and opportunities. | | |
| Highest Governance Body's Role in Sustainability Reporting | | | |
| 4.48 | Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered. | P6-7,74-84 | |
| Highest Governance Body's Role in Evaluating Economic, Environmental, and Social Performance | | | |
| 4.49 | Report the process for communicating critical concerns to the highest governance body. | P74-84 | |
| 4.50 | Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them. | | |
| Remuneration and Incentives | | | |
| 4.51 | a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: • Fixed pay and variable pay: (Performance-based pay, Equity-based pay, Bonuses, Deferred or vested shares) • Sign-on bonuses or recruitment incentive payments • Termination payments • Clawbacks • Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental, and social objectives. | P78-79 | |
| 4.52 | Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization. | | |
| 4.53 | Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable. | | |
| 4.54 | Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country. | | |
| 4.55 | Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country. | | |
| Ethics and Integrity | | | |
| 4.56 | ● Describe the organization's values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics. | P1,85-89 | |
| 4.57 | Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines. | | |
| 4.58 | Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines. | | |

| Indicator | Core Indicators | Page No. | GC* |
|---|--|----------|-----|
| SPECIFIC STANDARD DISCLOSURES | | | |
| Generic Disclosures on Management Approach | | | |
| 4-DMA | a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach, including: <ul style="list-style-type: none"> • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach | P6-7 | |
| Category: Economic | | | |
| Aspect: Economic Performance | | | |
| EC1 | Direct economic value generated and distributed | P149 | |
| EC2 | Financial implications and other risks and opportunities for the organization's activities due to climate change | — | |
| EC3 | Coverage of the organization's defined benefit plan obligations | — | |
| EC4 | Financial assistance received from government | — | |
| Aspect: Market Presence | | | |
| EC5 | Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation | — | |
| EC6 | Proportion of senior management hired from the local community at significant locations of operation | — | |
| Aspect: Indirect Economic Impacts | | | |
| EC7 | Development and impact of infrastructure investments and services supported | P10-25 | |
| EC8 | Significant indirect economic impacts, including the extent of impacts | — | |
| Aspect: Procurement Practices | | | |
| EC9 | Proportion of spending on local suppliers at significant locations of operation | — | |
| Category: Environmental | | | |
| Aspect: Materials | | | |
| EN1 | Materials used by weight or volume | — | |
| EN2 | Percentage of materials used that are recycled input materials | — | |
| Aspect: Energy | | | |
| EN3 | Energy consumption within the organization | P102-106 | |
| EN4 | Energy consumption outside of the organization | P102-106 | |
| EN5 | Energy intensity | P102-106 | |
| EN6 | Reduction of energy consumption | P102-106 | |
| EN7 | Reductions in energy requirements of products and services | P102-106 | |
| Aspect: Water | | | |
| EN8 | Total water withdrawal by source | — | |
| EN9 | Water sources significantly affected by withdrawal of water | — | |
| EN10 | Percentage and total volume of water recycled and reused | — | |
| Aspect: Biodiversity | | | |
| EN11 | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | N.A. | |
| EN12 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas | N.A. | |
| EN13 | Habitats protected or restored | P126-128 | |
| EN14 | Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk | — | |

| Indicator | | Core Indicators | Page No. | GC* |
|---|--|-----------------|----------|----------|
| Aspect: Emissions | | | | |
| EN15 | Direct greenhouse gas (GHG) emissions (Scope 1) | | P102-106 | |
| EN16 | Energy indirect greenhouse gas (GHG) emissions (Scope 2) | | P102-106 | |
| EN17 | Other indirect greenhouse gas (GHG) emissions (Scope 3) | | P102-106 | |
| EN18 | Greenhouse gas (GHG) emissions intensity | | P102-106 | |
| EN19 | Reduction of greenhouse gas (GHG) emissions | | P102-106 | |
| EN20 | Emissions of ozone-depleting substances (ODS) | | — | |
| EN21 | NO _x , SO _x , and other significant air emissions | | — | |
| Aspect: Effluents and Waste | | | | |
| EN22 | Total water discharge by quality and destination | | — | |
| EN23 | Total weight of waste by type and disposal method | | P102-106 | |
| EN24 | Total number and volume of significant spills | | — | |
| EN25 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention (2) Annex I, II, III, and VIII, and percentage of transported waste shipped internationally | | P102-106 | |
| EN26 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff | | — | |
| Aspect: Products and Services | | | | |
| EN27 | Extent of impact mitigation of environmental impacts of products and services | | P9-25 | Rule 8,9 |
| EN28 | Percentage of products sold and their packaging materials that are reclaimed by category | | — | |
| Aspect: Compliance | | | | |
| EN29 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | | — | |
| Aspect: Transport | | | | |
| EN30 | Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce | | P102-106 | Rule 8 |
| Aspect: Overall | | | | |
| EN31 | Total environmental protection expenditures and investments by type | | — | |
| Aspect: Supplier Environmental Assessment | | | | |
| EN32 | Percentage of new suppliers that were screened using environmental criteria | | — | |
| EN33 | Significant actual and potential negative environmental impacts in the supply chain and actions taken | | — | |
| Aspect: Environmental Grievance Mechanisms | | | | |
| EN34 | Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms | | — | |
| Category: Social | | | | |
| Sub-category: Labor Practices and Decent Work | | | | |
| Aspect: Employment | | | | |
| LA1 | Total number and rates of new employee hires and employee turnover by age group, gender and region | | P106,120 | |
| LA2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation | | — | |
| LA3 | Return to work and retention rates after parental leave, by gender | | P113 | |
| Aspect: Labor/Management Relations | | | | |
| LA4 | Minimum notice periods regarding operational changes, including whether these are specified in collective agreements | | — | |
| Aspect: Occupational Health and Safety | | | | |
| LA5 | Percentage of total workforce represented in formal joint management—worker health and safety committees that help monitor and advise on occupational health and safety programs | | — | |
| LA6 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender | | P120 | |

| Indicator | Core Indicators | Page No. | GC* |
|---|--|------------------------|----------|
| LA7 | Workers with high incidence or high risk of diseases related to their occupation | — | |
| LA8 | Health and safety topics covered in formal agreements with trade unions | — | |
| Aspect: Training and Education | | | |
| LA9 | Average hours of training per year per employee by gender, and by employee category | P111,118 | |
| LA10 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | P109-115 | |
| LA11 | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | P109-115 | |
| Aspect: Diversity and Equal Opportunity | | | |
| LA12 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity | P74-84, 109-112,120 | |
| Aspect: Equal Remuneration for Women and Men | | | |
| LA13 | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation | — | |
| Aspect: Supplier Assessment for Labor Practices | | | |
| LA14 | Percentage of new suppliers that were screened using labor practices criteria | — | |
| LA15 | Significant actual and potential negative impacts for labor practices in the supply chain and actions taken | — | |
| Aspect: Labor Practices Grievance Mechanisms | | | |
| LA16 | Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms | P114 | |
| Sub-category: Human Rights | | | |
| Aspect: Investment | | | |
| HR1 | Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | — | |
| HR2 | Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained | P116-118 | Rule 1,2 |
| Aspect: Non-discrimination | | | |
| HR3 | Total number of incidents of discrimination and corrective actions taken | — | |
| Aspect: Freedom of Association and Collective Bargaining | | | |
| HR4 | Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights | — | |
| Aspect: Child Labor | | | |
| HR5 | Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor | N.A. | |
| Aspect: Forced or Compulsory Labor | | | |
| HR6 | Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor | N.A. | |
| Aspect: Security Practices | | | |
| HR7 | Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations | P118 | |
| Aspect: Indigenous Rights | | | |
| HR8 | Total number of incidents of violations involving rights of indigenous peoples and actions taken | N.A. | |
| Aspect: Assessment | | | |
| HR9 | Total number and percentage of operations that have been subject to human rights reviews or impact assessments | P116-119 | |
| Aspect: Supplier Human Rights Assessment | | | |
| HR10 | Percentage of new suppliers that were screened using human rights criteria | — | |
| HR11 | Significant actual and potential negative human rights impacts in the supply chain and actions taken | — | |

