



**SuMi TRUST**  
SUMITOMO MITSUI TRUST GROUP

# Investor Meeting on Financial Results for 1HFY2016

November 21, 2016

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## Definitions of terms in this document

Sumitomo Mitsui Trust Holdings (Consolidated): “Consolidated “ or “SuMi TRUST Holdings”

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

Former Chuo Mitsui Trust and Banking : CMTB, Former Chuo Mitsui Asset Trust and Banking : CMAB, Former Sumitomo Trust and Banking : STB

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

## Accounting for Business combination related to Management Integration

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

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

## Financial indices per share

Indices regarding financial information per share such as “Net asset per 1 share,” “Dividends per 1 share,” are presented assuming that the consolidation of shares (one (1) share for every ten (10) shares) enacted on October 1, 2016, took place at the beginning of FY2012, for consistency purposes.

# Highlights of 1HFY2016

## Consolidated financial results

Exceeded forecast, though net interest income and related profit decreased at non-consolidated level, profit contribution from group companies increased

Net business profit before credit costs

Results  
[ vs. 1HFY2016 forecast ]

¥146.1bn [ +¥1.1bn ]

Exceeded forecast, due to improvement in net gains on stocks and other items in addition to the above

Net income attributable to owners of the parent

¥87.9bn [ +¥7.9bn ]

## Strategic business areas

Decrease in sales volume of investment trust was partly covered by brisk sale of insurance products  
By maintaining AUM balance, recurring income was line with last year

Investment trust and insurance related business revenue  
(Non-consolidated)

Results  
[ change from 1HFY2015 ]

¥30.0bn [ ¥(3.7)bn ]

Though funds inflow to asset management subsidiaries increased, fall in market value caused by yen appreciation and fall in stock prices, and dissolution of company employees' pension plans resulted in overall decrease

AUM  
(Group companies total)

¥74.7tr [ ¥(1.6)tr ]

Profits were in line with last year on a non-consolidated basis.  
Residential properties handled by our subsidiary was in good shape

Real estate brokerage fee  
(Group companies total)

¥18.5bn [ +¥0.6bn ]

## Fundamental earning power

Decreased YoY, due mainly to fall in profitability of international business

Net interest income and related profit  
(Non-consolidated)

Results  
[ change from 1HFY2015 ]

¥90.3bn [ ¥(25.2)bn ]

## Financial soundness

CET1 Capital ratio decreased; retained earnings increased, but fall in stock prices resulted in reduction of unrealized gains on "other securities"

Common Equity Tier 1 capital ratio

Results  
[ change from Mar. 2016 ]

11.47% [ (0.21)% ]  
Fully-loaded basis (Pro forma)

# Financial results of 1HFY2016

# Financial results 1HFY2016 : Consolidated

- ▶ Net business profit before credit costs: DOWN ¥10.6bn YoY to ¥146.1bn. Profit contribution from group companies increased, mainly from financial services, but net interest income and related profit and other items decreased at non-consolidated level
- ▶ Net income attributable to owners of the parent: UP ¥1.9bn YoY to ¥87.9bn. Improvement in net gains on stocks and other items.

(Billions of yen)		FY2015 1H	FY2016 1H	Change
Net business profit before credit costs	1	156.7	146.1	(10.6)
(Contribution of group companies before consolidation adjustments)	2	35.4	37.7	2.2
Gross business profit	3	338.5	340.6	2.1
Net interest income and related profit	4	124.1	97.0	(27.1)
Net fees and commissions and related profit	5	177.2	196.1	18.9
Net other operating profit	6	28.6	41.0	12.4
General and administrative expenses	7	(195.1)	(206.8)	(11.7)
Net non-recurring profit, etc.	8	(6.1)	3.6	9.7
Ordinary profit	9	137.2	137.4	0.1
Extraordinary profit	10	(0.1)	(1.6)	(1.4)
Income before income taxes	11	137.1	135.8	(1.2)
Total income taxes	12	(44.4)	(41.4)	3.0
Net income attributable to owners of the parent	13	86.0	87.9	1.9
Total credit costs	14	0.0	0.7	0.7
Net gains on stocks	15	(1.5)	9.9	11.4
Return on shareholders' equity	16	9.09%	8.79%	(0.30%)
Dividend per common share (Yen)	17	65	65	-
Net assets per common shares (BPS) (Yen)	18	6,248.25	6,190.16	(58.09)
Earnings per share (EPS) (Yen)	19	222.83	229.45	6.62

< Components of Net business profit before credit costs (\*) >

- (1) Non-consolidated: ¥106.1bn
  - (2) Group companies: ¥37.7bn
  - (3) Effect of purchase accounting method: ¥(1.3)bn
- (\*) Adjustments, such as elimination of dividends from subsidiaries, were added to sum of (1), (2) and (3)

< Major factors [change from 1HFY2015] >

- (1) Net business profit before credit costs <1>: ¥(10.6)bn  
 Non-consolidated: ¥(14.7)bn [ ¥120.8bn → ¥106.1bn ]  
 Group companies: +¥2.2bn [ ¥35.4bn → ¥37.7bn ]  
 Effect of purchase accounting method: ¥(1.3)bn [ ¥0.0bn → ¥(1.3)bn ]
- (2) Contribution of group companies  
 before consolidation adjustments <2>: +¥2.2bn
  - Nikko Asset Management: ¥(2.0)bn
  - Sumitomo Mitsui Trust Asset Management: ¥(0.1)bn
  - Sumitomo Mitsui Trust Realty: +¥0.3bn
  - Sumitomo Mitsui Trust Panasonic Finance (Consolidated): +¥1.3bn
  - Sumitomo Mitsui Trust Loan & Finance: +¥0.5bn
  - SBI Sumishin Net Bank (Consolidated): ¥(0.5)bn
  - Sumitomo Mitsui Trust Club: +¥3.5bn

[ Gross business profit: +¥20.5bn, General and administrative expenses: ¥(16.9)bn ] (\*)

(\*) Became a consolidated entity from 3QFY2015

# Financial results 1HFY2016 : Non-consolidated

- ▶ Net business profit before credit costs: DOWN ¥14.7bn YoY to ¥106.1bn. General and administrative expenses decreased, but net interest income and related profit decreased mainly due to factors such as lower profit from international business
- ▶ Net income: UP ¥0.8bn YoY to ¥69.8bn. Improvement in net gains on stocks, decrease in total credit costs

	(Billions of Yen)	FY2015 1H	FY2016 1H	Change
Net business profit before credit costs	1	120.8	106.1	(14.7)
Gross business profit	2	239.7	221.5	(18.1)
Net interest income and related profit	3	115.6	90.3	(25.2)
Net fees and commissions and related profit	4	98.7	96.7	(1.9)
Net trading profit	5	8.4	6.3	(2.0)
Net other operating profit	6	16.8	28.0	11.1
Net gains on foreign exchange transactions	7	5.0	14.2	9.2
Net gains on bonds	8	13.5	16.9	3.4
Net gains from derivatives other than for trading or hedging	9	(2.0)	(3.6)	(1.6)
General and administrative expenses	10	(118.8)	(115.4)	3.4
Total credit costs	11	(0.1)	2.6	2.7
Other non-recurring profit	12	(19.0)	(7.5)	11.5
Net gains on stocks	13	(1.4)	10.1	11.6
Amortization of net actuarial losses	14	(7.4)	(14.2)	(6.8)
Ordinary profit	15	101.6	101.2	(0.4)
Extraordinary profit	16	(0.6)	(2.4)	(1.7)
Income before income taxes	17	100.9	98.7	(2.1)
Total income taxes	18	(31.9)	(28.8)	3.0
Net income	19	69.0	69.8	0.8

## < Major factors [change from 1HFY2015] >

### (1) Net interest income and related profit <3>: ¥(25.2)bn

- Net interest income ¥(28.7)bn [ ¥111.1bn → ¥82.3bn ]
  - Domestic business ¥(10.5)bn [ ¥78.7bn → ¥68.1bn ]
  - Loan-deposit income ¥(2.4)bn [ ¥57.4bn → ¥55.0bn ]
  - Borrowed money from trust account ¥(3.4)bn [ ¥(4.4)bn → ¥(7.8)bn ] ←
  - International business ¥(18.1)bn [ ¥32.4bn → ¥14.2bn ]
    - Loan-deposit income ¥(0.4)bn [ ¥35.4bn → ¥34.9bn ]
    - Interest on securities ¥(6.7)bn [ ¥18.8bn → ¥12.1bn ]
    - Expense on NCDs ¥(5.0)bn [ ¥(5.4)bn → ¥(10.5)bn ] ←
    - Income/expense related to swaps ¥(4.9)bn [ ¥(10.6)bn → ¥(15.6)bn ] ←
- Trust fees +¥3.4bn [ ¥4.4bn → ¥7.9bn ] ←

Offset majority of the increase

### (2) Net fees and commissions and related profit <4>: ¥(1.9)bn

- Investment trust/Insurance related profit ¥(3.7)bn [ ¥33.7bn → ¥30.0bn ]
- Real estate brokerage fees ¥(0.3)bn [ ¥9.9bn → ¥9.5bn ]

### (3) Net gains on foreign exchange transactions <7>: +¥9.2bn

- Of which profit attributable to deployment of surplus foreign currency funds +¥5.7bn [ ¥0.9bn → ¥6.7bn ] ←

Offset part of the increase

### (4) Net gains on bonds <8>: +¥3.4bn

- Domestic bonds ¥(0.5)bn [ ¥1.9bn → ¥1.3bn ]
- Foreign bonds +¥4.0bn [ ¥11.5bn → ¥15.6bn ]

## Contribution of major group companies

- ▶ Contribution to net business profit before credit costs: UP ¥2.2bn YoY to ¥37.7bn, mainly due to increased profit contribution from financial services subsidiaries, but profit contribution from Nikko Asset Management decreased
- ▶ Contribution to net income attributable to owners of the parent : UP ¥1.9bn YoY to ¥23.5bn

	Net business profit before credit costs			Net income attributable to owners of the parent			Goodwill as of Sep. 2016	
	FY2015 1H	FY2016 1H	Change	FY2015 1H	FY2016 1H	Change	Amortization amount	Outstanding balance
(Billions of yen)								
Consolidation difference	35.9	40.0	4.0	16.9	18.0	1.0	(5.8)	107.0
Effect of purchase accounting method	0.0	(1.3)	(1.3)	5.5	4.2	(1.3)	---	---
Contribution (before consolidation adjustments) (*1)	35.4	37.7	2.2	21.5	23.5	1.9	(5.8)	107.0
Sumitomo Mitsui Trust Asset Management	3.2	3.1	(0.1)	2.1	2.1	0.0	---	---
Nikko Asset Management (Consolidated)	6.5	4.5	(2.0)	3.0	3.0	(0.0)	(*2) (2.4)	(*2) 40.4
Sumitomo Mitsui Trust Realty	1.7	2.1	0.3	1.3	1.4	0.1	---	---
Sumitomo Mitsui Trust Panasonic Finance (Consolidated)	4.9	6.2	1.3	2.9	3.1	0.2	---	---
Sumitomo Mitsui Trust Loan & Finance	4.4	4.9	0.5	2.8	3.3	0.4	(1.9)	32.4
SBI Sumishin Net Bank (Consolidated)	4.2	3.6	(0.5)	2.7	2.3	(0.3)	---	---
Sumitomo Mitsui Trust Guarantee (Consolidated)	5.7	6.0	0.3	3.8	3.8	(0.0)	---	---
Sumitomo Mitsui Trust Club	---	3.5	3.5	---	1.4	1.4	(0.7)	22.5

(\*1) Contribution of group companies (before consolidation adjustments) is a substantive amount which excludes consolidation adjustments that do not relate directly to the group companies' business results. (Non-consolidated profit/loss of the holding company, elimination of dividend, amortization of goodwill, etc.)

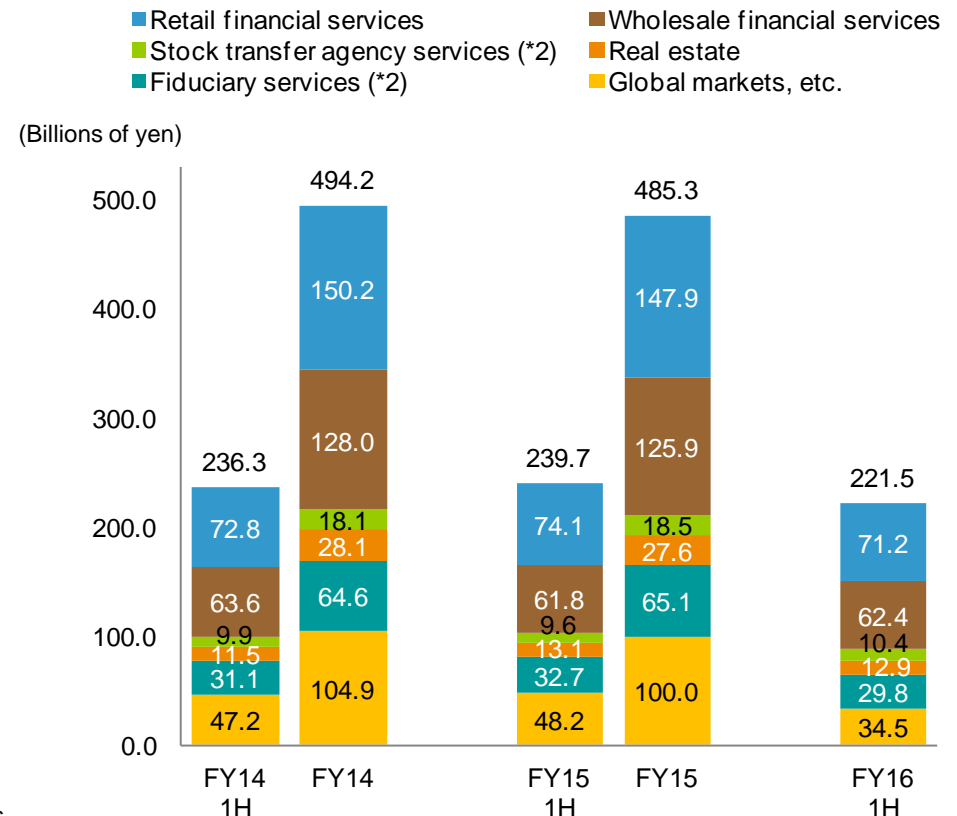
(\*2) Including ¥ 0.5bn of amortization amount and ¥0.2bn of outstanding balance from affiliated companies

# Profit by business segment: Non-consolidated

- ▶ Retail financial services: DOWN ¥2.8bn YoY, due primarily to decrease in sales volume of investment trust businesses and increase in costs related to deposits
- ▶ Wholesale financial services: UP ¥0.6bn YoY, increase in foreign currency funding cost was covered by increase in fee income related to credit business
- ▶ Fiduciary services: DOWN ¥2.8bn YoY, due primarily to decrease of AUM caused by dissolution of company pension plans, but more or less in line with forecast
- ▶ Global markets: DOWN ¥9.2bn YoY, though client transactions' profits were firm, interest income from bond investment decreased

(Billions of yen)	Gross business profit (Non-consolidated)		
	FY2015 1H	FY2016 1H	Change
Retail financial services	74.1	71.2	(2.8)
Wholesale financial services	61.8	62.4	0.6
Stock transfer agency services	9.6	10.4	0.8
Gross business profit	15.0	15.8	0.7
Fees paid out for outsourcing	(5.4)	(5.3)	0.0
Real estate	13.1	12.9	(0.1)
Fiduciary services	32.7	29.8	(2.8)
Gross business profit	47.2	44.6	(2.6)
Fees paid out for outsourcing	(14.4)	(14.7)	(0.2)
Global markets	44.9	35.7	(9.2)
Others (*1)	3.2	(1.1)	(4.4)
<b>Total</b>	<b>239.7</b>	<b>221.5</b>	<b>(18.1)</b>

(\*1) Figures for "Others" include costs of capital funding, dividends of shares for strategic shareholdings, general and administrative expenses of headquarters, etc.



(\*2) After deducting fees paid out for outsourcing in Stock transfer agency services and Fiduciary services



# Net interest income: Non-consolidated

- ▶ Net interest income: DOWN ¥28.7bn YoY to ¥82.3bn, due primarily to decreased income from international business, reflecting decreased interest income from securities and increased foreign currencies funding cost. (However, effective profit was DOWN ¥19.4bn YoY, taking profit line items that should be categorized as interest income into consideration)
- ▶ Domestic loan-deposit spread for 1HFY2016 fell by 4bp from 2HFY2015. Decline in yield on loans and bills discounted was partially offset by decline in yield on deposits

	1HFY2016					
	Average balance	Change from 1HFY2015	Yield	Change from 1HFY2015	Income/Expense	Change from 1HFY2015
(Average balance: Trillions of yen) (Income/Expense: Billions of yen)						
Net interest income					82.3	(28.7)
Domestic business			0.40%	(0.12%)	68.1	(10.5)
Interest-earning assets	33.48	3.35	0.61%	(0.15%)	102.7	(12.5)
Loans and bills discounted	19.62	1.18	0.75%	(0.11%)	74.0	(6.0)
Securities	3.07	0.12	1.47%	(0.31%)	22.7	(3.6)
Interest-bearing liabilities	32.57	3.00	0.21%	(0.03%)	(34.5)	2.0
Deposits	22.73	1.58	0.16%	(0.05%)	(19.0)	3.6
International business			0.26%	(0.27%)	14.2	(18.1)
Interest-earning assets	11.15	(0.96)	1.26%	0.13%	70.6	1.9
Loans and bills discounted	6.84	(0.15)	1.48%	0.23%	51.1	7.2
Securities	1.70	(0.22)	1.42%	(0.53%)	12.1	(6.7)
Interest-bearing liabilities	11.16	(0.72)	1.00%	0.40%	(56.4)	(20.0)
Deposits	3.96	0.23	0.81%	0.36%	(16.1)	(7.6)
Loan-deposit spread / income			0.68%	(0.05%)	90.0	(2.8)
Domestic business			0.59%	(0.06%)	55.0	(2.4)
<Reference> Net interest income and related profit					90.3	(25.2)
Trust fees from principal guaranteed trust a/c					7.9	3.4

< Major factors [ change from 1HFY2015 ] >

(1) Domestic business: ¥(10.5)bn [ ¥78.7bn → ¥68.1bn ]

Loan-deposit income : ¥(2.4)bn [ ¥57.4bn → ¥55.0bn ]

Securities: ¥(3.6)bn [ ¥26.3bn → ¥22.7bn ]

Investment trust related profit: ¥(2.8)bn [ ¥3.9bn → ¥1.1bn ]

Interest paid on borrowings from the trust account: ¥(3.4)bn  
[ ¥(4.4)bn → ¥(7.8)bn ]

→ Offset part of decrease by Trust fees from principal guaranteed trust a/c [ +¥3.4bn ]

(2) International business: ¥(18.1)bn [ ¥32.4bn → ¥14.2bn ]

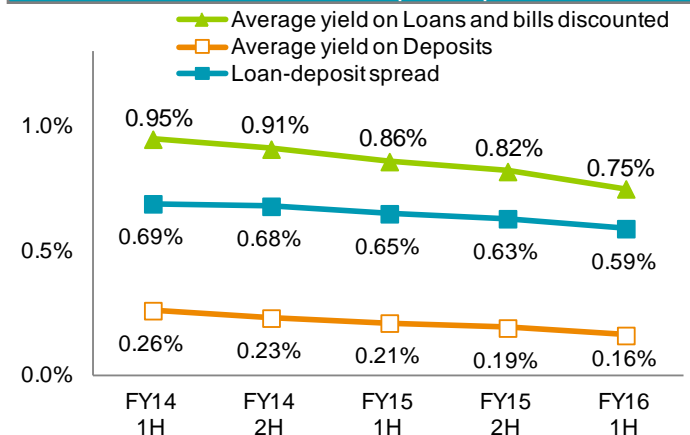
Securities: ¥(6.7)bn [ ¥18.8bn → ¥12.1bn ]

Expense on NCDs: ¥(5.0)bn [ ¥(5.4)bn → ¥(10.5)bn ]

→ Offset part of decrease by Net gains on foreign exchange transactions [ +¥5.7bn ]

Swaps : ¥(4.9)bn [ ¥(10.6)bn → ¥(15.6)bn ]

## Domestic loan-deposit spread



# (Reference) Additional information regarding net interest income

## Effective interest related earnings (Non-consolidated)

(Billions of yen)		FY2015 1H	FY2016 1H	Change
1	Net interest income	111.1	82.3	(28.7)
2	Interest paid on borrowings from the trust account	(4.4)	(7.8)	(3.4)
3	Interest paid on foreign currency NCDs	(5.4)	(10.5)	(5.0)

### < Related profit >

4	Trust fees from principal guaranteed trust a/c	4.4	7.9	3.4
5	Profit attributable to deployment of surplus foreign currency funds	0.9	6.7	5.7

**Effective interest related earnings (1+4+5) 6 116.6 97.1 (19.4)**

[ Change from 1HFY2015 ¥(19.4)bn : Domestic business ¥(7.1)bn,  
International business ¥(12.3) bn ]

### < Additional commentary about interest paid on borrowings

from the trust account (2.4) >

- ▶ Funds from trust account clients (trust assets) were lent to the banking account
- ▶ The banking account recognizes cost of these funds as borrowed money from the trust account, but is offset as an internal transaction overall

### < Additional commentary about interest paid on foreign currency NCDs (3.5) >

- ▶ Most of funds sourced through foreign currency NCDs were deployed as surplus funds
- ▶ Due to attractive rate differentials, surplus funds were invested in the forward foreign exchange market  
→ As a result, costs were recorded as interest paid, but profits were recognized as net gains on foreign exchange transactions

### Major factors of change

Decrease of interest/dividend income on securities (International Business) approx. ¥7bn  
Deterioration of income/expense related to swaps (International Business) approx. ¥5bn  
Decrease of investment trust related income (Domestic Business) approx. ¥3bn  
Impact of NIRP (Domestic Business) approx. ¥5bn

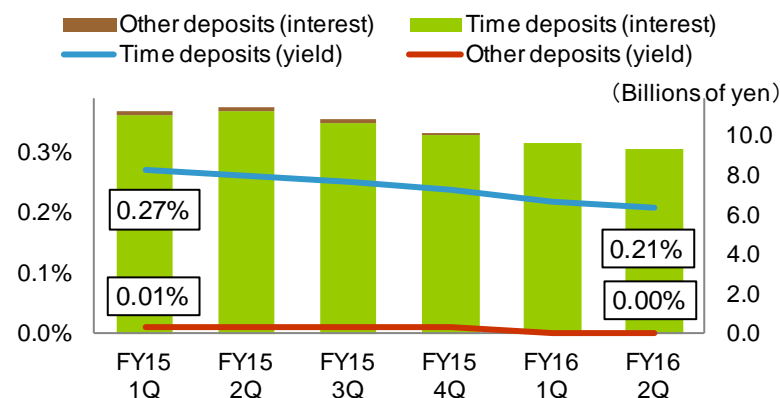
## Balance of BoJ current deposits

(Trillions of yen)	SuMi TRUST Bank		JT SB	
	Sep. 2016	Change from Mar. 2016	Sep. 2016	Change from Mar. 2016
Amount of BoJ current deposits	9.1	(2.2)	9.9	4.4
Basic balance [ 0.1% ]	6.0	(0.0)	1.5	(0.0)
Macro add-on balance [ 0% ]	1.8	0.4	5.0	5.0
Policy-rate balance [ (0.1%) ]	1.2	(2.6)	3.3	(0.5)

### Main inflow channel

Deposits, NCD	33.0	(0.6)	5.1	4.9
Borrowed money from trust account	3.4	(3.5)	5.5	(1.0)

## Domestic time deposit rate/interest paid (Non-consolidated)



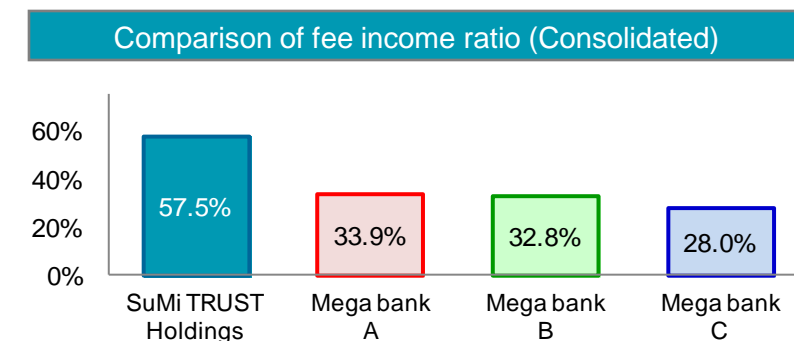
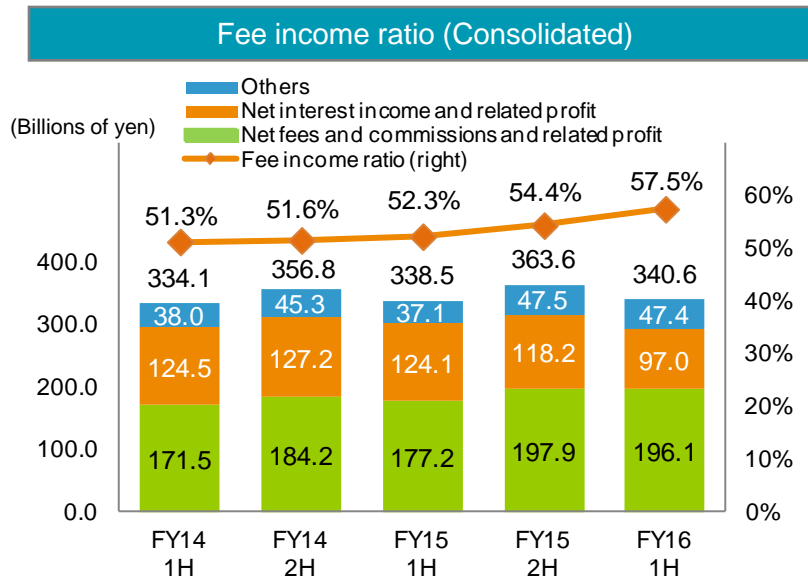
# Net fees and commissions and related profit

- ▶ Net fees and commissions and related profit (Non-consolidated): DOWN ¥1.9bn YoY to ¥96.7bn  
Fees from wholesale financial services and stock transfer agency services increased, but fees from investment trust sales and fiduciary services decreased
- ▶ Net fees and commissions and related profit (Consolidated): UP ¥18.9bn YoY to ¥196.1bn due primarily to increased profit contribution of Sumitomo Mitsui Trust Club, which became a consolidated subsidiary last fiscal year
- ▶ Fee income to gross business profit ratio (Consolidated): UP 5.2 percentage point YoY to 57.5%, due to the reason above.

	Non-consolidated		Consolidated (*1)	
	1HFY2016	Change from 1HFY2015	1HFY2016	Change from 1HFY2015
(Billions of yen)				
Net fees and commissions and related profit	96.7	(1.9)	196.1	18.9
(Net fees and commissions)	56.8	2.5	153.4	23.4
(Other trust fees)	39.9	(4.5)	42.7	(4.5)
Investment trust and Insurance Sales	30.0	(3.7)	30.0	(3.7)
Fiduciary services	29.8	(2.8)	83.3	(4.9)
Profit	44.6	(2.6)	88.3	(4.9)
Fees paid out for outsourcing	(14.7)	(0.2)	(4.9)	0.0
Stock transfer agency services	10.4	0.8	16.9	0.7
Profit	15.8	0.7	16.9	0.7
Fees paid out for outsourcing	(5.3)	0.0	-	-
Real estate	12.6	(0.3)	22.7	1.1
Others (Loan arrangement fees, etc.)	13.6	4.1	43.0	25.6
Fee income ratio (*2)	43.6%	2.5%	57.5%	5.2%

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

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



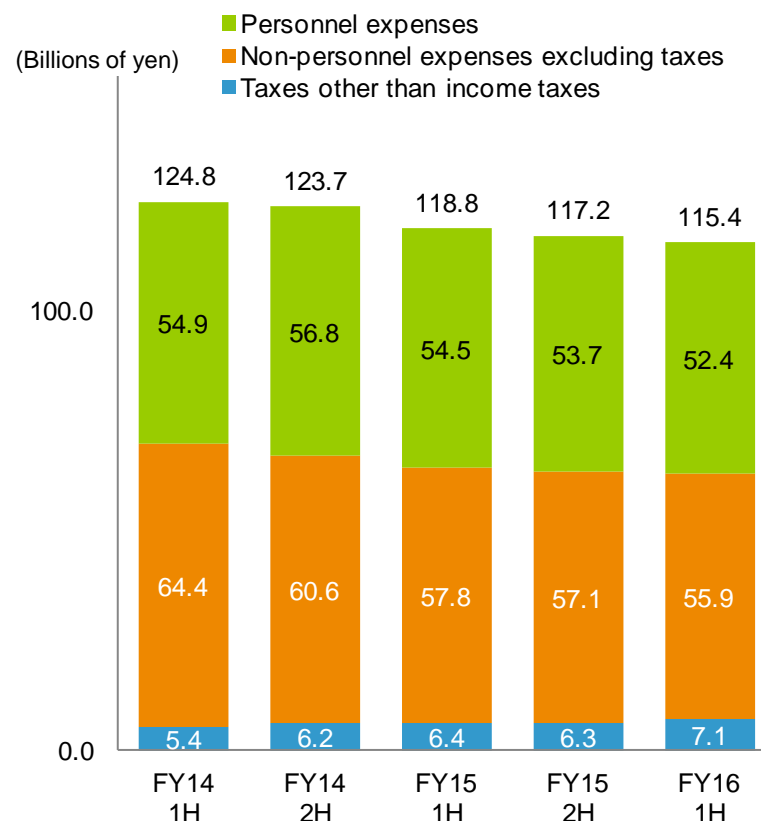
# General and administrative expenses

- ▶ General and administrative expenses (Non-consolidated): DOWN ¥3.4bn YoY to ¥115.4bn, due primarily to rigid control of personnel costs and decrease in “others” of non-personnel expenses
- ▶ Overhead ratio (Non-consolidated): UP 2.5 percentage points YoY to 52.1% due to decrease in gross profit, though absolute expenses also decreased

(Billions of yen)	Non-consolidated		
	1HFY2015	1HFY2016	Change
Personnel expenses	(54.5)	(52.4)	2.1
Salaries etc.	(51.2)	(50.1)	1.0
Retirement benefit expenses	5.0	6.0	0.9
Others	(8.4)	(8.2)	0.1
Non-personnel expenses excluding taxes	(57.8)	(55.9)	1.9
IT system related costs	(16.5)	(17.0)	(0.4)
Others	(41.2)	(38.9)	2.3
Taxes other than income taxes	(6.4)	(7.1)	(0.6)
General and administrative expenses (a)	(118.8)	(115.4)	3.4
Overhead ratio ((a) / gross business profit)	49.6%	52.1%	2.5%

(Billions of yen)	(Reference) Consolidated		
	1HFY2015	1HFY2016	Change
Personnel expenses	(92.7)	(93.5)	(0.8)
Non-personnel expenses excluding taxes	(94.6)	(104.2)	(9.5)
Taxes other than income taxes	(7.6)	(8.9)	(1.3)
General and administrative expenses	(195.1)	(206.8)	(11.7)

## General and administrative expenses (Non-consolidated)



# Total credit costs and problem assets

- ▶ Total credit costs (Consolidated): Reversal of ¥0.7bn due primarily to problem debt recovered from some obligors in addition to decrease in amount of problem assets. Incidence of new problem assets remained low
- ▶ NPL ratio (Non-consolidated): 0.3%, remained same level with Mar. 2016
- ▶ Coverage ratio to problem assets was 91.2%, maintaining a prudent level

< Total credit costs > (Billions of yen)	FY2015		FY2016		Major factors (1HFY2016)
		1H	2H	1H	
Total credit costs (Non-Consolidated)	(14.1)	(0.1)	(14.0)	2.6	Downgraded: Approx. (1.0)bn Upgraded: Approx. +1.0bn Decrease in loan balance, etc. (Including recoveries): Approx. +2.5bn
General allowance for loan losses	(6.3)	1.9	(8.3)	0.3	
Specific allowance for loan losses	(2.9)	(0.2)	(2.6)	1.4	
Recoveries of written-off claims	1.8	0.5	1.3	1.2	
Losses on sales of claims, written-off	(6.6)	(2.3)	(4.3)	(0.3)	
Total credit costs (Group companies)	(11.7)	0.1	(11.9)	(1.8)	
Total	(25.9)	0.0	(25.9)	0.7	

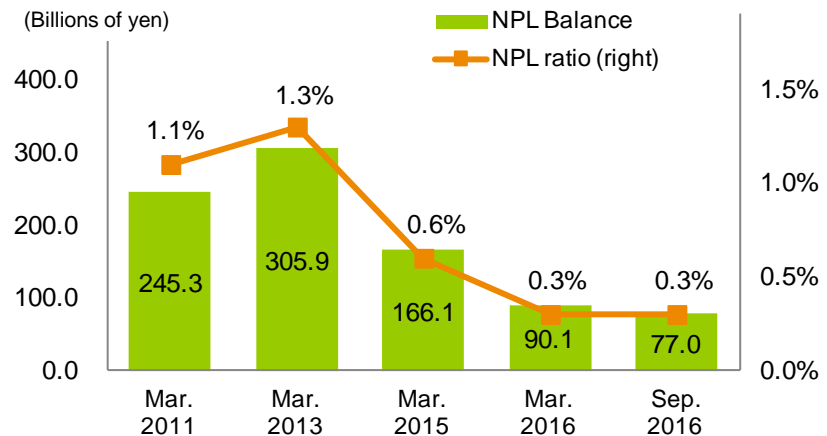
## < Problem assets based on the Financial Reconstruction Act (Non-consolidated) >

(Billions of yen)	Sep. 2016	Coverage ratio (*1)	Allowance ratio (*2)	Change from Mar. 2016
	Problem assets based on the Financial Reconstruction Act	77.0	91.2%	62.7%
Ratio to total loan balance	0.3%	---	---	(0.0%)
Bankrupt and practically bankrupt	9.9	100.0%	100.0%	(2.0)
Doubtful	36.9	89.4%	63.4%	(8.0)
Substandard	30.1	90.6%	23.5%	(3.1)
Other special mention debtors	377.6	---	---	9.3
Ordinary assets	27,262.8	---	---	57.9
Total balance	27,717.4	---	---	54.0

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

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

## Total balance and ratio of NPL

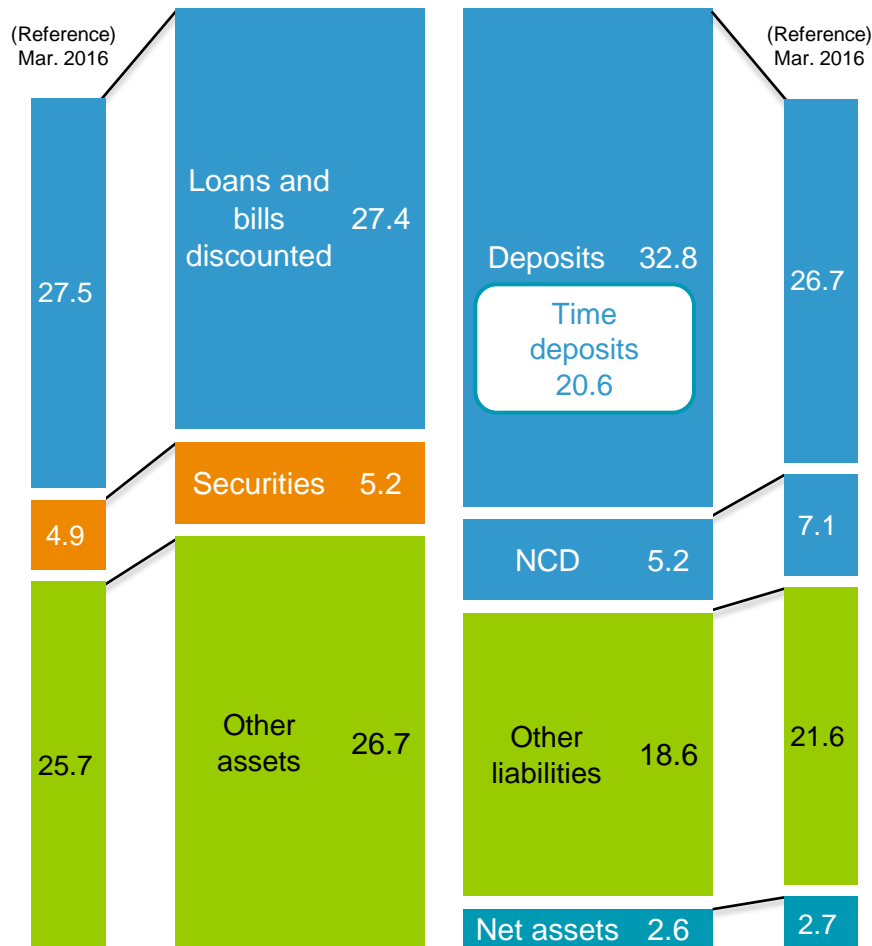


# Balance sheet

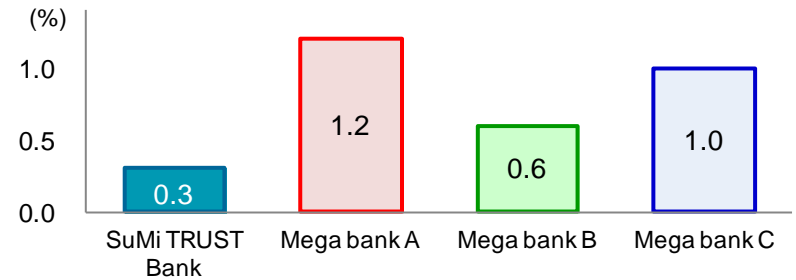
## Balance Sheet (Consolidated) (Sep. 2016)

(Trillions of yen)

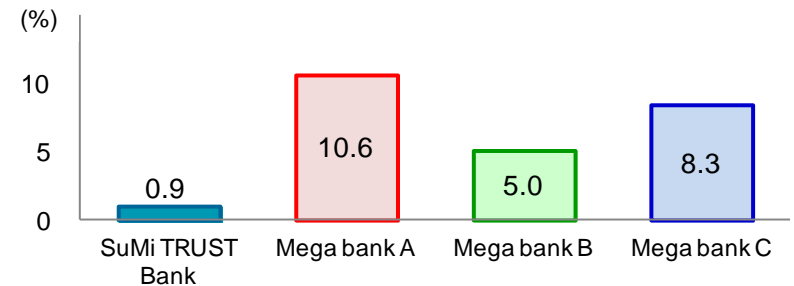
**Total assets : 59.4 trillion yen**



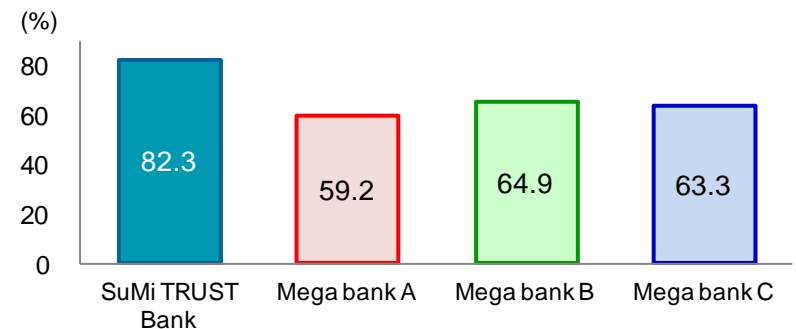
## NPL ratio (Non-consolidated, as of Sep. 2016)



## JGB holding ratio (Non-consolidated, as of Sep. 2016)



## Loan-deposit ratio (Non-consolidated, as of Sep. 2016)



[Source] Disclosure documents

# Securities portfolio and interest rate risk

- ▶ Cost of available-for-sale securities (Consolidated): UP ¥424.2bn from Mar. 2016 to ¥4,186.2bn due primarily to increase in US Treasuries
- ▶ Unrealized gains of available-for-sale securities (Consolidated): DOWN ¥73.2bn from Mar. 2016 to ¥602.3bn due to fall in Japanese stocks
- ▶ Risk of strategic shareholdings is planned to be reduced, utilizing hedge transactions as well

## <Securities with fair value (Consolidated)>

(Billions of yen)	Costs		Unrealized gains/losses	
	Sep. 2016	Change from Mar. 2016	Sep. 2016	Change from Mar. 2016
Available-for-sale securities	4,186.2	424.2	602.3	(73.2)
Japanese stocks	690.4	(4.1)	551.2	(54.7)
Japanese bonds	967.4	(337.5)	1.3	(0.3)
Others	2,528.4	765.8	49.7	(18.1)
Held-to-maturity debt securities	396.5	(24.0)	33.0	(3.8)