| Indicator | Core Indicators | Page No. | GC* |
|--|---|-------------|---------|
| Aspect: Human Rights Grievance Mechanisms | | | |
| HR12 | Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms | P117 | |
| Sub-category: Society | | | |
| Aspect: Local Communities | | | |
| SO1 | Percentage of operations with implemented local community engagement, impact assessments, and development programs | — | |
| SO2 | Operations with significant actual and potential negative impacts on local communities | — | |
| Aspect: Anti-corruption | | | |
| SO3 | Total number and percentage of operations assessed for risks related to corruption and the significant risks identified | — | |
| SO4 | Communication and training on anti-corruption policies and procedures | P85-89 | Rule 10 |
| SO5 | Confirmed incidents of corruption and actions taken | P88 | |
| Aspect: Public Policy | | | |
| SO6 | Total value of political contributions by country and recipient/beneficiary | — | |
| Aspect: Anti-competitive Behavior | | | |
| SO7 | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes | — | |
| Aspect: Compliance | | | |
| SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | — | |
| Aspect: Supplier Assessment for Impacts on Society | | | |
| SO9 | Percentage of new suppliers that were screened using criteria for impacts on society | — | |
| SO10 | Significant actual and potential negative impacts on society in the supply chain and actions taken | P96-100,106 | |
| Aspect: Grievance Mechanisms for Impacts on Society | | | |
| SO11 | Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms | P46 | |
| Sub-category: Product Responsibility | | | |
| Aspect: Customer Health and Safety | | | |
| PR1 | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement | N.A. | |
| PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes | N.A. | |
| Aspect: Product and Service Labeling | | | |
| PR3 | Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements | N.A. | |
| PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes | N.A. | |
| PR5 | Results of surveys measuring customer satisfaction | — | |
| Aspect: Marketing Communications | | | |
| PR6 | Sale of banned or disputed products | N.A. | |
| PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes | — | |
| Aspect: Customer Privacy | | | |
| PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | — | |
| Aspect: Compliance | | | |
| PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | — | |

Financial Highlights

In the consolidated financial results for FY2015, net business profit before credit costs increased by ¥1.5 billion year on year to ¥318.3 billion, due to an increase in net fees and commissions and related profit mainly at asset management and real estate brokerage subsidiaries, despite a decrease in net interest income and related profit at SuMi TRUST Bank (non-consolidated).

Net income attributable to owners of the parent increased by ¥7.2 billion year on year to ¥166.9 billion, mainly due to the non-recurrence of banking IT system integration costs for SuMi TRUST Bank recorded as extraordinary loss in the previous fiscal year.

Regarding our year-end dividend on common shares, we paid ¥6.50 per common share in line with our policy targeting approximately 30% as a consolidated dividend payout ratio. The annual dividend for the fiscal year increased by ¥1 per share from the previous fiscal year to ¥13.00 per common share, including the ¥6.50 interim dividend per share we paid last December.