## <Available-for-sale securities with fair value (Non-consolidated)>

Available-for-sale securities	4,125.5	440.0	622.7	(73.9)
Japanese stocks	663.4	(3.7)	575.9	(55.0)
Japanese bonds	984.8	(330.7)	(0.3)	(1.5)
Government bonds	258.9	(310.9)	0.0	(1.2)
Others	2,477.3	774.5	47.1	(17.4)
Domestic investment (*1)	108.9	(11.3)	2.0	(0.2)
International investment (*1)	1,663.8	707.1	(10.0)	(17.8)
US Treasury	1,301.0	797.9	(10.3)	(16.4)
Others (Investment trust, etc.) (*2)	704.5	78.7	55.0	0.6
for hedging of strategic shareholdings	530.2	-	55.3	2.6

(\*1) "Domestic investment" and "International investment" are basically categorized by the countries where final exposure exists

(\*2) "Investment trust" and investment securities uncategorizable into "Domestic investment" or "International investment"

## <Held-to-maturity debt securities with fair value (Non-consolidated)>

Held-to-maturity debt securities	312.1	(20.0)	33.0	(3.8)
Government bonds	165.1	(25.1)	24.1	(0.1)
International investment (*1, *3)	100.5	0.8	8.3	(3.7)

(\*3) Unamortized balance of unrealized loss on overseas asset-backed securities which were reclassified from AFS to HTM during FY2008 (Sep. 2016: (6.9)bn yen, Mar. 2016: (11.5)bn yen)

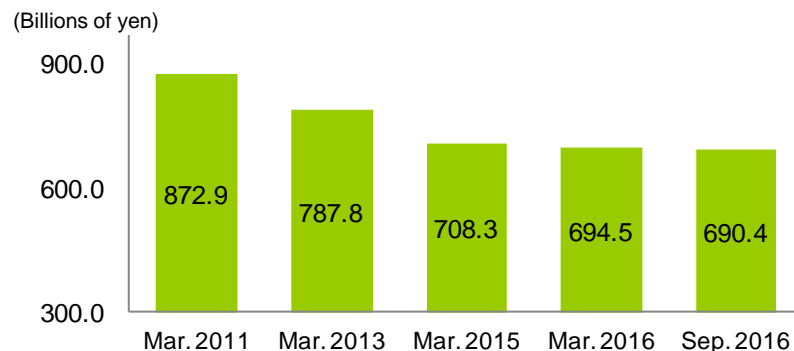
## Securities portfolio of Global markets (Non-consolidated) (\*4)

(Billions of yen)	10BPV (*5)		Duration (years) (*5)	
	Sep. 2016	Change from Mar. 2016	Sep. 2016	Change from Mar. 2016
JPY	2.0	(0.3)	4.8	1.5
Others	11.2	7.9	8.8	3.3

(\*4) Managerial reporting basis; "Held-to-maturity debt securities" and "Available-for-sale securities" are combined

(\*5) In the calculation of 10BPV and duration, investment balance hedged by derivative transactions, etc. were excluded

## Balance of strategic shareholdings (Consolidated) (\*6)



(Billions of yen)	FY2015		FY2016
	1H	2H	1H
Reduction amount of strategic shareholdings	5.3	12.3	17.6
			5.1

(Note) Accumulated amount of reduction from FY2011 to FY2015: ¥214.1bn

(\*6) Cost of listed shares

# Forecast for FY2016



# Forecast for FY2016

- ▶ Net business profit before credit costs (Consolidated): Unchanged from April 2016
- ▶ Ordinary profit (Consolidated): UP ¥10.0bn from April 2016, taking improvement in total credit costs (Non-consolidated) into account
- ▶ Net income attributable to owners of the parent / Full year dividend on common share: Forecast of net income attributable to owners of the parent of ¥170.0bn, dividend of 130yen per share (after share consolidation) based on Policy on shareholder return, aiming to maintain consolidated dividend payout ratio of approximately 30%, both remain unchanged from April 2016

< Consolidated > (Billions of yen)	FY2016		
	1H (Actual)	Full (Forecast)	Change from FY2015
Net business profit before credit costs	146.1	300.0	(18.3)
Ordinary profit	137.4	265.0	(13.0)
Net income attributable to owners of the parent	87.9	170.0	3.0
Total credit costs	0.7	(15.0)	10.9
Dividend on common share (Yen) (*1)	65	130	±0
Consolidated dividend payout ratio	---	29.3%	(0.7%)

## < Non-consolidated >

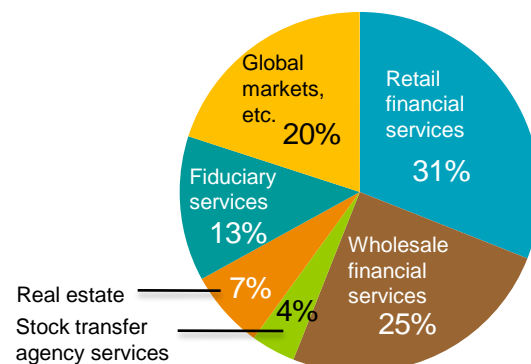
Net business profit before credit costs	106.1	225.0	(24.1)
Gross business profit	221.5	461.0	(24.3)
Retail financial services	71.2	144.0	(3.9)
Wholesale financial services	62.4	117.0	(8.9)
Stock transfer agency services	15.8	(*) 30.0	1.1
Real estate	12.9	30.0	2.6
Fiduciary services	44.6	(*) 90.0	(3.5)
Global markets	35.7	85.0	(12.5)
General and administrative expenses	(115.4)	(236.0)	0.1
Total credit costs	2.6	(10.0)	4.1
Other net non-recurring profit	(7.5)	(15.0)	1.1
Ordinary profit	101.2	200.0	(18.8)
Extraordinary profit	(2.4)	(5.0)	(1.3)
Net income	69.8	135.0	(8.1)

(\*2) Fees paid out for outsourcing are not deducted.

(Stock transfer agency services: (10.0)bn yen, Fiduciary services: (30.0)bn yen)

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## (Ref.) Breakdown of Gross business profit (Non-consolidated)



## < Major factors: Change from initial forecast at beginning of FY2016 > [ Consolidated ]

(1) Ordinary profit: +¥10.0bn [ ¥255.0bn → ¥265.0bn ]

• Total credit costs: +¥15.0bn [ ¥(30.0)bn → ¥(15.0)bn ]

• Other net non-recurring profit: ¥(5.0)bn [ ¥(35.0)bn → ¥(40.0)bn ]

[ Non-consolidated ]

(2) Gross business profit: ±¥0.0bn [ ¥461.0bn → ¥461.0bn ]

(Including ¥(12.0)bn of impact of negative interest rate policy)

(3) Ordinary profit: +¥15.0bn [ ¥185.0bn → ¥200.0bn ]

• Total credit costs: +¥15.0bn [ ¥(25.0)bn → ¥(10.0)bn ]

(4) Extraordinary profit: ¥(5.0)bn [ ¥0.0bn → ¥(5.0)bn ]

(\*1) Net asset per share of SuMi TRUST Holdings' common stock is presented assuming that the consolidation of shares at a ratio of 1 share for 10 shares enacted on October 1, 2016, took place at the beginning of fiscal year ended March 31, 2016.

# (Reference) Vision for FY2018 (announced in May 2016)

## < Challenge and innovation

- ~ Growth through change and differentiation and Restructuring of defense ~>
- Fee income to be increased in all businesses
- Reform and differentiate our banking businesses

## < Strategic keywords >

- ✓ Middle market / small and retail
- ✓ Globalization
- ✓ Leveraging asset management competency

## < Consolidated >

(Billions of yen)	FY2016	FY2018	
	Forecast	Trajectory	Change from FY2016
Net business profit before credit costs	300.0	330.0	30.0
Total credit costs	(30.0)	(40.0)	(10.0)
Net income attributable to owners of the parent	170.0	180.0	10.0
Fee income to gross business profit ratio	Mid-50%	Mid-50%	
Return on shareholders' equity	Mid-8%	Over 8%	

## < Non-consolidated >

Net business profit before credit costs	225.0	240.0	15.0
Gross business profit	461.0	475.0	14.0
General and administrative expenses	(236.0)	(235.0)	1.0
Total credit costs	(25.0)	(35.0)	(10.0)
Net income	135.0	140.0	5.0
Overhead Ratio (OHR)	51%	49%	

## < Assumptions of the market >

3M Tibor	0.10%
5 year Swap rate	(0.12%)
10 year JGB	(0.01%)
Nikkei 225 (Yen)	15,000-17,000
USD/JPY	115.0

## < Growth image >

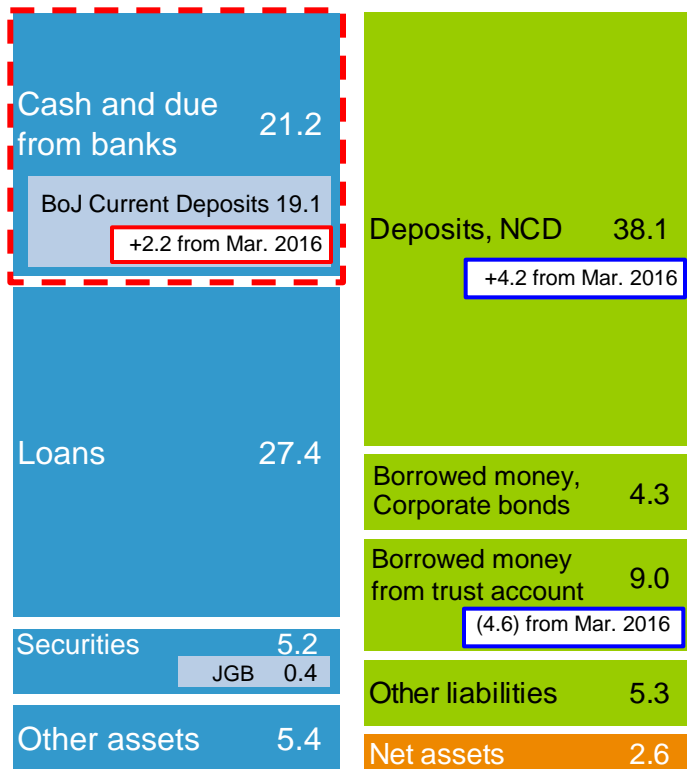
		FY2015	FY2018
		Actual	Trajectory
"Wrap Selection"	Balance	¥1.5tr	¥2.8tr
Mortgage loan	Balance	¥7.4tr	¥8.6tr
Credit to non-Japanese borrowers	Balance	¥3.8tr	¥5.2tr
Credit to mid-sized corporations	Balance	¥1.0tr	¥1.3tr
Real estate brokerage fee (Group basis)	Revenue	¥38.0bn	¥46.5bn
Entrusted investment trust	Balance	¥62tr	¥70tr
Asset management for overseas investors	Balance	¥1.0tr	¥1.6tr

# (Reference) Impact of negative interest rate policy (NIRP)

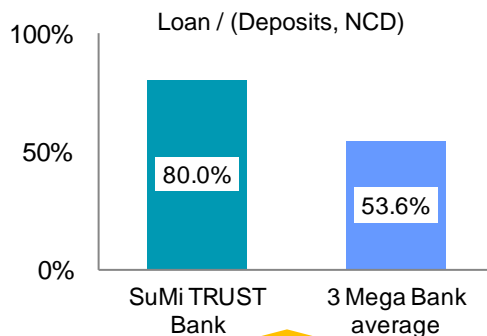
- ▶ Since introduction of Bank of Japan's NIRP, yen interest rate yield curve has flattened and fallen
- ▶ Negative impact to net interest income such as fall in loan and securities yield cannot be avoided  
However, we have relative flexibility to adjust to mitigate impact with our high fee income ratio (=lower reliance on interest income), and capability to control deposit funding cost

## Balance Sheet (Consolidated) (Sep. 2016)

Total assets: 59.4 trillion yen

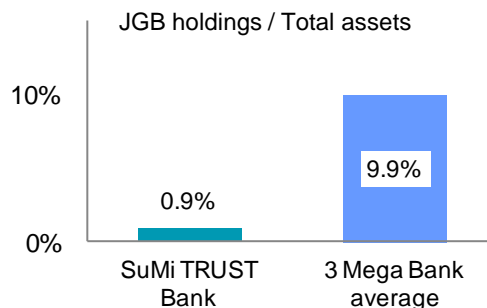


## Loan-deposit ratio (Non-consolidated, domestic)

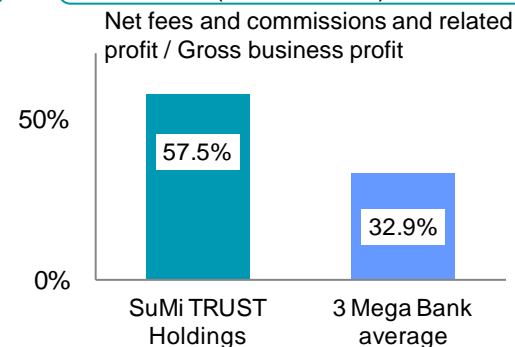


Relatively benign cash investment pressure provides room for ALM control

## JGB holdings ratio (Non-consolidated)

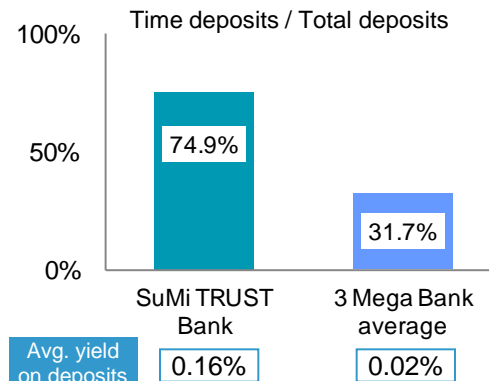


## Fee income ratio (Consolidated)



Relatively higher fee income ratio

## Time deposit ratio (Non-consolidated, domestic)



Avg. yield on deposits

0.16%

0.02%

More headroom to lower deposit rate yield

Note: All ratios: SuMi TRUST Sep. 2016 (or 1HFY2016) actual, 3 Mega Bank Average is calculated using Mar. 2016 (or FY2015) actual data, 3 Mega Banks includes banking entity subsidiaries in calculation. Time deposit ratio is based on avg. figures during the period.

# Business initiatives in 2HFY2016 and strategic business areas

# The Group's Characteristics, Strengths and Strategic Direction

## Characteristics and strengths of SuMi TRUST group

### Favorable fee income ratio

- ▶ Hybrid business model of trust and banking business
- ▶ Expertise in trust businesses

### A sound balance sheet

- ▶ Robust credit portfolio
- ▶ Favorable loan-to-deposit ratio, low level of JGB holdings

### High quality business and client foundations

- ▶ Well positioned, highly competitive status in trust businesses
- ▶ High quality individual clientele
- ▶ Robust corporate client base in both banking and trust businesses centered on large domestic corporates

## Strategic direction to be taken

### Further strengthening of fee businesses

- ~ Business portfolio to ensure stable fee income ~
- ~ Seek asset management opportunities in all areas ~

### Reformation of the banking business

- ~ Structural reforms to utilize the B/S more efficiently ~

### Enlarge business base and pursue sustainable growth model

- ~ Enlarge client and business base ~
- ~ Smooth generational transition of personal client base ~

# Business initiatives in 2HFY2016

## Further strengthening of fee businesses

- ▶ Comprehensive investment consulting services for retail clients
- ▶ Expand DC business
- ▶ Strengthen asset management business in real estate

## Reformation of the banking business

- ▶ Improve profitability of credit portfolio
- ▶ Expand asset class/lending structure
- ▶ Optimize foreign currency lending/funding
- ▶ Expand asset management business

Collaboration between business divisions  
that only SuMi TRUST can achieve

## Pursue business base expansion and sustainable growth

- ▶ Strengthen retail asset management
- ▶ Expand corporate client base into medium and middle market companies
- ▶ Strengthen product line up to expand business base
- ▶ Take in asset accumulation stage households as clients

## Pursue high level financial soundness and capital efficiency

Maintain high quality B/S through prudent risk management

- ▶ Control downside risk losses
- ▶ Sensible ALM management under NIRP

Adherence to Basel III and other regulations

- ▶ Planned reduction of strategic-shareholdings
- ▶ Prudent management of capital and risk-assets

## Further strengthening of fee businesses: (1) Investment trust and insurance sales

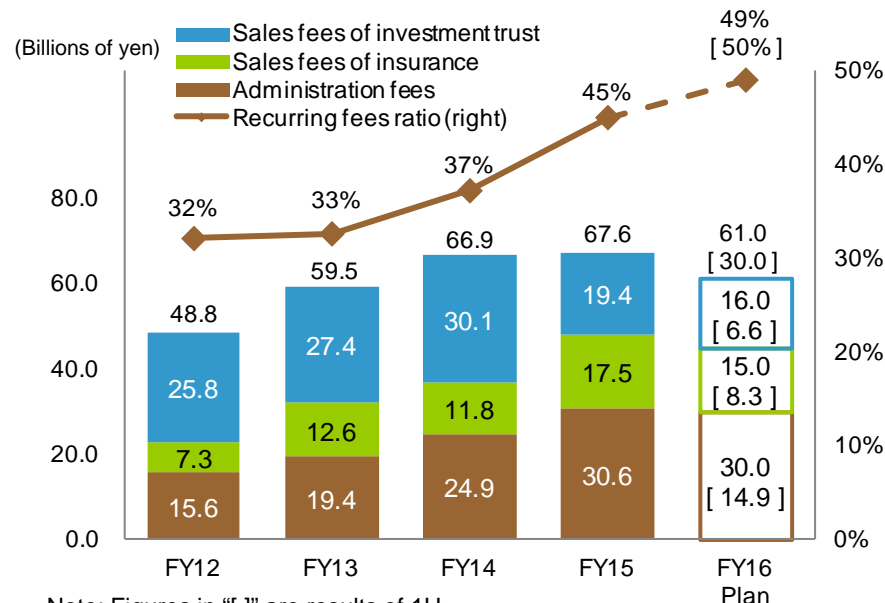
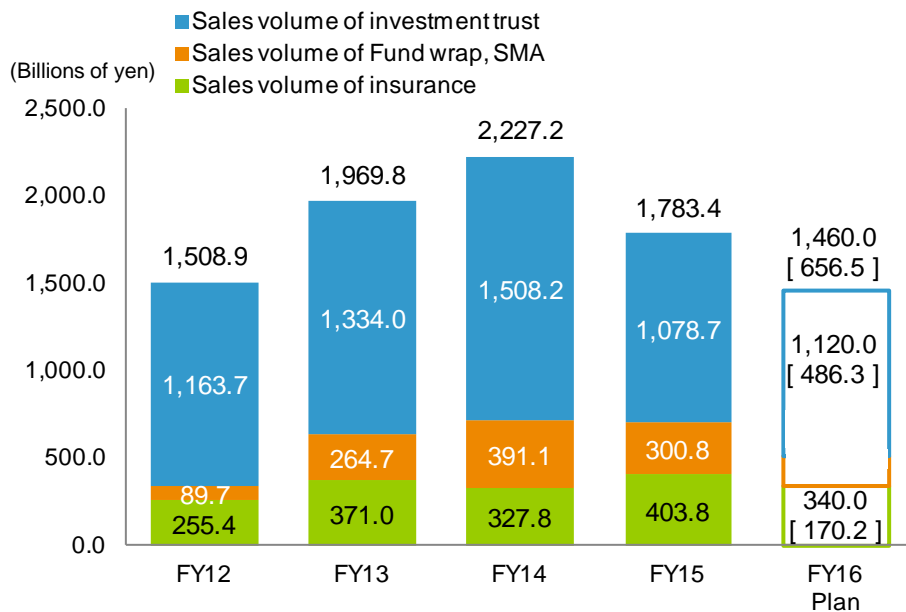
- ▶ Sales of insurance products were in line with previous year, but sales of investment trusts/managed accounts fell substantially due to wait-and-see attitude of investors, and total sales volume was around 60% of previous year
- ▶ Earnings decreased by ¥3.7bn YoY to ¥30bn, though administration fees maintained last year's level, fee revenue from sales of new investment trusts decreased. Recurring fee ratio (administration fees/total income) rose to 50%

### Sales Volume (Non-consolidated)

(Billions of yen)	1HFY2016	Change from 1HFY2015	FY2016 Plan
Sales volume total	656.5	(351.1)	1,460.0
Investment trust	423.7	(196.1)	1,120.0
Fund wrap, SMA	62.6	(145.2)	
Insurance	170.2	(9.7)	340.0

### Income (Non-consolidated)

(Billions of yen)	1HFY2016	Change from 1HFY2015	FY2016 Plan
Income total	30.0	(3.7)	61.0
Sales fees of investment trust	6.6	(4.5)	16.0
Sales fees of insurance	8.3	1.1	15.0
Administration fees	14.9	(0.3)	30.0



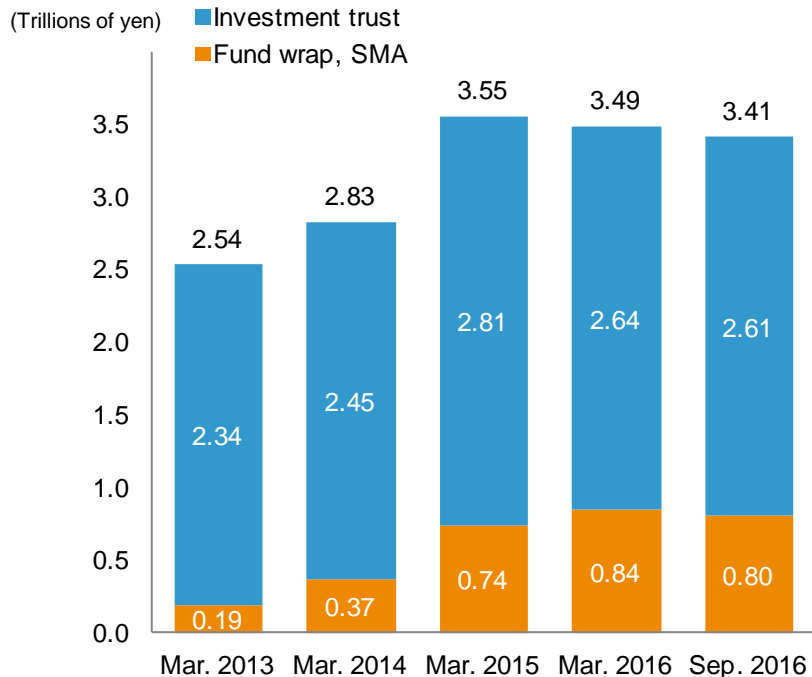
Note: Figures in "[ ]" are results of 1H

# Further strengthening of fee businesses: (1) Investment trust and insurance sales

## Sales Volume/balance (Non-consolidated)

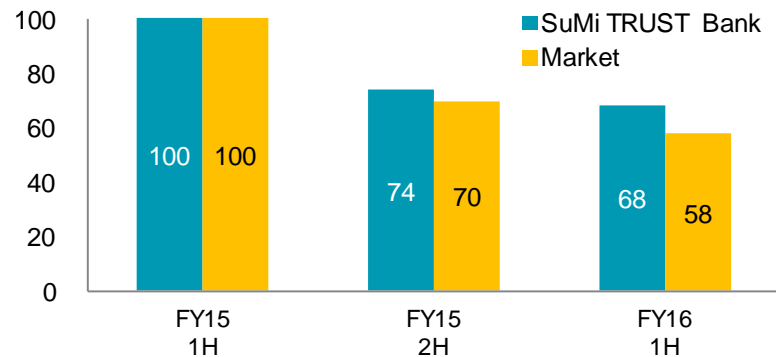
(Billions of yen)	Mar. 2016	Sep. 2016	Change
Balance total	5,803.8	5,754.9	(48.8)
Investment trust	2,649.7	2,610.2	(39.4)
Fund wrap, SMA	848.3	808.4	(39.9)
Insurance	2,305.7	2,336.2	30.5

## Balance of investment trust / Fund wrap, SMA

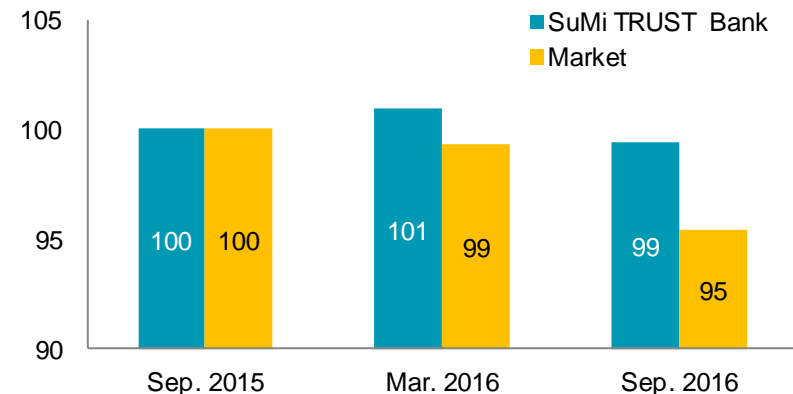


- ▶ Uncertainty of investment climate has dented enthusiasm, but the bank retains competitive advantage in marketing prowess
- ▶ 1HFY2016 was dedicated to contacting and explaining to existing clients, maintained stable AUM despite deteriorating investment climate

## Sales Volume of investment trust (Index : 1HFY2015=100)



## Net Asset Balance of Investment Trust (Index : Sep. 2015=100)





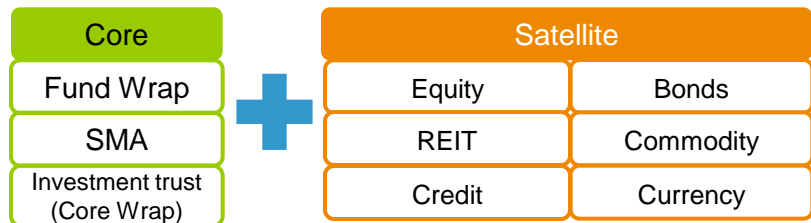
# Further strengthening of fee businesses:

## (1) Investment trust and insurance sales -Initiatives to achieve profit stability-

### Business strategy

#### “Core & Satellite” strategy

Promote core & satellite strategies suited for medium/long term investment



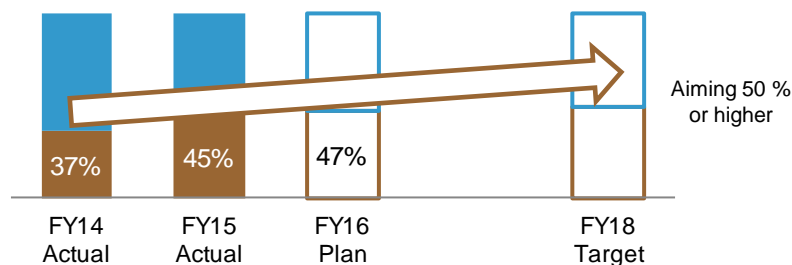
#### To strengthen investment management/services

Investment timing diversification function added to Wrap Selection  
Enhanced insurance related services to promote long term investment

#### Efforts to achieve sustainable profit growth

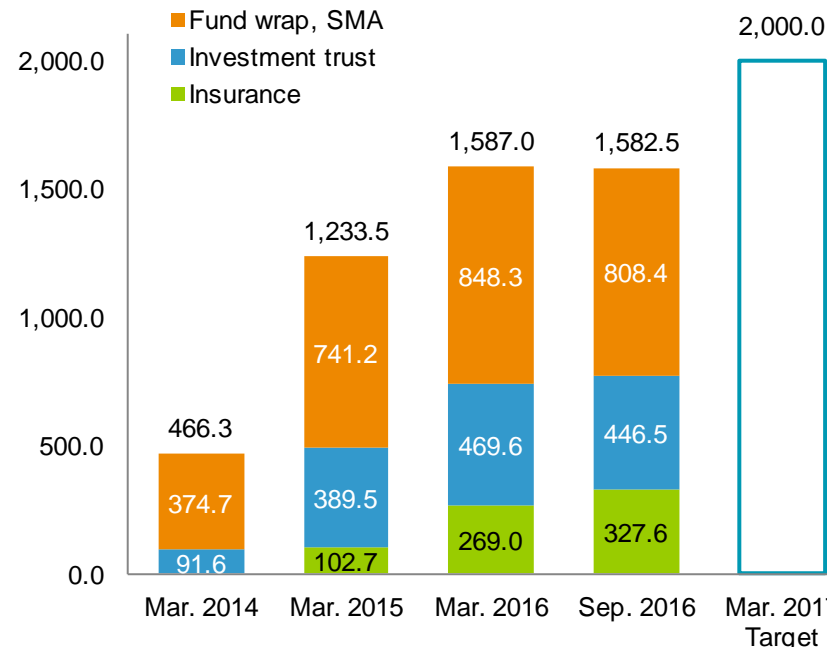
Marketing effort to continuously increase client AUM  
To create a business model that is less susceptible to market conditions

■ Sales fees (upfront fees)  
■ Administration fees (recurring fees)



### Balance of “Wrap Selection”

(Billions of yen)



### “Wrap Selection”

Insurance

Wrap Life, Wrap Partner, Wrap Gift  
(New type of foreign currency variable annuity) [¥1 mm or above]

Investment trust

Core Wrap, Sate Wrap, Step Wrap  
[¥10,000 or above]

Discretionary investment

Fund Wrap  
[¥5 mm or above]

SMA  
[¥30 mm or above]

# Further strengthening of fee businesses:

## (1) Investment trust and insurance sales -Support personal wealth building-

Personal investment management consulting that differentiates SuMi TRUST from the competition  
To assist personal investors in their asset accumulation, supporting the trend of “from savings to investments”

Support long term asset accumulation  
from a policy perspective

Promote familiarization of various policies, improve investment climate

- ▶ NISA, Junior NISA
- ▶ Installment investments and savings
- ▶ Personal DC (iDeCo)

Provision of market information to facilitate long term asset accumulation

Ongoing provision of market information, follow-up consultation, education to advance financial literacy

- ▶ Investment seminars for beginners
- ▶ Follow-up seminar for investment trust/fund wrap account holders
- ▶ Investment education for DC plan members

Strong commitment towards supporting asset accumulation of individual investors

To foster investment climate in which clients can invest with peace of mind

Continuous product improvement, enhanced transparency to nurture trust from individual investors

- ▶ Improve marketability of Fund Wrap
- ▶ Enhance brand value of “Wrap Selection”
- ▶ Fee disclosure of insurance policies

To utilize trust/insurance as conduit between generations

To utilize trust/insurance to facilitate wealth transfer between generations

- ▶ Inheritance trust, estate distribution
- ▶ Annual Donation Support Trust
- ▶ Family Consideration Trust
- ▶ Insurance products

In-depth investment management know-how gained from pension business

Long term diversified investment

Specialized product line up

Portfolio consultation services

## Further strengthening of fee businesses: (2) Fiduciary services

- ▶ AUM: AUM of subsidiaries increased due to inflow of new funds, but AUM for the group fell by ¥1.8 tr. to ¥74.7 tr. due to yen appreciation, fall in market value of stocks and dissolution of company employees' pension funds (DB add-on tier, Kosei-nenkin-kikin) affecting the AUM of the bank
- ▶ Profit of the bank decreased by ¥2.8bn YoY due to fall in AUM from the reasons noted above, but is line with initial business plan

### Assets under management (AUM)

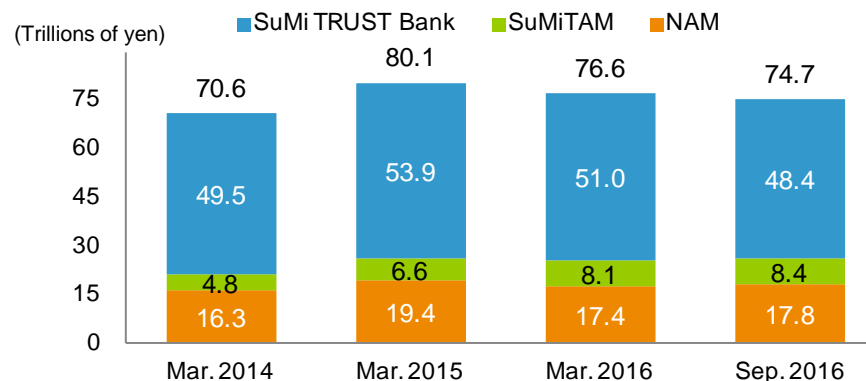
(Trillions of yen)	Mar. 2016	Sep. 2016	Change
Assets under management (AUM)	76.6	74.7	(1.8)
SuMi TRUST Bank	51.0	48.4	(2.5)
Corporate pension trust	15.9	14.5	(1.3)
Public pension trust	10.4	9.6	(0.7)
Discretionary investment	24.6	24.1	(0.4)
Subsidiaries	25.6	26.3	0.7
Sumitomo Mitsui Trust Asset Management	8.1	8.4	0.2
Nikko Asset Management	17.4	17.8	0.4

### Income

(Billions of yen)	1HFY2016	Change from 1HFY2015	FY2016 Plan
SuMi TRUST Bank	29.8	(2.8)	60.0
Gross business profit	44.6	(2.6)	90.0
Fees paid out for outsourcing	(14.7)	(0.2)	(30.0)
Group companies (Net business profit) (*1)	8.5	(2.4)	
Sumitomo Mitsui Trust Asset Management	3.1	(0.1)	
Nikko Asset Management	4.5	(2.0)	

(\*1) Contribution to consolidated

### Assets under management (AUM) by company



USD/ JPY	102.90	120.18	112.63	101.12
TOPIX	1,202.89	1,543.11	1,347.20	1,322.78

### Assets under custody (AUC)

(Trillions of yen)	Mar. 2016	Sep. 2016	Change
Domestic entrusted assets (*2)	236	246	9
(Billions of USD)			
Global custody assets (*3)	273.9	309.4	35.4
Fund administration	26.0	30.3	4.3

(\*2) Total trust assets of the group companies

(\*3) Combined figures of Sumitomo Mitsui Trust Bank (U.S.A.) and Sumitomo Mitsui Trust (UK)

# Further strengthening of fee businesses:

## (2) Fiduciary services -Coping with structural changes in market-

- ▶ DC market is expanding steadily, however, DB market is experiencing decrease in AUM due to dissolution of company employees' pension funds (DB add-on tier, Kosei-nenkin-kikin)
- ▶ Leveraging on our strength as a one-stop service provider capable of solving clients' needs, we plan to expand our core DB/DC services, improving profitability to enhance our group profit and adapt to changing mid/long term landscape of corporate pension market

### Enhancement of DB and DC business

#### Defined benefit pension (DB) business

AUM No. 1 in industry

Pension plan designing

Consulting capability for asset management

Product sales

Utilize DB know-how to expand DC business

#### Defined contribution pension (DC) business

Number of DC plan members: No. 1 in industry

Pension plan designing

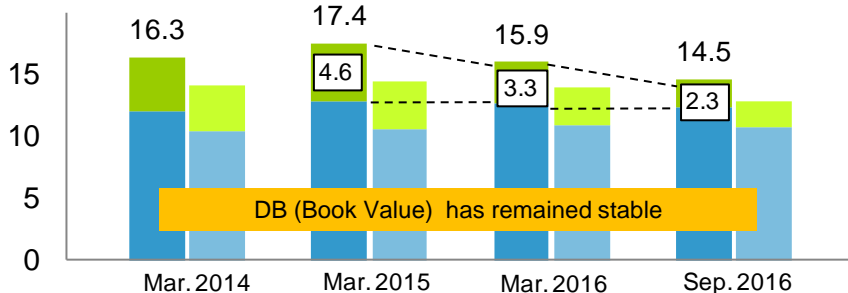
Investment education

Product sales

#### Entrusted amount of corporate pension trust (SuMi TRUST Bank)

■ DB base tier ■ DB add on tier  
■ DB base tier (book value) ■ DB add on tier (book value)

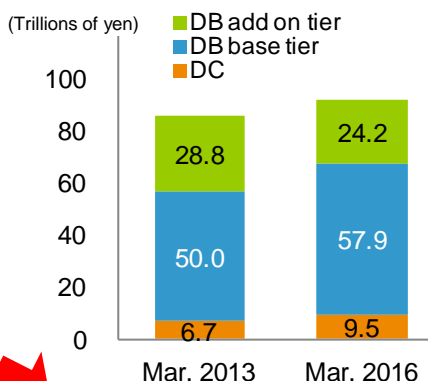
(Fair value/Book value)



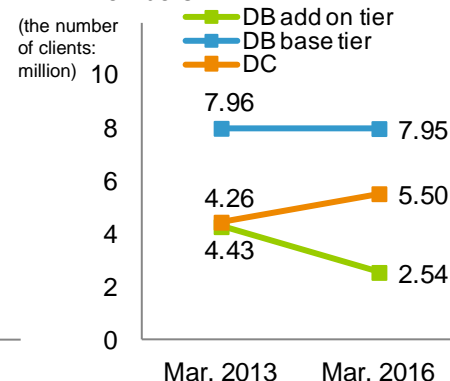
(\*) DB base tier includes National pension plan (add-on tier) and non-qualified plans

### Balance / Number of Corporate Pension Plan members (Market)

< Balance >

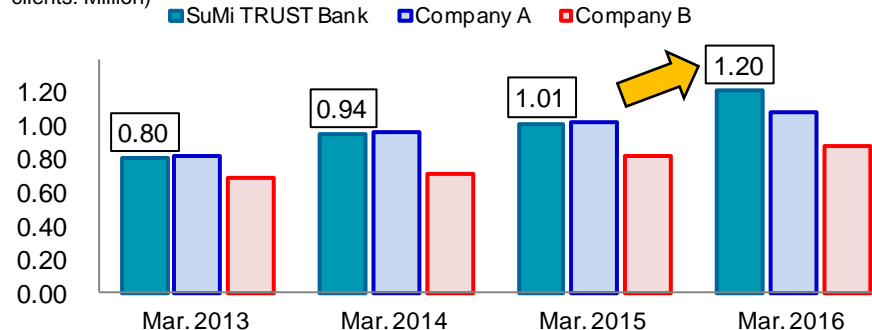


< Members >



#### Number of DC plan members

(Number of clients: Million)



[Source] "Pension Information" in R&I survey

# Further strengthening of fee businesses:

## (2) Fiduciary services -To promote retail asset management-

- ▶ Promote retail asset management business by providing investment and consulting know-how cultivated from institutional client business
- ▶ By following trend of retail clients' shift "from saving to investing," increase AUM, AUC and profitability of the group. In addition to SuMi TRUST Bank retail clients, expand target to DC pension plan members and clients of financial institutions in alliance

### Enlarge client base for asset management services

SuMi TRUST Bank  
Retail client base

◆ Provide investment and consulting know-how cultivated from institutional client business

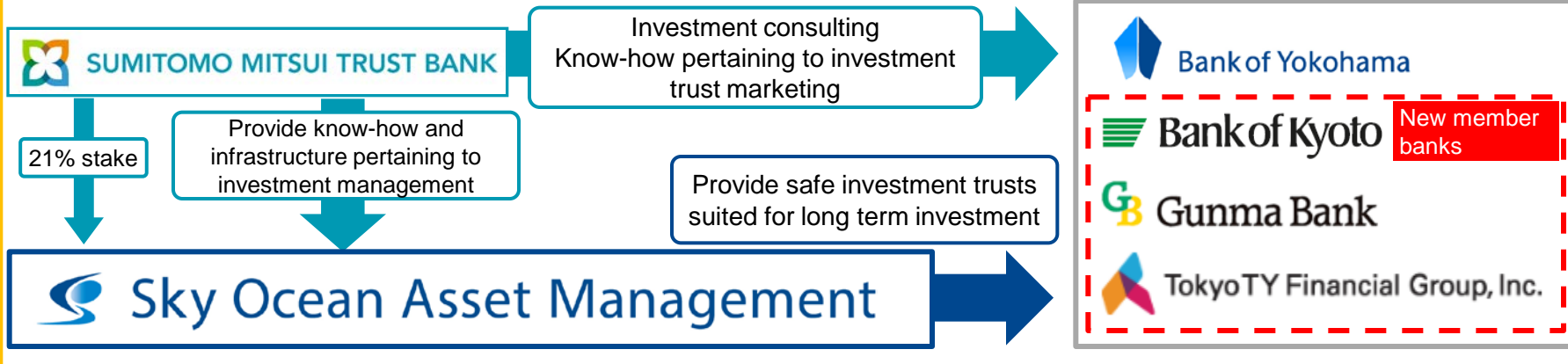
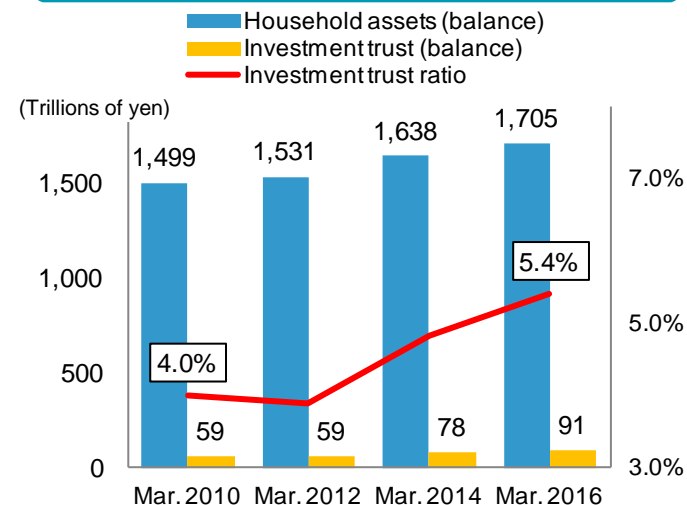
SuMi TRUST Bank  
DC client base