• Overview of the Financial Results in FY2015

<Consolidated> Sumitomo Mitsui Trust Holdings (Consolidated)

Billions of Yen (Unless specified otherwise)

| | FY2015 (A) | FY2014 (B) | Change (A)–(B) | Rate of change |
|---|---------------|------------|----------------|----------------|
| Net Business Profit before Credit Costs | 318.3 | 316.7 | 1.5 | 0.5% |
| Ordinary Profit | 278.0 | 292.4 | (14.4) | (4.9%) |
| Net Income Attributable to Owners of the Parent | 166.9 | 159.6 | 7.2 | 4.5% |
| Total Credit Costs | (25.9) | 19.3 | (45.2) | (234.3%) |
| Return on Equity | 7.00% | 7.17% | (0.17%) | — |
| Net Income per Common Shares (Yen) | 43.33 | 40.38 | 2.95 | 7.3% |
| Net Assets per Common Shares (Yen) | 618.12 | 618.63 | (0.51) | (0.1%) |

<Non-consolidated> Sumitomo Mitsui Trust Bank (Non-consolidated)

Billions of Yen (Unless specified otherwise)

| | FY2015 (A) | FY2014 (B) | Change (A)–(B) | Rate of change |
|---|----------------|------------|----------------|----------------|
| Net Business Profit before Credit Costs | 249.1 | 245.7 | 3.4 | 1.4% |
| Net Interest Income and Related Profit | 223.9 | 233.4 | (9.4) | (4.0%) |
| Net Fees and Commissions and Related Profit | 199.9 | 201.0 | (1.1) | (0.6%) |
| Net Trading Profit | 15.5 | 32.4 | (16.8) | (52.1%) |
| Net Other Operating Profit | 45.9 | 27.2 | 18.6 | 68.2% |
| General and Administrative Expenses | (236.1) | (248.5) | 12.3 | 5.0% |
| Net Non-recurring Profit, etc. | (23.9) | (15.6) | (8.2) | (52.6%) |
| Ordinary Profit | 218.8 | 230.0 | (11.1) | (4.8%) |
| Extraordinary Profit | (3.6) | (60.0) | 56.3 | 93.9% |
| Net Income | 143.1 | 130.5 | 12.6 | 9.7% |
| Total Credit Costs | (14.1) | 18.1 | (32.2) | (178.3%) |

(Note) Amounts less than ¥100 million are rounded down.

<Dividends>

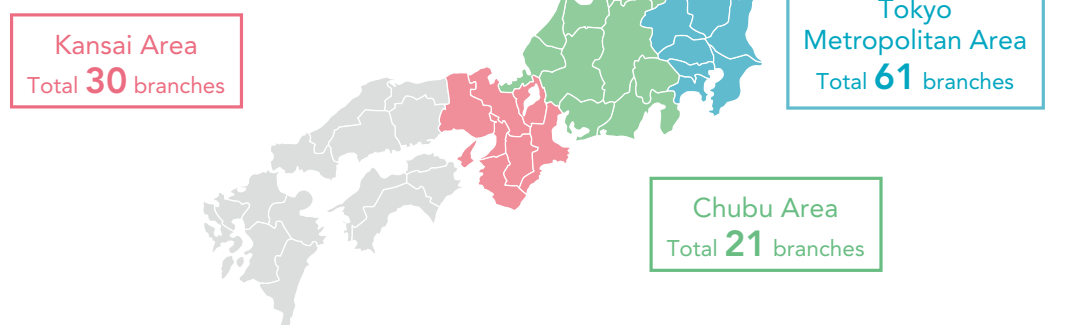
| | FY2015 (A) | FY2014 (B) | Change (A)–(B) |
|--|--------------|------------|----------------|
| Dividend per Share on Common Share (Yen) | 13.00 | 12.00 | 1.00 |

Basic Information of Sumitomo Mitsui Trust Group

Network of Sumitomo Mitsui Trust Group

Domestic Branch Networks and Overseas Network

The Group has built a balanced network focused on the Tokyo metropolitan, Kansai, and Chubu areas. The Group also has an overseas network that can provide global financial services in the loan business, asset management and administration business, as well as the consulting business, among others.