◆ Investor education to assist DC plan members (DC investment trusts and Investment trusts designed for specific company plan members)  
→ Steady increase of DC plan members (more than 1.2 million members as of March 2016)

Financial institutions  
in alliance  
Retail client base

◆ SuMi TRUST Bank's alliance with other financial institutions (Investment services through major regional banks, Japan Post Bank, etc.)  
→ Business alliance with major regional banks (June and August 2016)

Investment trust holdings as % of household assets

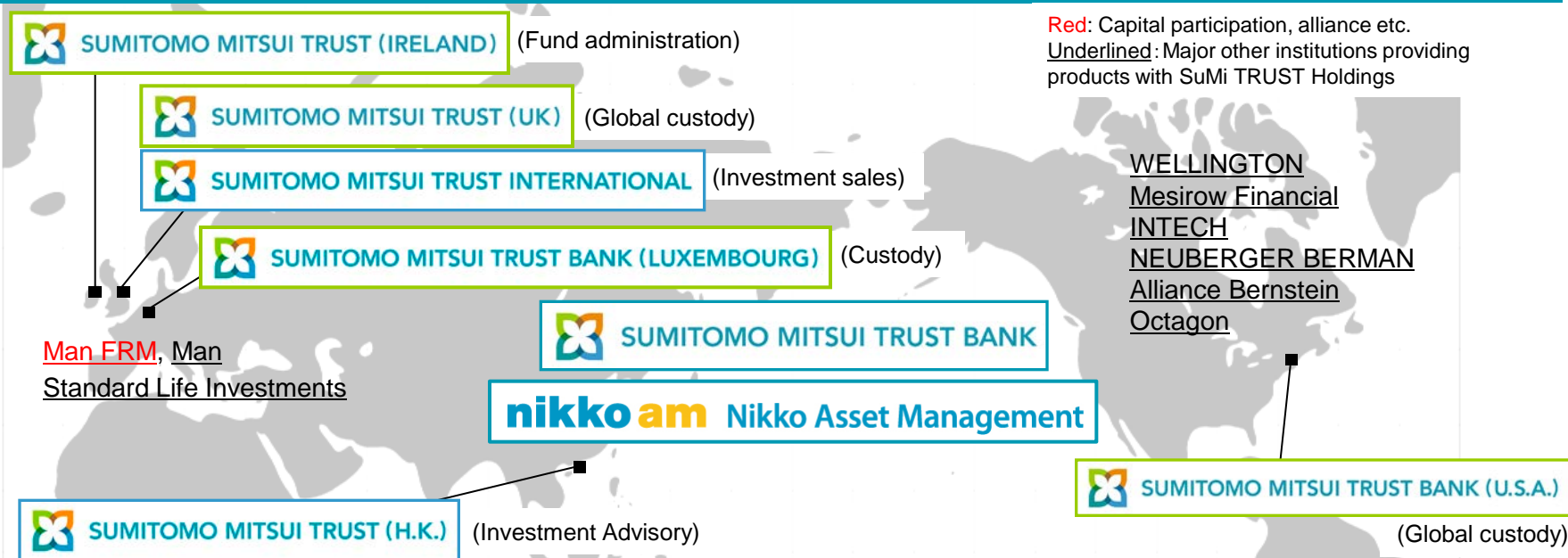


# Further strengthening of fee businesses:

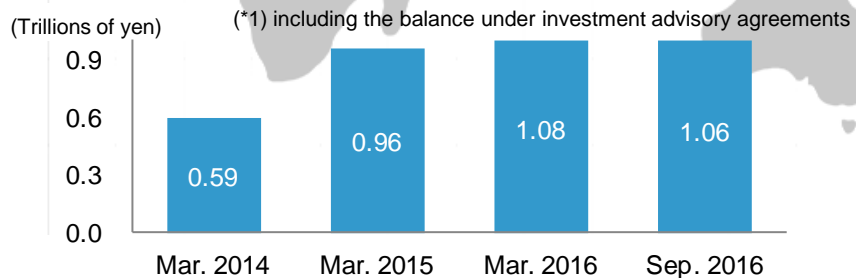
## (2) Fiduciary services -Strengthen product development and offerings of global products-

- ▶ Expand client base and accelerate globalization of Fiduciary services such as asset management, custody and administration entrusted from overseas investors, by enhancing product development and distribution capability of our group network and collaboration with other financial institutions

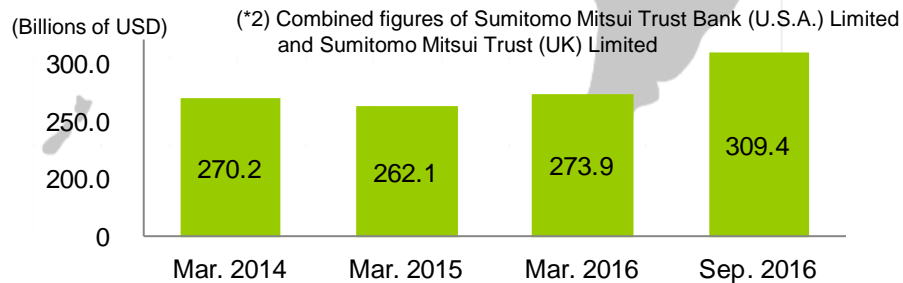
### Expansion of Fiduciary services in global market



AUM entrusted from overseas investors (SuMi TRUST Bank) (\*1)



Assets in global custody (\*2)



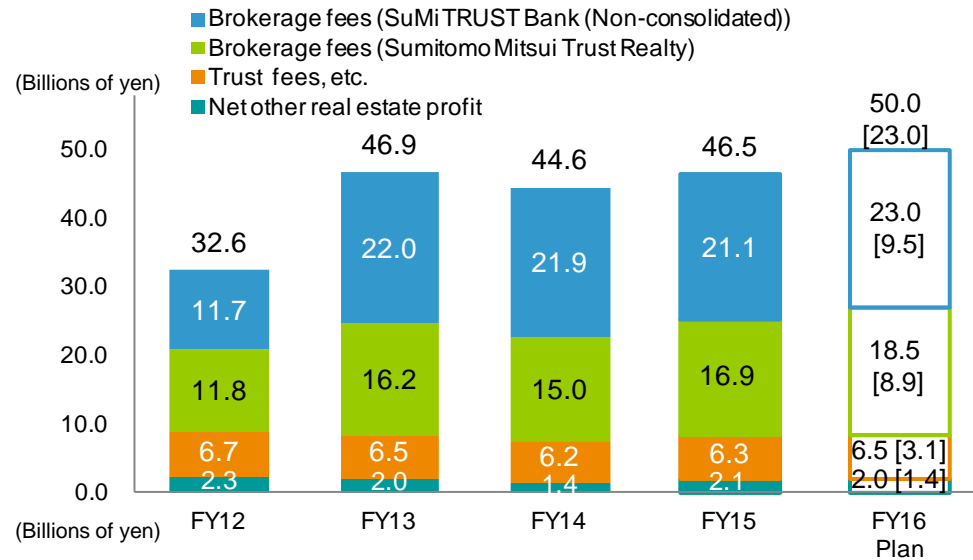
# Further strengthening of fee businesses: (3) Real estate

- ▶ Real estate brokerage fees from corporate clients (SuMi TRUST Bank): Remained at ¥9.5bn, kept same level on YoY
- ▶ Real estate brokerage fees from retail clients (Sumitomo Mitsui Trust Realty): UP ¥1.0bn YoY to ¥8.9bn with continuing good performance

## Income (Group basis)

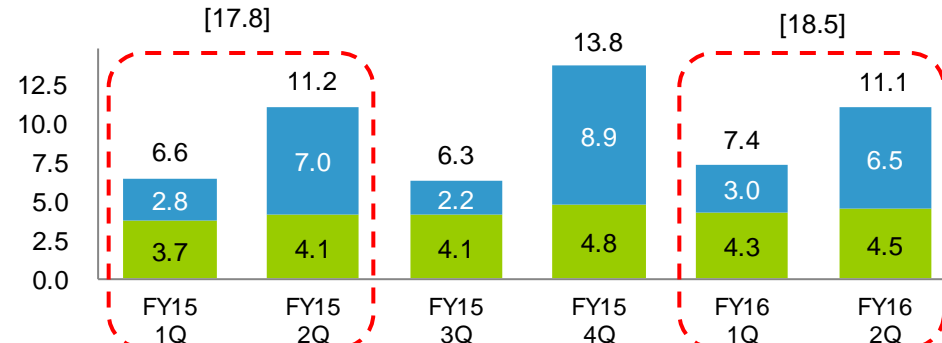
(Billions of yen)	1HFY2016	Change from 1HFY2015	FY2016 Plan
Real estate brokerage fees	18.5	0.6	41.5
SuMi TRUST Bank	9.5	(0.3)	23.0
Sumitomo Mitsui Trust Realty	8.9	1.0	18.5
Real estate trust fees, etc.	3.1	0.0	6.5
Net other real estate profit	1.4	0.6	2.0
SuMi TRUST Bank	0.3	0.1	0.5
Group companies	1.1	0.5	1.5
Total	23.0	1.3	50.0
SuMi TRUST Bank	12.9	(0.1)	30.0

## Income



## Assets under management / administration

(Billions of yen)	Sep. 2016	Change from Mar. 2016
Securitized real estate	13,510.9	362.3
Assets under custody from J-REITs	11,153.3	508.1
Assets under management	660.5	(179.1)
Private placement funds	447.9	11.3
J-REITs	212.6	(190.4)



Note: Figures in "[ ]" are results of 1H



## (3) Real estate -Expand client base/target property profile-

### Current Market Conditions

- ▶ Real estate transactions are decreasing overall. The bank's transactions with large corporations decreased slightly both in number and amount.
- ▶ Transactions with medium sized corporate clients are behind our competition. Profit opportunity by enlarging client base.

- ▶ Large size transaction numbers are decreasing and highly competitive, to enhance earning power by increasing medium/small size transactions is important.
- ▶ Medium/small real estate transactions tend to have better fee rates and good profitability.

### Strengthen marketing of mid-sized corporations

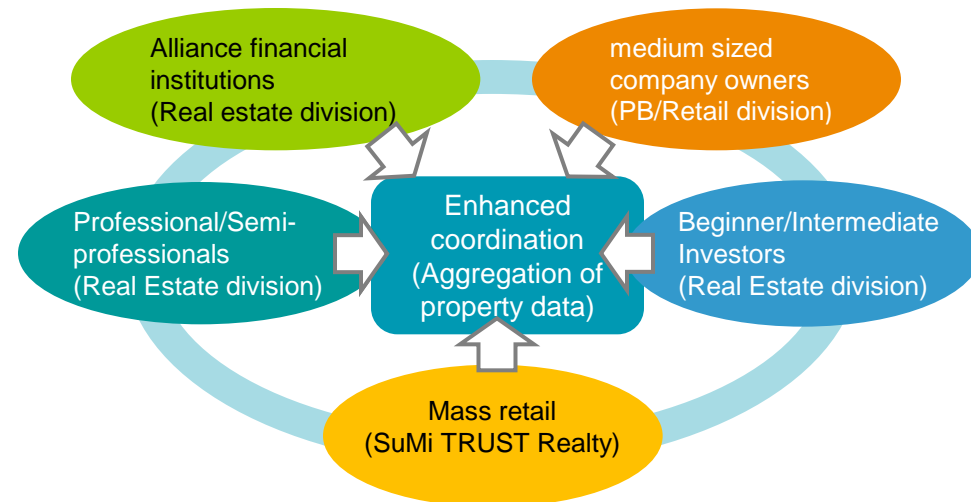
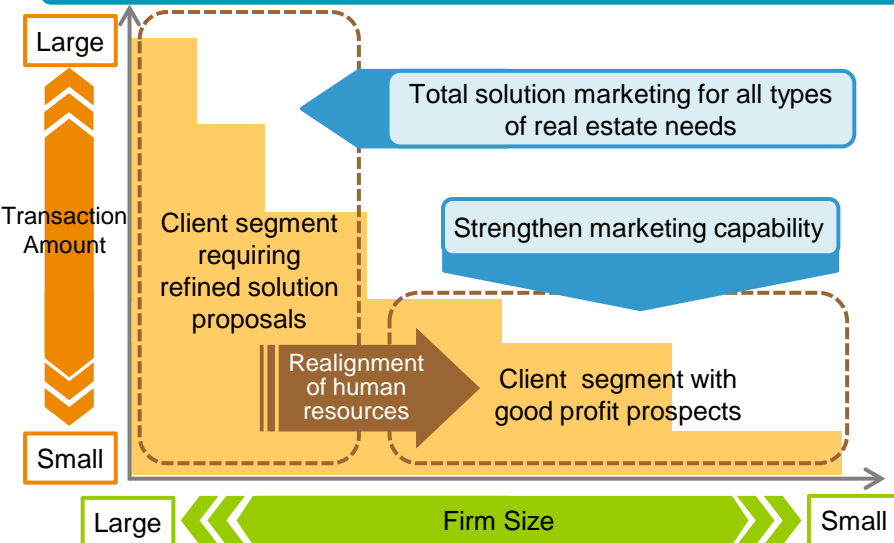
- <Review allocation of marketing resources>  
Shift manpower to expand medium/middle market corporate clients
- <Increase client contacts>  
Approach wholesale/stock transfer agency business clientele to widen client base and sourcing information

### Strengthen access to medium/small size properties

- <Business division coordination>  
coordination between wholesale/retail (including PB) to centralize information sharing and enhance deal processing capability

### Formulate strategy for each client segment

### Cross division cooperation to promote small/medium size transactions





## (3) Real estate -Initiatives to achieve profit stability-

### Current market conditions

- ▶ Due to lack of investment opportunities caused by policies such as NIRP, fund inflow into private REITS are continuing. Importance of enhancing recurring income by increasing volume of fund administration of real estate securitization trust/investment company vehicles
- ▶ Interest of overseas investors to invest in Japanese property is still strong, J-REITS are purchasing new properties and AUM is growing steadily. Co-working with wholesale financial services division and real estate investment advisory subsidiary, renewed marketing effort to obtain new fiduciary mandates is required

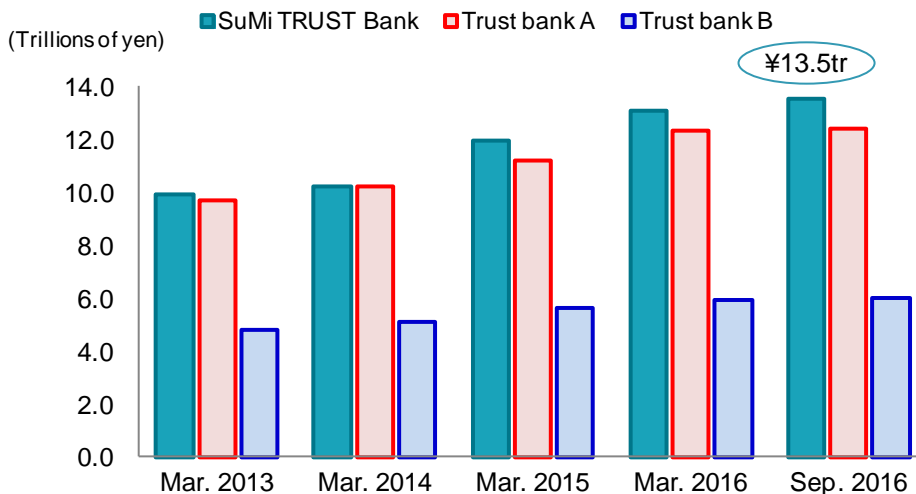
### Real estate securitization trusts

- ▶ As a pioneer of Japanese real estate trusts, securitization trust assets of ¥13.5 tr. is number one among Japanese trust banks (as of Sep 2016)
- ▶ Properties include offices, residential, hotels and commercial; ongoing market study of infrastructure, etc. as new categories

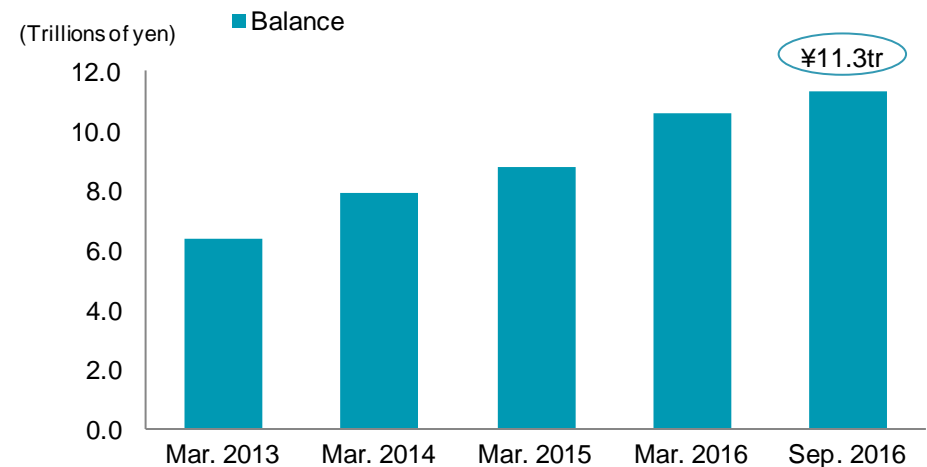
### Investment vehicle administration

- ▶ Trustee for ¥11.3 tr. of investment vehicle assets as of Sep. 2016, market value share of more than 65%
- ▶ In collaboration with wholesale and stock transfer divisions, obtain new project information at an early stage to propose high quality trust administration services to win new clients

### Real estate securitization trusts under administration (Balance)

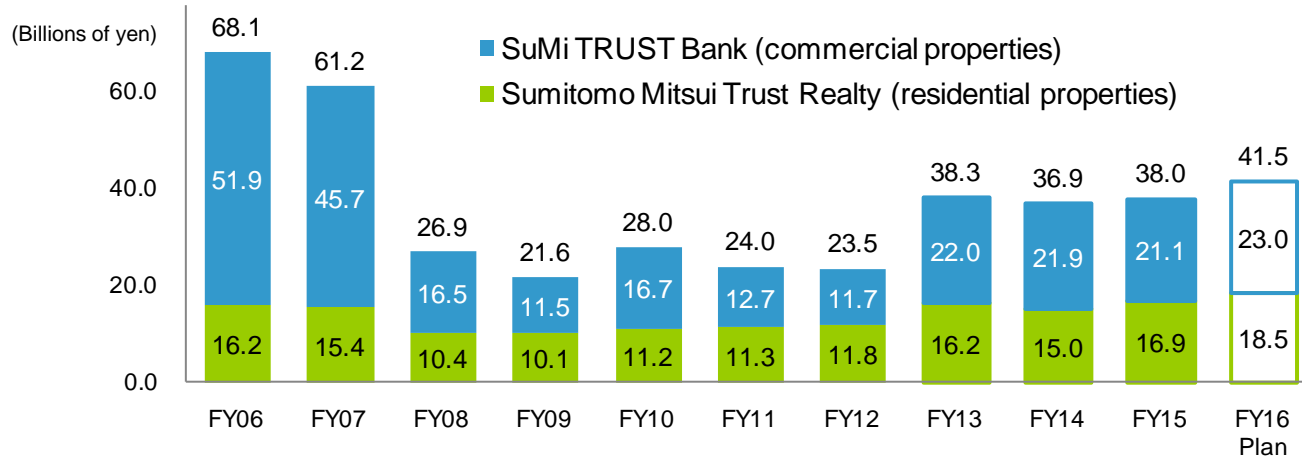


### Trustee for real estate investment vehicles (Balance)

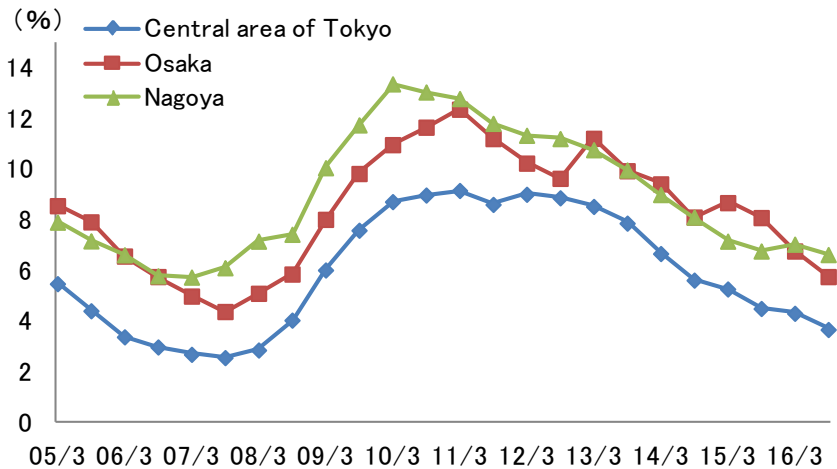


# Further strengthening of fee businesses: (3) Real estate

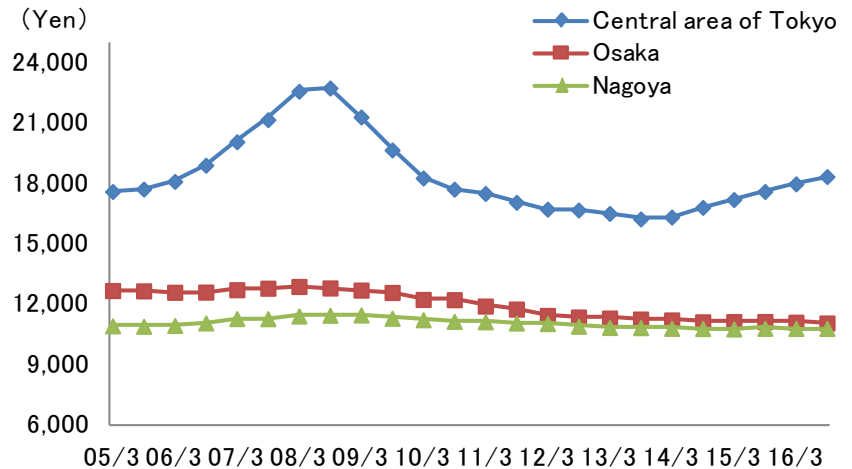
## Real estate brokerage fees



## Average Vacancy Rates (Office market)



## Average Rent (Office market)



[Source] Miki Shoji

[Source] Miki Shoji

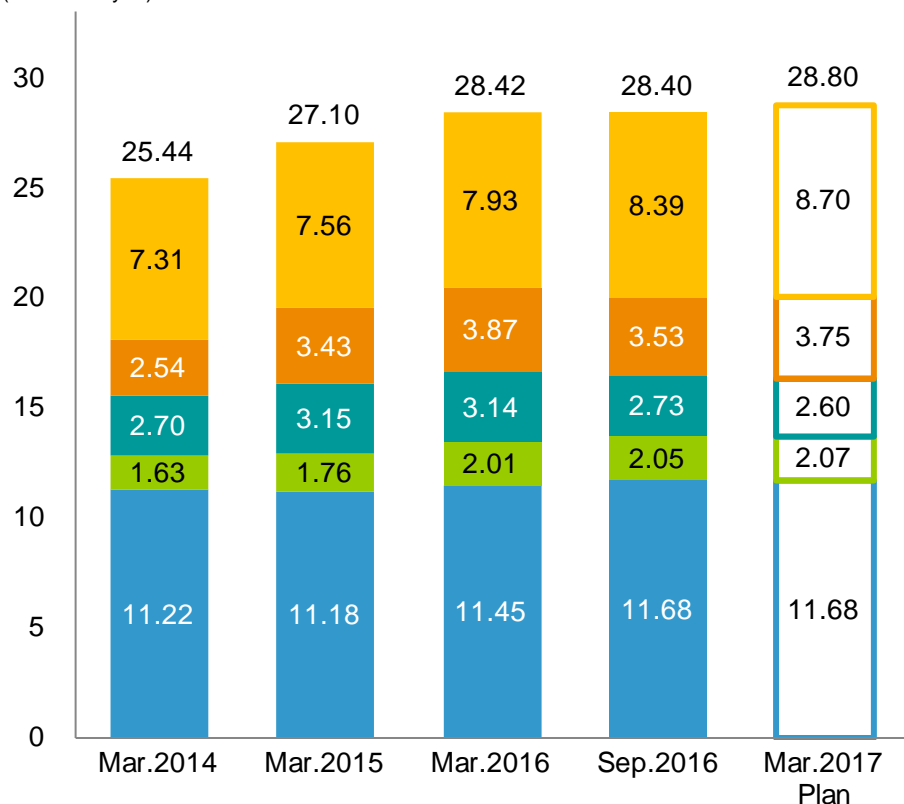
# Reformation of the banking business: Credit portfolio

- ▶ Balance of overall credit portfolio: Maintained end of March 2016 level at ¥28.40tr, whereas residential mortgage loans increased, the portfolio reduced due to appreciation of JPY and conservative management of foreign currency assets
- ▶ Focus on loans to individuals expecting steady cash demands as well as fields where we have expertise
- ▶ To enhance portfolio profitability, strengthen transaction sourcing and portfolio rebalancing

## Credit portfolio

- Loans to individuals
- Overseas Japanese borrowers
- Large corporations, etc.
- Non-Japanese borrowers
- Real estate NRL, etc. (\*)

(Trillions of yen)



(\*) Excluding overseas real estate NRL etc.

### Loans to individuals

- ▶ Increase loans by offering competitive loan rates available through efficient sales structure and low credit costs, in addition to expansion of loan products

### Non-Japanese borrowers

- ▶ Specific strategy based on region/country incorporating various risk scenarios such as slowdown of the Chinese economy
- ▶ Expand types of transactions
- ▶ Utilize expertise cultivated in domestic market
- ▶ Expand sourcing with/ through major foreign banks

### Overseas Japanese borrowers

- ▶ Project finance transactions with Japanese company participation
- ▶ Enhance client base in Asia offices
- ▶ Utilize functions of local financial institutions, partners

### Real estate NRL, etc.

- ▶ Taking a cautious view of market developments, selective investment in foreign/fund sponsored transactions
- ▶ Expand REIT transactions under a favorable REIT market

### Large corporations, etc.

- ▶ Borrowing demand of domestic corporations are still slow
- ▶ Steadily capture loan demand in M&A transactions etc.

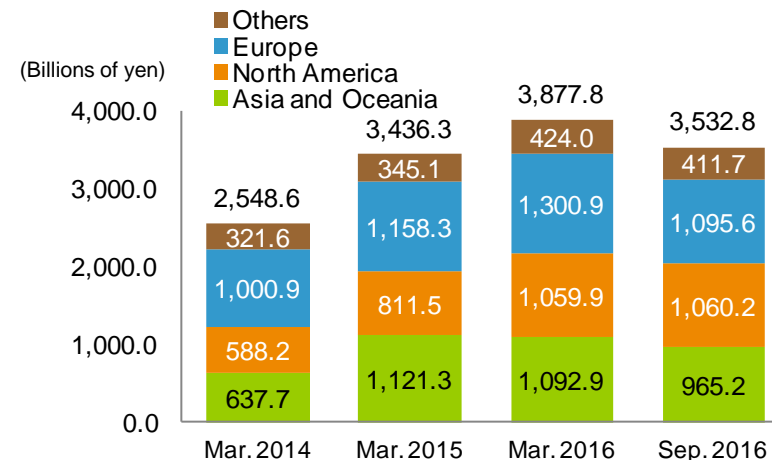
# Reformation of the banking business: Overseas credit

## Balance of overseas credit

(Billions of yen)	Mar. 2016	Sep. 2016		Mar. 2017
			Change	Plan
Non-Japanese borrowers	3,877.8	3,532.8	(345.0)	3,750.0
Loans	3,461.4	3,199.9	(261.5)	
Overseas Japanese borrowers	3,146.1	2,738.7	(407.3)	2,600.0
Loans	3,035.7	2,660.8	(374.8)	
Total	7,024.0	6,271.6	(752.3)	6,350.0
Loans	6,497.1	5,860.7	(636.3)	
USD/JPY	112.63	101.12	(11.51)	

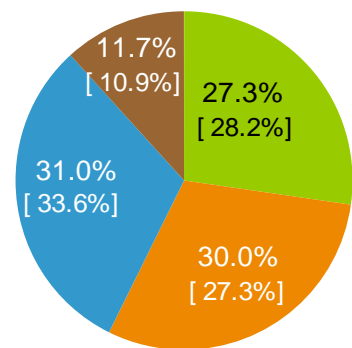
Note: In addition to the above, there are acceptance and guarantee, etc.  
Sep. 2016: ¥17.1bn [ ¥(3.1)bn from Mar. 2016 ]

## Balance of credit to non-Japanese borrowers (\*)



## Breakdown by location (\*)

<Location (As of Sep. 2016)>



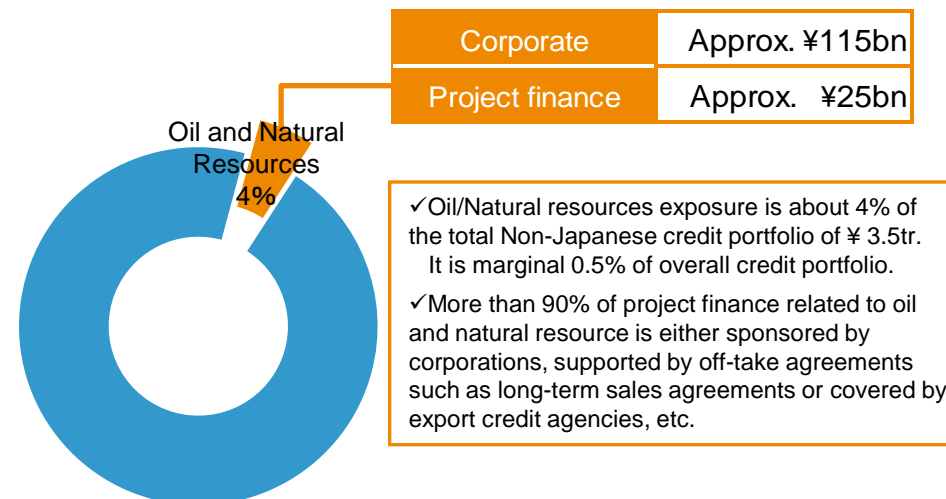
(Billions of yen)		
Asia-Oceania	Australia	160.1
	China	155.0
	Hong Kong	146.9
	Korea	135.5
	Singapore	91.9
North America	U.S.A.	1,001.1
	United Kingdom	393.1
Europe	France	225.4
	Switzerland	144.3
	Germany	122.0
	The Netherland	119.0

Asia and Oceania North America  
Europe Others

Note: Figures "[ ]" are as of Mar. 2016

(\*) By location of final exposure

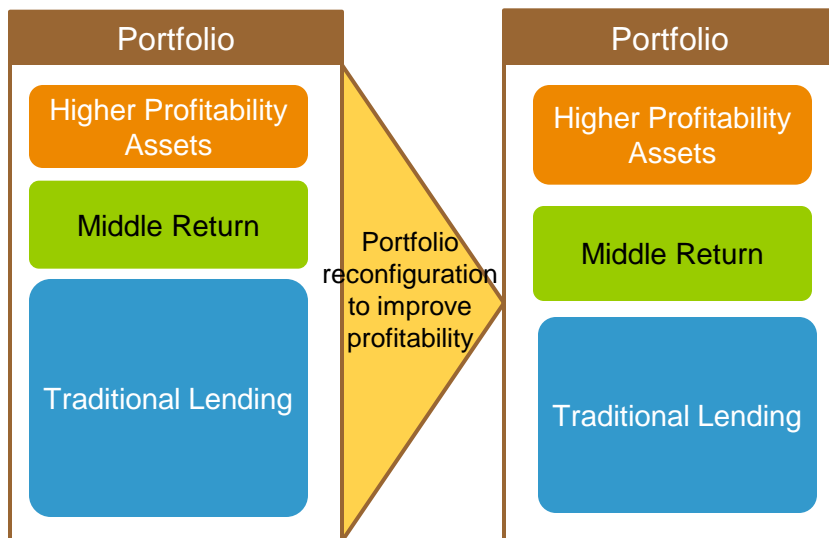
## Exposure to oil and natural resources



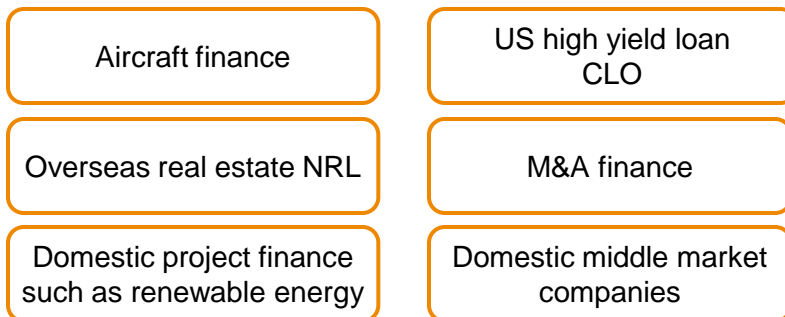
# Reformation of the banking business: Structural change of credit portfolio

<On Balance Sheet> Emphasis on portfolio profitability

- ▶ Foreign currency assets: from expansion to restrained growth
- ▶ Lower profitability assets reviewed, reallocation to higher profitability assets

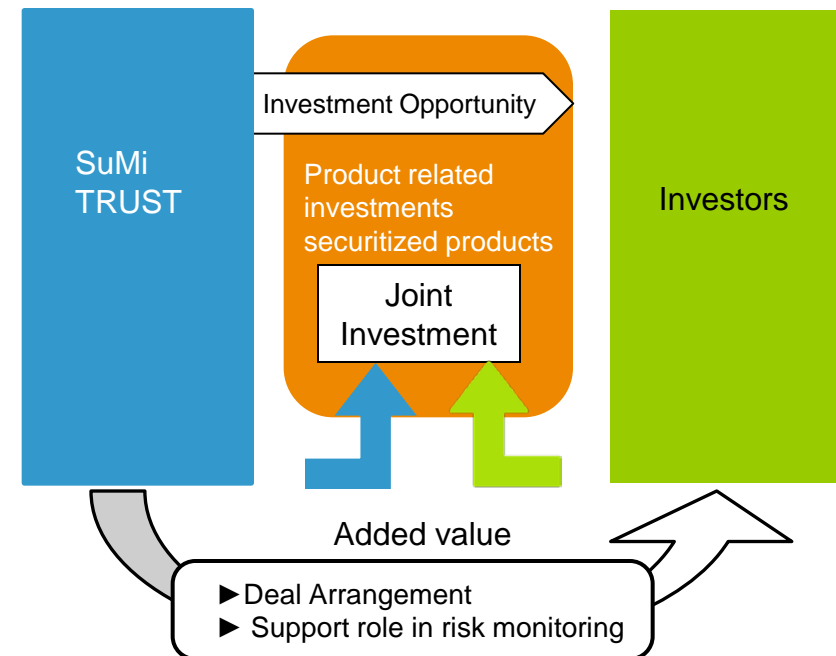


Higher profitability product areas



<Off Balance Sheet> To promote asset management using our B/S

- ▶ To provide asset investment opportunities to investors using our extensive know-how
- ▶ Asset management function with unique added value



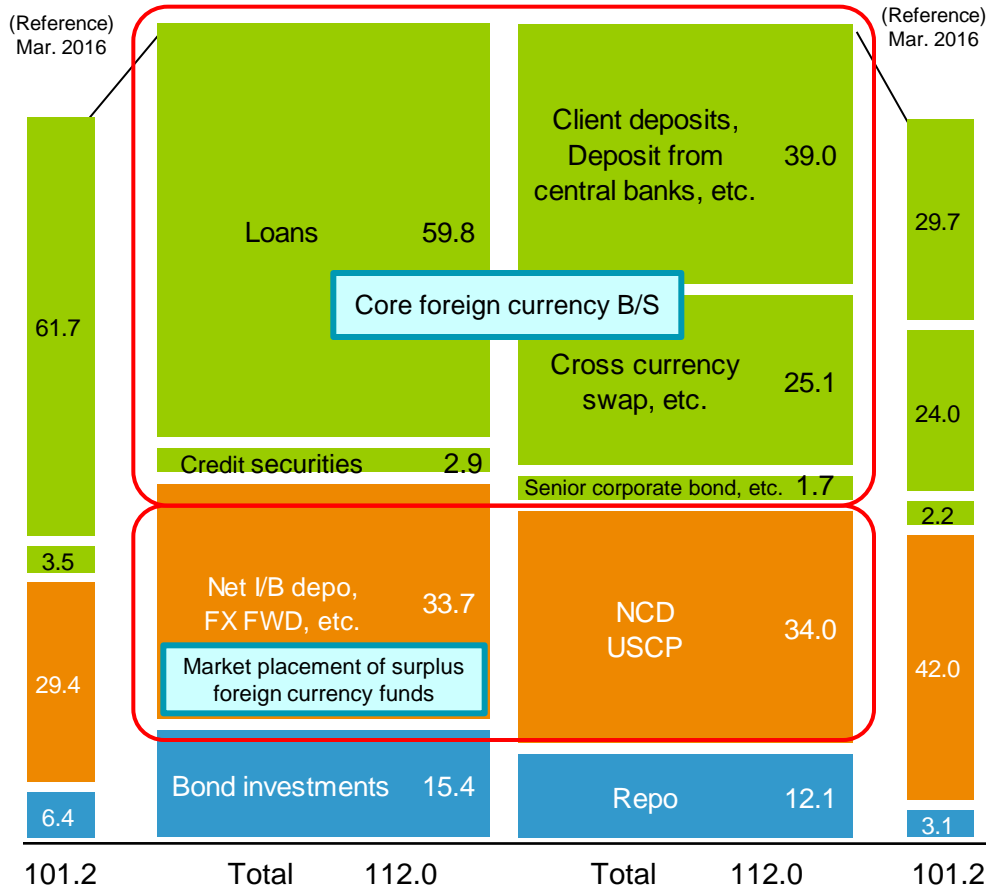
Actual examples of asset management products

- ▶ Aircraft leasing fund
- ▶ Infrastructure debt fund, Bank loan fund
- ▶ US CLO joint venture

# Reformation of the banking business: Foreign currency B/S

- ▶ Loans and credit securities constituting core foreign currency denominated assets, are funded by “sticky” client deposits and central bank deposits as well as “long term” yen swaps and senior bonds issuance. (Core foreign currency B/S)
- ▶ Short term funds sourced through NCD/USCP markets are categorized as contingent funding buffer for foreign currency B/S, and the funds are utilized in the inter-bank or foreign exchange market (Market placement of surplus funds)

Foreign currency B/S (as of Sep. 2016) (Billions of USD)

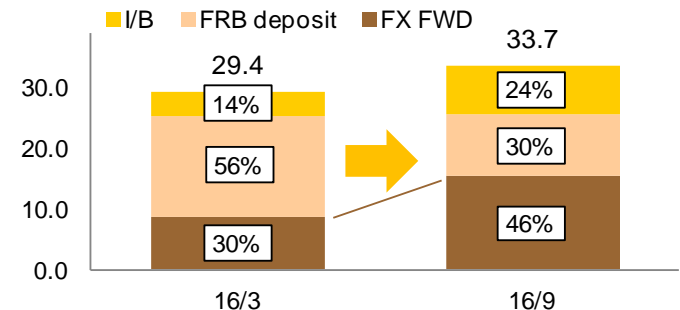


## Core foreign currency B/S (Diversification of funding channel and source)

- ◆ Increase of client deposit base through overseas branches (Mar. 2016 US\$18.3bn→Sep. 2016 US\$24.5bn)
- ◆ Issuance of US\$ denominated senior notes (October 2016) (Term: 3years, Total issue US\$ 1bn)

## Market placement of surplus foreign currency funds

- ◆ Reform of US MMF market regulations led to increased funding cost for US\$, short term funding through NCD/USCP market was managed conservatively
- ◆ Strong US\$ funding needs in domestic market led to increased share of forward foreign exchange transactions for utilization of US\$ surplus funds (Mar. 2016 30%→Sep. 2016 46%)  
→ Posted “Gains on foreign exchange transactions” of ¥6.7bn as a result of these transactions



# Reformation of the banking business: Loans to individuals

- ▶ New personal loan originations (non-consolidated) increased ¥451.7bn YoY to ¥905.1bn as both bank originated and third party originated loans through Sumishin SBI Net Bank grew steadily, by catering for increased demand for new and refinancings in light of negative interest rate policy.
- ▶ Outstanding balance of personal loans (non-consolidated) increased by ¥461bn from March 2016 to ¥8,393.1bn reflecting robust increase of new originations.