Domestic Branch Network (as of December 31, 2016)

| | Branches | Consulting Plaza and Consulting Offices |
|-------------------------|---------------------|---|
| Tokyo Metropolitan Area | 61 (45.9%) | 8 |
| Kansai Area | 30 (22.5%) | 3 |
| Chubu Area | 21 (15.8%) | 0 |
| Other Areas | 21 (15.8%) | 0 |
| Total | 133 (100.0%) | 11 |

Balanced domestic branch network, focused on the Tokyo metropolitan, Kansai, and Chubu areas

Overseas Network (as of December 31, 2016)

[U.S.]

- New York Branch
- Sumitomo Mitsui Trust Bank (U.S.A.) Limited (Banking, Trust Businesses)

[Europe]

- London Branch
- Sumitomo Mitsui Trust International Limited (Securities Business)
- Sumitomo Mitsui Trust Bank (Luxembourg) S.A. (Trust, Banking, Securities Businesses)
- Sumitomo Mitsui Trust (Ireland) Limited (Trust Business)
- Sumitomo Mitsui Trust (UK) Limited (Trust Business)

[Asia]

- Singapore Branch
- Shanghai Branch
- Hong Kong Branch
- Beijing Representative Office
- Beijing Representative Office (Securities Business)
- Zijin Trust Co., Ltd. (Trust Business)
- Sumitomo Mitsui Trust (Hong Kong) Limited (Securities Business)
- Jakarta Representative Office
- Seoul Representative Office
- Sumitomo Mitsui Trust Bank (Thai) Public Company Limited (Banking Business)

An overseas network that can provide global financial services

Basic Information of Sumitomo Mitsui Trust Group

Corporate Information (as of September 30, 2016)

| | |
|---------------------------------|---|
| Registered Trade Name: | Sumitomo Mitsui Trust Holdings, Inc. |
| Headquarters Location: | 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan |
| Date of Establishment: | February 1, 2002 (Change of trade name: April 1, 2011) |
| Main Business: | <p>With trust banking at its core, Sumitomo Mitsui Trust Holdings, Inc., will focus on the management of business operations, as the holding company of Sumitomo Mitsui Trust Group, and sets the following (1) - (6) as its key functions:</p> <ul style="list-style-type: none"> (1) Formulating group management strategy (2) Monitoring administration of business activities (3) Allocation of management resources (4) Supervising risk management (5) Supervising compliance management (6) Managing internal auditing |
| Capital: | 261,608,725,000 Yen |
| Stock Exchange Listings: | Tokyo, Nagoya Stock Exchanges Tokyo (Primary), Nagoya (Primary) |
| Securities Code: | 8309 |

Basic Information of Sumitomo Mitsui Trust Group

Rating Information (as of December 31, 2016)

| | | Long-term | Short-term |
|--------------------------------|---------|-----------|------------|
| Sumitomo Mitsui Trust Holdings | JCR | AA- | — |
| | R&I | A | — |
| | S&P | A | A-1 |
| | Moody's | A1 | P-1 |
| Sumitomo Mitsui Trust Bank | Fitch | A- | F1 |
| | JCR | AA- | — |
| | R&I | A+ | a-1 |

Issued: March 2017

Sumitomo Mitsui Trust Holdings, Inc.
Corporate Planning Department, CSR Promotion Office

1-4-1, Marunouchi, Chiyoda-ku Tokyo 100-8233, Japan

Telephone: +81 (3) 6256-6251 Facsimile: +81 (3) 3286-8741

URL: <http://smth.jp/en/csr/index.html>

Sumitomo Mitsui Trust Holdings, Inc.