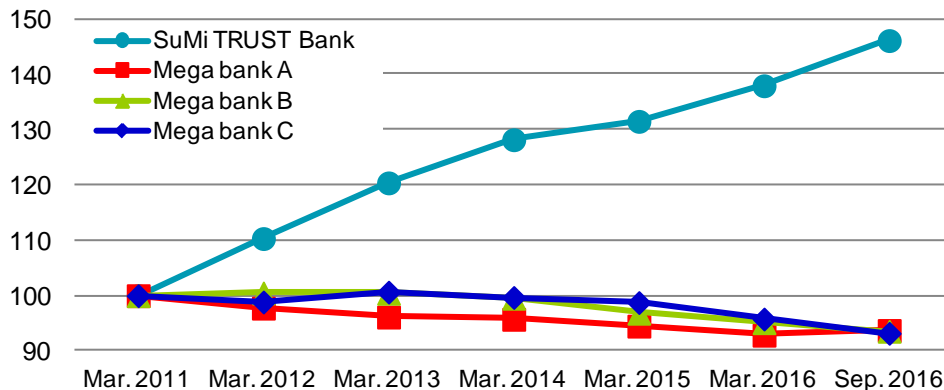
## Advanced amount and balance (Non-consolidated)

(Billions of yen)	1HFY2015	1HFY2016	Change	FY2016 Plan
Advanced amount of loans to individuals	453.3	905.1	451.7	1,670.0
Residential mortgage loans	408.4	844.2	435.8	1,550.0

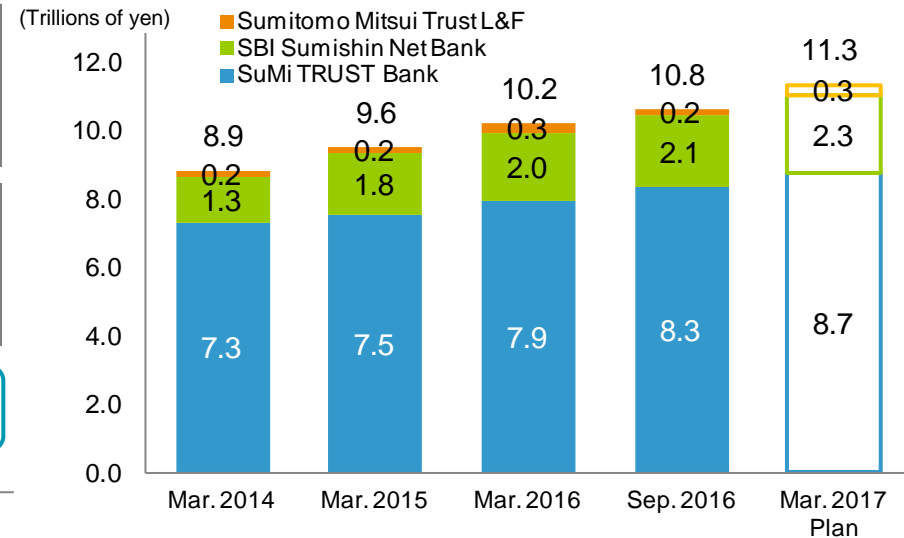
(Billions of yen)	Mar. 2016	Sep. 2016	Change	Mar. 2017 Plan
Balance of loans to individuals	7,932.1	8,393.1	461.0	8,700.0
Residential mortgage loans	7,422.1	7,861.4	439.3	8,150.0

## Balance of residential mortgage loans (Non-consolidated) (Index : Mar. 2011=100)



[Source] Disclosure documents

## Balance of loans to individuals



Sumitomo Mitsui Trust L&F

Targets different client profile from SuMi TRUST Bank, offering residential mortgages and property secured loans

SBI Sumishin Net Bank

Provides convenient loan products nationwide as an internet based lender

SuMi TRUST Bank

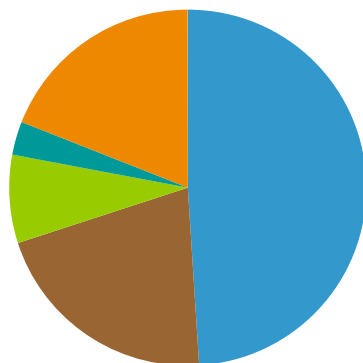
Provides residential mortgages to clients in major cities utilizing introduction from real estate agents

## Expand retail base using individual loans as point-of-entry

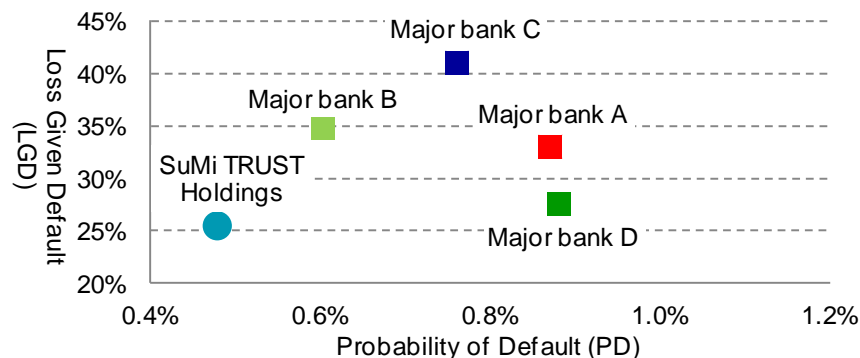
- ▶ Obtain high quality clients through real estate agents and efficient web based marketing effort and offer competitive pricing
- ▶ Sensitive to changes in clients' needs, promote "solution type" client services that takes the client's overall B/S into consideration

### Sourcing channels for residential mortgages

- Route sales channel
- SBI Sumishin NetBank
- Website
- Corporate / Business relationship
- Over the counter, etc.



### Build a competitive portfolio by obtaining high quality clients



[Source] Disclosure documents of Mar. 2016

## Expand client transactions from liability management to asset management

Asset accumulation generation



Senior affluent segment

### Liability management of clients

Residential mortgages

Consumer card loans

Housing renovation loan

Owner occupied-cum-  
rental property loan

Reverse mortgages

Investment Trusts

PB Products

Relocation loan for seniors

Fund Wrap • SMA

Foreign Currency Deposits

Asset management for clients



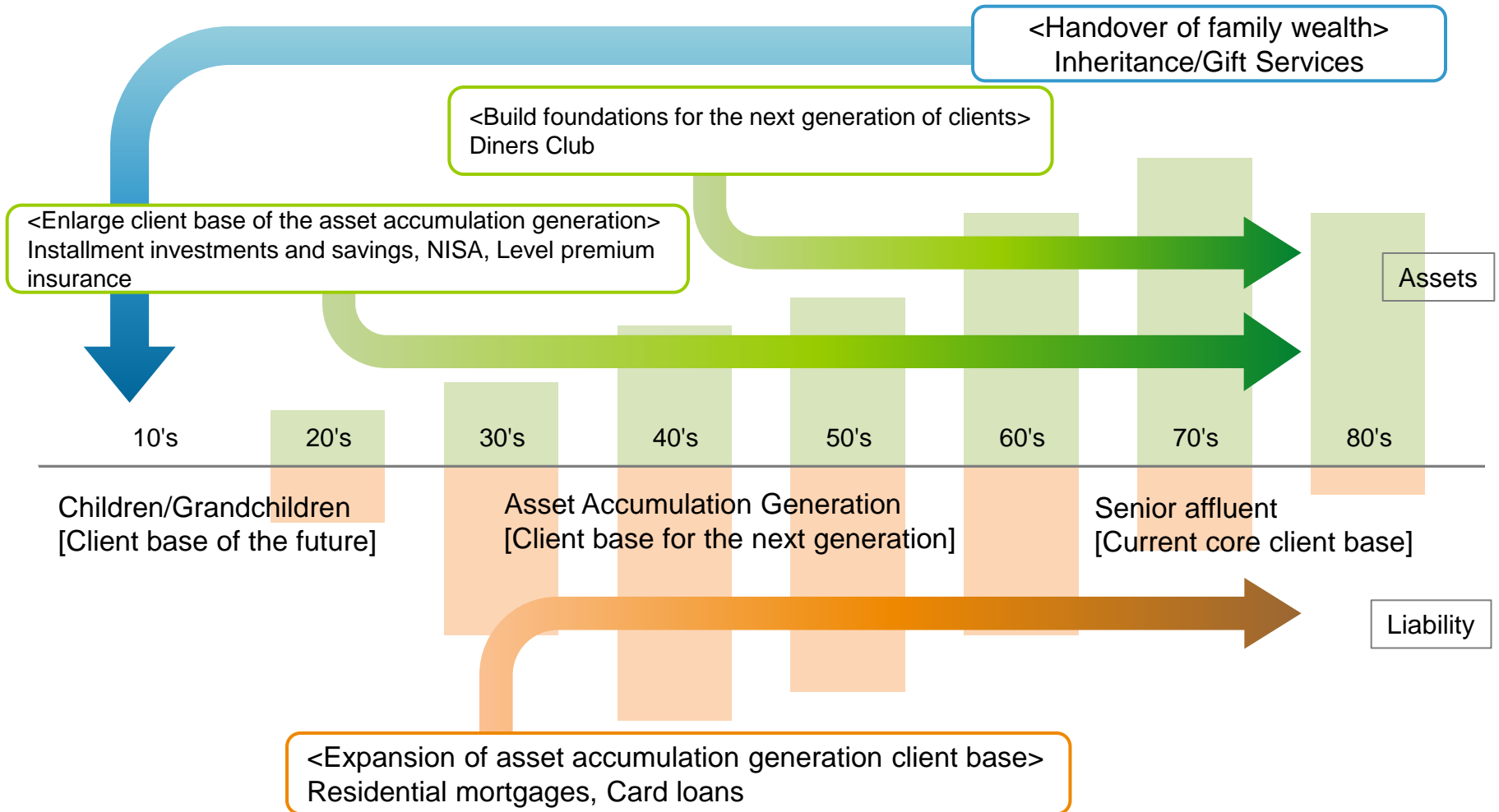
# Pursue expansion of client base and sustainable growth model: Obtain client base and promote generational cycle

Fee business

Banking business

Business base

- ▶ Targeting new clients acquired through personal loans and Diners Club membership, expand client base from current retired/senior affluent to include asset accumulation generation
- ▶ Utilizing inheritance related products as a point of entry, promote generational shift of our client base to achieve sustainable growth



# Pursue expansion of client base and sustainable growth model: Expand business footing

Fee business

Banking business

Business base

- ▶ Expand current client base of large domestic corporations to include middle market corporations
- ▶ Utilize corporate alliances such as partner banks to improve profitability

## Expand middle market client base

IPO Assistance service  
(Stock transfer agency services)

Medium and middle market loans  
(Wholesale financial services)

Medium/small sized transactions  
(Real estate business)

**Domestic Large Corporate Client Base**  
~ Strong business franchise ~

Domestic corporate loans  
(Total loan book No.4 in market)

Stock transfer agency services  
(Number of shareholders under  
administration No.1 among trust banks)

FinTech related to  
trust business

Technological innovation

## New product asset classes

IR/SR Consulting  
(Stock transfer agency services)

Aircraft finance  
(Wholesale financial services)

Pensions (DB)  
Lead manager for pension funds  
No.1 among trust banks

Real Estate  
(Group profit No.1 among trust banks)

US freight railcar leasing  
(Wholesale financial  
services)

Collaboration with Bank of Yokohama, Bank  
of Kyoto, Gunma Bank, Tokyo TYFG  
(Retail financial services/Fiduciary services)

Collaboration with Japan Post Bank,  
Japan Post, Nomura Holdings  
(Retail financial services/Fiduciary services)

Strengthen  
Asset Management

## (Reference) Our initiatives regarding FinTech

- ▶ Commenced FinTech demonstration experiments in core businesses for a trust bank such as financial consulting and asset management/administration
- ▶ Innovative challenges in the field of settlement businesses to be headed by our group's Sumishin SBI Net Bank

### Initiatives led by SuMi TRUST Bank

#### Consulting

- To enhance call-center response to Stock Transfer Agency Services inquiries by utilizing AI technology (demonstration experiment)
- To utilize AI technology for real estate to enhance client services (demonstration experiment)
- Robo-advisor services for individual clients under consideration

#### Asset Management Investment

- To utilize AI technology for fiduciary asset management (demonstration experiment)
- To utilize AI technology for proprietary investment (research project)

#### Asset Administration

- To utilize blockchain technology for asset securitization business (demonstration experiment)
- To utilize blockchain technology for custody business (demonstration experiment)

### Initiatives led by Sumishin SBI Net Bank

#### Remittances Settlements

- Succeeded in demonstration experiment to utilize blockchain technology for book keeping function. (First Japanese bank to succeed)
- To explore the fusion of domestic and cross-border remittances services using blockchain technology

#### Loans

- To utilize AI and GIS (geographical data) technology for advanced credit approval process (demonstration experiment)
- Business loan service "Lending One" has become active utilizing big data

Selective FinTech challenges in areas where the group has a competitive edge

# Status of capital, financial and capital policies

# Capital

- ▶ Common Equity Tier 1 capital ratio: Maintained March 2016 level of 11.34%. Though retained earnings increased, unrealized profit of “other securities” decreased due to fall in stock prices.
- ▶ Common Equity Tier 1 capital ratio (Consolidated, Fully-loaded basis, pro forma): down 0.21 percentage points from Mar. 2016 to 11.47%

< Capital and total risk-weighted assets >  
(International standard) (Consolidated)

(Billions of yen)	Mar. 2016	Sep. 2016 Preliminary	Change
Total capital ratio	16.75%	17.01%	0.26%
Tier 1 capital ratio	13.36%	13.86%	0.50%
Common Equity Tier 1 capital ratio	11.36%	11.34%	(0.02%)
Total capital	3,026.7	3,087.2	60.5
Tier 1 capital	2,415.3	2,515.1	99.7
Common Equity Tier 1 capital	2,053.8	2,057.7	3.9 (1)
Instruments and reserves	2,204.2	2,221.2	17.0
Regulatory adjustments	(150.4)	(163.5)	(13.0)
Additional Tier 1 capital	361.5	457.4	95.8 (2)
Tier 2 capital	611.3	572.0	(39.2) (3)
Total risk-weighted assets	18,065.8	18,141.3	75.4
Credit risk	16,541.1	16,649.1	107.9 (4)
Market risk	573.0	531.1	(41.9)
Operational risk	951.6	961.0	9.4

<Reference> Fully-loaded basis (pro forma)

Common Equity Tier 1 capital ratio	11.68%	11.47%	(0.21%)
Common Equity Tier 1 capital	2,103.9	2,073.3	(30.6)
Total risk-weighted assets	18,012.7	18,072.8	60.0

\* Fully-loaded basis: Pro forma figures based on regulatory definition to be applied as of March 2019.

< Major factors of change in capital >

(1) Common Equity Tier 1 capital: +¥3.9bn

- Net income: +¥87.9bn
- Dividends and repurchase of own shares: ¥(31.7)bn
- Accumulated other comprehensive income: ¥(38.9)bn
- Valuation differences on Available-for-Sale Securities: ¥(28.8)bn

(2) Additional Tier 1 capital: +¥95.8bn

- Perpetual subordinated debt: +¥100.0bn

(3) Tier 2 capital: ¥(39.2)bn

- Subordinated debts: ¥(17.7)bn

< Major factors of change in risk-weighted assets >

(4) Credit risk: +¥0.1tr

- Decrease in book value of foreign-currency-denominated assets due to JPY appreciation
- Increase in loans to domestic large corporations and residential mortgages, etc.

(Billions of yen)	Sep. 2016 Pro forma	Ratio to RWA	Chg. frm. Mar. 2016
Common Equity Tier 1 capital (CET1)	2,073.3	11.47%	(30.6)
Instruments and reserves	2,345.8	12.98%	(8.8)
Accumulated other comprehensive income (*)	345.2	1.91%	(64.9)
Regulatory adjustments	(272.5)	(1.50%)	(21.7)

(\*) Valuation differences on Available-for-Sale Securities: ¥419.3bn

# Capital: Compliance with Basel III (1)

- ▶ Prudent capital ratio achieved by accumulation of retained earnings and efficient control of risk-weighted assets
- ▶ Volatility risk to capital mitigated through steady reduction of strategic shareholdings and hedging operations
- ▶ Leverage ratio of 4.08% maintained, SuMi TRUST Holdings has enough buffer to clear regulatory requirement
- ▶ Continue to evolve our managing structure to pursue optimal balance between liquidity risk and funding cost taking implementation of regulatory liquidity requirements into consideration

	Regulatory requirement	Sep. 2016
<b>Capital ratio</b>	<u>7.50%</u> (*1) [Mar. 2013: Implemented] [Mar. 2019: to be fully-loaded]	11.47%(*2)
<b>Leverage ratio</b>	<u>3.0%</u> [Mar. 2015: disclosure start] [Mar. 2018: to be implemented]	4.08%
<b>Liquidity coverage ratio (LCR)</b>	<u>Over 100%</u> [Mar. 2015: implemented] [Mar. 2019: to be fully-loaded]	122.8%
<b>Net stable funding ratio (NSFR)</b>	<u>Over 100%</u> [Mar. 2018: to be implemented]	Over 100% [ Pro forma ]

Leverage ratio (Consolidated)		
(Billions of yen)	Sep. 2016 Preliminary	Change from Mar. 2016
Leverage ratio	4.08%	0.08%
Tier 1 capital	2,515.1	99.7
Total on balance sheet assets and total leverage ratio exposure	61,631.9	1,249.1
On balance sheet items	56,642.3	1,146.1
Derivative financial instruments	1,776.2	131.8
Securities financing transactions (repos, etc.)	521.0	45.9
Other off-balance sheet exposures	2,692.2	(74.8)

Liquidity coverage ratio (Consolidated)		
(Billions of yen)	Sep. 2016 Preliminary	Change from Mar. 2016
Liquidity coverage ratio (*3)	122.8%	(17.1%)
Total high-quality liquid assets	21,700.2	4,014.8
Net cash outflows	17,668.2	4,568.3

(\*3) Average of month end figures in 2QFY2016. "Change from Mar. 2016" represents the comparison to the figure for 4QFY2015 calculated in the same manner

(\*1) Common Equity Tier 1 ratio + Regulatory requirement of Capital conservation buffer and additional capital surcharge applicable to D-SIBs

(\*2) Pro forma of Common Equity Tier 1 ratio (fully-loaded basis)

## Capital: Compliance with Basel III (2)

- ▶ Relatively low regulatory hurdles as a Non G-SIB
- ▶ Strategy to comply with regulations as a D-SIB, conscious of our soundness as a trust bank
- ▶ The Basel Committee on Banking Supervision has been continuing discussions on capital regulation changes, some of which could have substantial impact on computation of capital adequacy ratios. We shall monitor progress of discussions and its developments, and strive to optimize our management of capital

### Main differences between G-SIB and D-SIB

#### 【Capital surcharge】

SIBs are required to hold additional capital

SuMi TRUST Holdings : 0.5%

G-SIBs: 1.0%~2.5% (MUFG 1.5%, SMFG・Mizuho FG 1.0%)

#### 【TLAC】

G-SIBs are required to have TLAC, which is a buffer to absorb large unexpected losses

SuMi TRUST Holdings: Not required

G-SIBs: required to issue TLAC eligible bonds

### Current status of capital adequacy calculation review such as risk asset calculation

\* This slide is based on publicly available information as Oct. 2016

Main discussion points	Summary	Status
【Credit Risk】 Reassessment of internal model approach	To remove or restrict the option to use the A(Advanced)-IRB and/or F(Foundation)-IRB approaches for certain exposures	March 2016 Consultative document published →To be finalized by end of 2016
【Credit Risk】 Review of standardized approach	To restrict the use of external credit ratings for certain class of exposures and determine risk weighting based on risk drivers specified for the risk category	December 2015 2nd Consultative document published →To be finalized by end of 2016
【Operational Risk】 Review of standardized approach	To streamline estimation methodology Advanced Measurement Approach (AMA) to be abolished and replaced with a simpler Standardized Measurement Approach (SMA)	March 2016 2nd Consultative document published →To be finalized by end of 2016
【Market Risk】 Fundamental overhaul of market risk framework	Revised boundary between the trading book and banking book Revised internal/standardized models approach for market risk	January 2016 Final document published →To be applied from 2019
【Overall】 Introduction of capital floors	Capital floors based on standardized approaches independent of each bank's internal rating model (Current Transitional Floor to capital floor designed as a minimum floor)	December 2014 Consultative document published →Proposal expected around end of 2016 based on standardized approaches for each risk category

# Financial and capital policies

## Basic approach to financial and capital policies

Aim to maximize shareholder interests through basic approach of ensuring adequate capital (in terms of both quality and quantity), enhancing sound financial foundation, and pursuing enhanced capital efficiency

## Capital targets

<Initial target>  
Common Equity Tier 1 capital ratio: approximately 10%

## Policy on reduction of Strategic-shareholdings

Commencing from FY2016, SuMi TRUST Holdings shall aim to be on track to reduce the ratio of strategic-shareholdings to Common Equity Tier 1 capital (excluding Valuation differences on available-for-sale securities) by 50% in approximately 5 years  
Also, to prudently manage volatility risk of market value through hedging operations

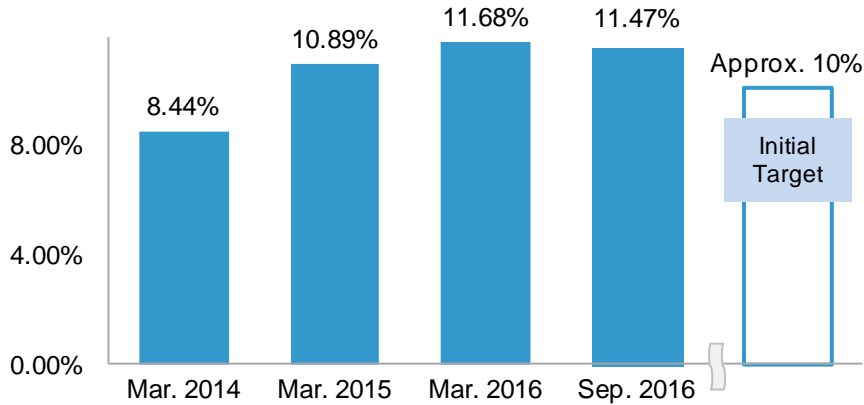
## Policy on shareholder return

SuMi TRUST Holdings shall share its profits with shareholders in accordance with its profit level in each fiscal year, aiming to maintain the consolidated dividend payout ratio on common shares of approximately 30%. SuMi TRUST Holdings may also repurchase its own shares by considering the balance with profit growth opportunities, and the effect of the repurchase on the improvement of capital efficiency. Through the measures above, SuMi TRUST Holdings shall aim to enhance medium-term shareholder returns



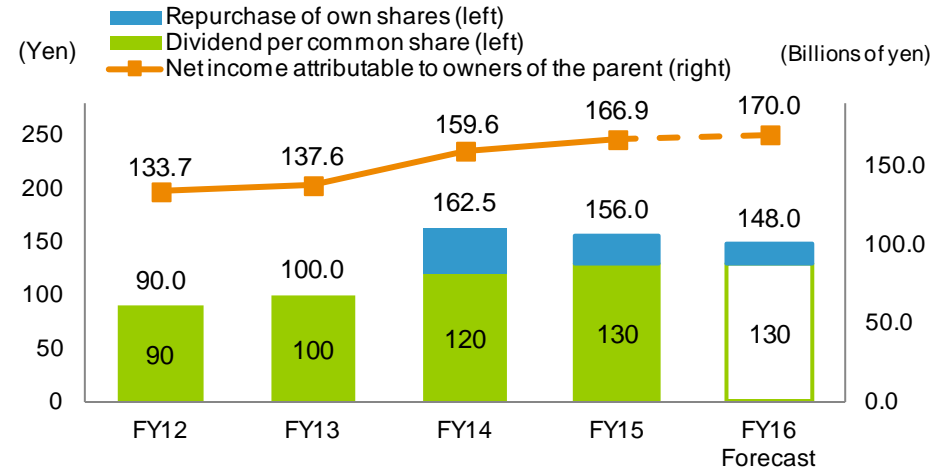
# Financial and capital policies: Major indicators

## Common Equity Tier 1 capital ratio (Fully-loaded basis)

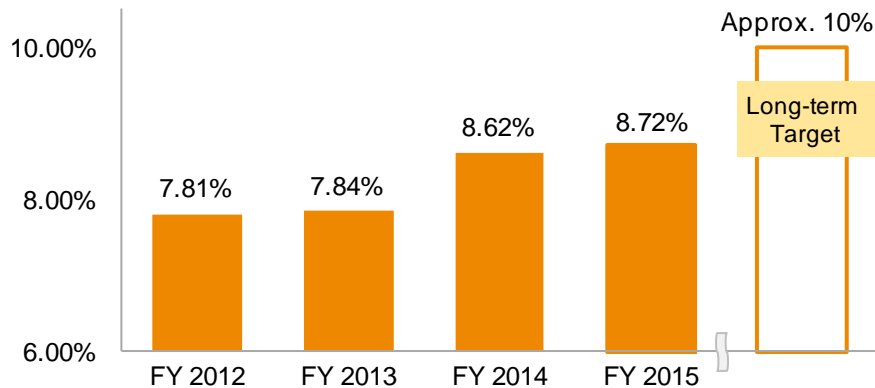


Target : 10% level

## Net income attributable to owners of the parent and shareholder return per share (\*1, \*2, \*3)

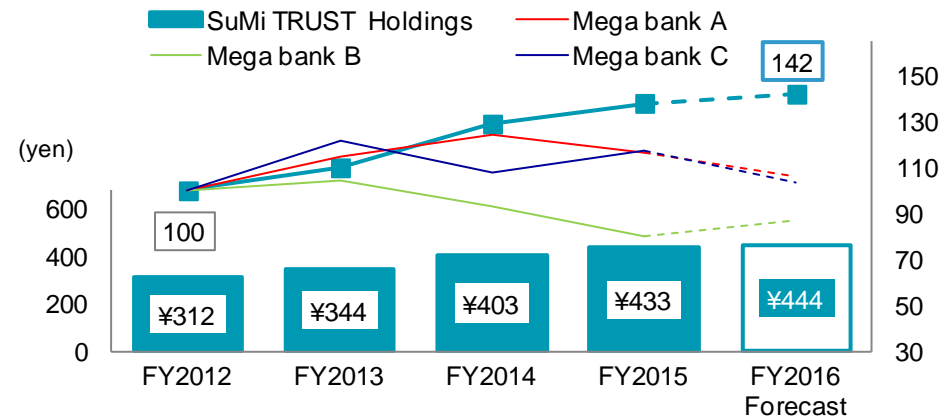


## Return on shareholders' equity



Pursue capital efficiency

## Earnings per share (EPS) (Index : FY12=100) (\*3)



(\*1) Exclude repurchase of own shares (¥199.5bn) due to repayment of public funds in FY2012

(\*2) Shareholder return per share in repurchase of own shares is based on following formula:  
 (Total amount of repurchase) / (total number of shares in issue (excluding treasury stock) as of fiscal year end)

(\*3) Forecasts for FY2016 is calculated from disclosed figures as of November 14, 2016

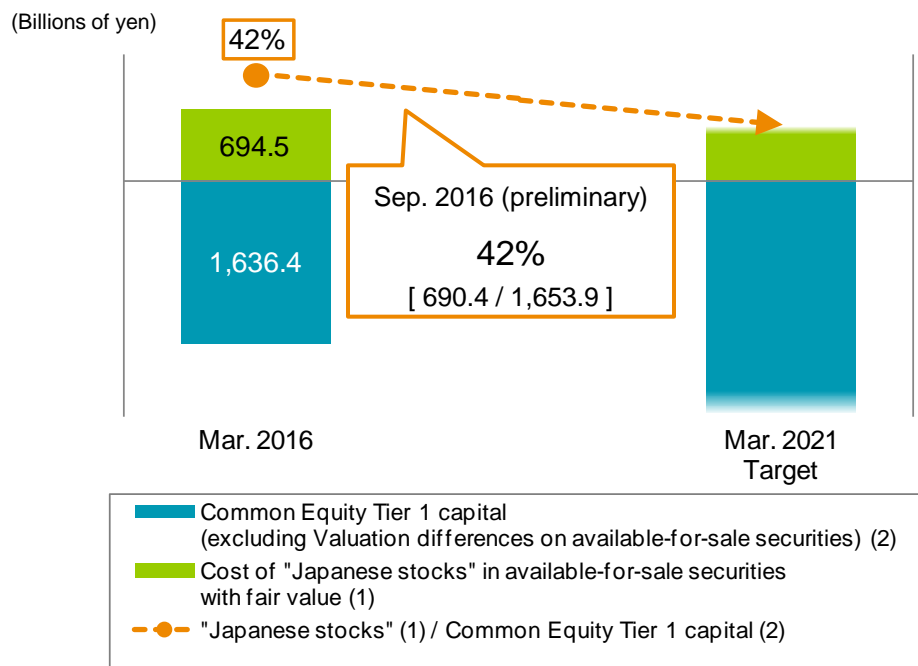
# Reduction and Hedging Volatility risk of Strategic-shareholdings

- ▶ Regarding strategic-shareholdings, continue to reduce risk exposure swiftly, while assessing impact to the trust bank's business model of forging a long term relationship with its corporate clients
- ▶ Reduction of strategic-shareholdings and also implement hedge transactions to reduce stock price volatility risk

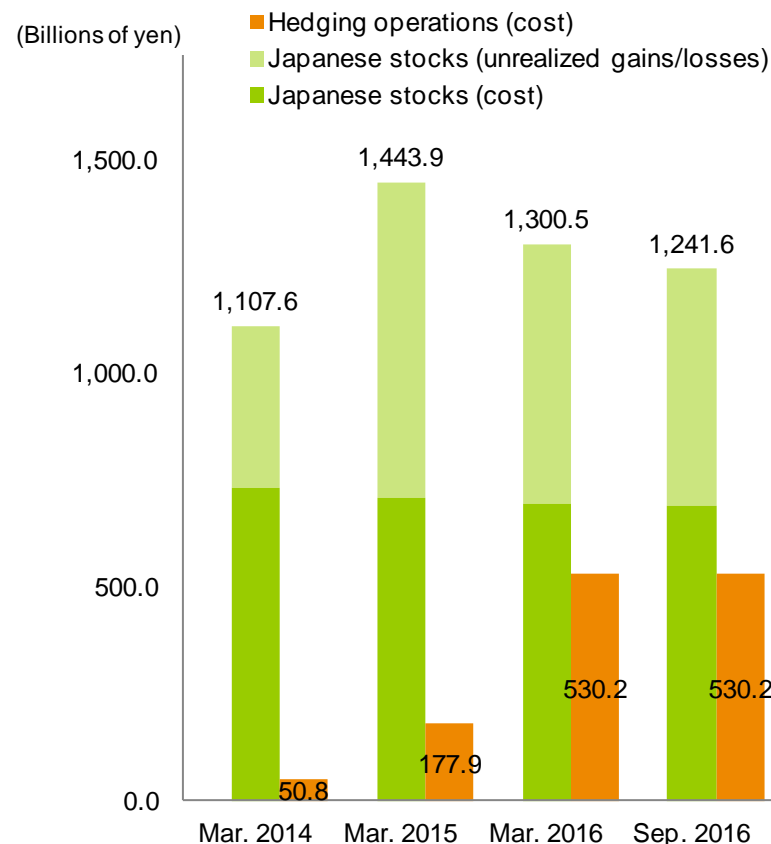
## Reduction plan from FY2016

SuMi TRUST Holdings shall aim to be on track to reduce the ratio of strategic-shareholdings to Common Equity Tier 1 capital (excluding Valuation differences on available-for-sale securities) by 50% in approximately 5 years

(\*) Common Equity Tier 1 capital is based on Fully-loaded basis.



## Stock volume and hedging operation (Consolidated)



# (Reference) Policy on Strategic-shareholdings

## Policy on Strategic-shareholdings

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

## Verification of holding rationale

- ▶ Calculate ratio of profit derived from business counterparty (\*1) to required capital (\*2), and compare its performance against our target-return
- ▶ Take into consideration future benefit from business counterparty

Semi annual reporting to the Board

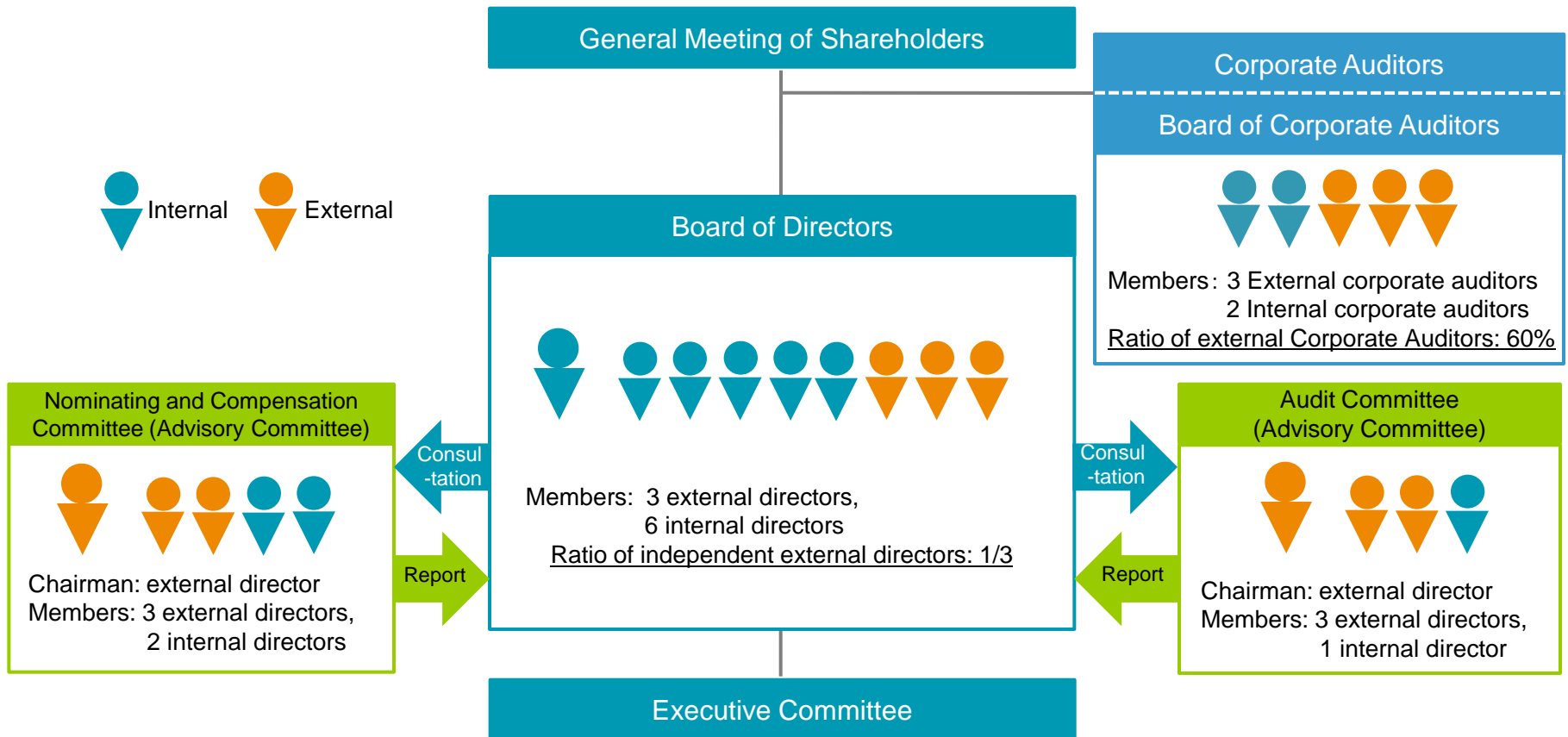
(\*1) Dividends, loan interest and fees received, costs (administrative expenses, credit costs and tax, etc.) taken into consideration

(\*2) Credit risk and share price volatility risk etc. taken into consideration

(Reference)  
Corporate governance,  
Fiduciary duties

# Corporate governance structure of SuMi TRUST Group

- ▶ From June 2013, two external directors have been appointed, another external director was appointed in June 2015, bringing the total to three external directors. The ratio of external directors is currently 1/3
- ▶ Nominating and Compensation Committee and Audit Committee are Advisory Committees to the Board of Directors. Majority of both committee members are external directors as well as both Chairmen
- ▶ In June 2016 SuMi TRUST Holdings appointed an additional external corporate auditor to the Board of Corporate Auditors, bringing the total to three external members. After this appointment, the ratio of external corporate auditors on the Board of Corporate Auditors became 60%.



# Reason for selecting as external director / external corporate auditor

## External director (\*1)

### Mr. Soichi Shinohara (Chairman of the Audit Committee)

Being and economist specializing in international economics and macroeconomics, Mr. Shinohara has abundant knowledge and superior insight into both the domestic and foreign economy. SuMi TRUST Holdings has appointed him as an external director, in order to have him utilize such knowledge and insight in our management.

- ✓ Emeritus Professor of Doshisha University
- ✓ President of Kyoto Gakuen University

### Mr. Takeshi Suzuki

Mr. Suzuki has abundant experience and broad insight as a management member of listed companies. SuMi TRUST Holdings has appointed him as an external director, by deeming that he is able to provide advice regarding our overall management.

- ✓ Ex-Senior Managing Director of Toyota Motor Corporation
- ✓ Ex-Chairman (Representative Director) of Aioi Nissay Dowa Insurance Co., Ltd.
- ✓ External Director of AICHI CORPORATION

### Mr. Mikio Araki

#### (Chairman of the Nominating and Compensation Committee)

Mr. Araki has abundant experience as a businessperson and deep insight into financial affairs. SuMi TRUST Holdings has appointed him as an external director, by deeming him able to provide advice regarding our overall management.

- ✓ Ex-Deputy President (Representative Director) of Development Bank of Japan Inc.
- ✓ President of The Japan Economic Research Institute
- ✓ External Director of Kintetsu Group Holdings Co., Ltd.
- ✓ External Corporate Auditor of Japan Freight Railway Company

## External corporate auditor (\*2)

### Mr. Tetsuya Yoshimoto

Mr. Yoshimoto has abundant experience and high ethics as a judge and SuMi TRUST Holdings has appointed him as an external corporate auditor, by deeming him able to provide his experience regarding our audit.

- ✓ Former Chief Justice, Takamatsu High Court

### Mr. Shinichi Saito

Mr. Saito has extensive experience and knowledge of financial accounting, overseas operations, finance and corporate workouts. SuMi TRUST Holdings would like him to apply such experience and knowledge to our audit as an external corporate auditor.

- ✓ CEO of Japan Industrial Solutions Co., Ltd.

### Mr. Takashi Yoshida

Mr. Yoshida has extensive experience and knowledge as a certified public accountant, SuMi TRUST Holdings would like him to apply such knowledge to our audit as an external corporate auditor.

- ✓ Certified Public Accountant
- ✓ Corporate Auditor of Nippon Seiro Co., Ltd.
- ✓ External Director, Corporate Auditor of Cosmos Initia Co., Ltd.

(\*1) Messrs. Shinohara, Suzuki and Araki are external directors as provided for in Article 2 paragraph 15 of the Companies Act.

(\*2) Messrs. Yoshimoto, Saito and Yoshida are external corporate auditor as provided for in Article 2, Paragraph 16 of the Companies Act.

# Policies regarding the Fiduciary Duties

## Basic Group Policies

At the Sumitomo Mitsui Trust Group, we are driven by client comfort and satisfaction, with the reliance placed in us as a creditor and trustee as a foundation for action. In providing appropriate products and services that serve the best interests of our clients, we will, together with establishing the Group principles for action, proceed to develop Group structures so as to give effect to our 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 position of our clients, which will change with their lifecycle, and their corresponding needs.

### (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, etc.

### (3) Enhancement of our client-oriented focus and expertise

▶ Through training and discussion, etc. at each Group company, we aim for thorough penetration of decisions and practices that are based on these Policies.  
▶ Through measures such as training of executives and employees and support for the acquisition of specialist qualifications, we will increase the 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, etc. and quickly and accurately provide optimal and comprehensive solutions for our clients, whether they are individuals or corporations, etc.

### (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, etc., 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, etc.

## Governance Structure

(1) Establishment of a dedicated organization, (2) Enhancing conflict of interest management, (3) Ensuring the independence of the management and operation of the asset management business, (4) Group companies to convene a regular discussion panel

### Domestic Companies that will implement initiatives based on these Policies

SuMi TRUST Bank	Sumitomo Mitsui Trust Asset Management	Nikko Asset Management
Japan Trustee Services Bank	Sumitomo Mitsui Trust Wealth Partners	Sumitomo Mitsui Trust Realty
Sumitomo Mitsui Trust Real Estate Investment Management	Sumitomo Mitsui Trust Research Institute	Sumitomo Mitsui Trust Investment

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