2016 Corporate Social Responsibility Report — Questionnaire

Sumitomo Mitsui Trust Holdings, Inc.
Corporate Planning Department, CSR Promotion Office
Facsimile: 81-3-3286-8741

- Q1** | What was your impression of the CSR Report as a whole?
- | | | | |
|--|---------------------------------------|-------------------------------------|--|
| <input checked="" type="radio"/> Content | <input type="checkbox"/> Substantial | <input type="checkbox"/> Acceptable | <input type="checkbox"/> Inadequate |
| <input checked="" type="radio"/> Readability | <input type="checkbox"/> Easy to read | <input type="checkbox"/> Normal | <input type="checkbox"/> Difficult to read |

- Q2** | How do you evaluate our CSR efforts described in this report?
- | | | | | |
|------------------------------------|-------------------------------|---------------------------------------|-------------------------------|---------------------------------------|
| <input type="checkbox"/> Very Good | <input type="checkbox"/> Good | <input type="checkbox"/> Satisfactory | <input type="checkbox"/> Weak | <input type="checkbox"/> Insufficient |
|------------------------------------|-------------------------------|---------------------------------------|-------------------------------|---------------------------------------|

- Q3** | What items in the report interested you, or left an impression? (Feel free to check multiple items)
- ☒ ☐ Editorial Policy/Creating Shared Value through CSR Activities
 - ☐ Sumitomo Mitsui Trust Group's Basic Policy on Social Responsibility
 - ☐ Management Commitment ☐ Materiality Management for Creating Shared Value at SuMi TRUST Group
 - ☒ **Sustainability Policy 1**
 - ☐ Addressing Climate Change Using Our Financial Capabilities ☐ Natural Capital-related Initiatives Using Our Financial Capabilities
 - ☐ Addressing the Issues of a Super-Aging Society by Using Our Financial Functions ☐ Various Solutions Using Trust Functions
 - ☐ ESG-themed Initiatives in Our Asset Management Businesses ☐ ESG-themed Initiatives in Our Real Estate Businesses
 - ☒ **Sustainability Policy 2**
 - ☐ Initiatives regarding Fiduciary Duty ☐ Client Protection Management
 - ☐ Efforts to Enhance Customer Satisfaction ☐ Delivery of Reliable Financial Products and Services
 - ☒ **Sustainability Policy 3**
 - ☐ Corporate Governance ☐ Compliance and Conducting Business Activities Fairly ☐ Risk Management
 - ☐ Environmental and Social Considerations in Project Finance
 - ☐ CSR Procurement (Procurement that Gives Consideration to the Environment and Society)
 - ☒ **Sustainability Policy 4**
 - ☐ Environmental Burden Reduction Measures
 - ☒ **Sustainability Policy 5**
 - ☐ SuMi TRUST Group's Human Resources Strategy ☐ Enhancing Human Capital to increase Corporate Value
 - ☐ Initiatives regarding Human Rights
 - ☒ **Sustainability Policy 6**
 - ☐ Initiatives to Promote "With You" Activities ☐ Promoting Activities Fostering Employee Participation
 - ☐ Our Activities Supporting National Trusts ☐ Education for Sustainable Development (ESD) Projects
 - ☐ Supporting Education for Children through ISAK ☐ CSR Activities at Group Companies
 - ☐ Reconstruction Support for Regions Afflicted by Earthquakes

- Q4** | Please write your impressions and comments including your positive opinions about the report and the areas that should be improved.

- Q5** | In what capacity did you read this report?
- | | | | |
|--|---|--|--|
| <input type="checkbox"/> Retail Customer | <input type="checkbox"/> Corporate Customer | <input type="checkbox"/> Shareholder/Investor | <input type="checkbox"/> Corporate CSR Manager |
| <input type="checkbox"/> Researcher/Educator | <input type="checkbox"/> NPO/NGO Member | <input type="checkbox"/> Media Representative | <input type="checkbox"/> Government Employee |
| <input type="checkbox"/> Student | <input type="checkbox"/> Sumitomo Mitsui Trust Group Employee | <input type="checkbox"/> Other (please specify: _____) | |

Name: _____ Occupation/Company (Title): _____

Address: _____

Tel: _____

This questionnaire is solely for the improvement and enhancement of the content of our CSR Report. We will not use your personal information obtained through this questionnaire for any other purposes. We appropriately manage personal information.