Top Interview

The SuMi TRUST Group will be completely client-oriented and provide high-quality products, services and consulting.

We at the SuMi TRUST Group seek to win an even greater level of trust from our clients and to further enhance our corporate value.

Question

Please tell us about the progress of initiatives in the first half of FY2016.

Amid the severe economic and financial environment of the first half, the Group as a whole took up the challenge of realizing our new offensive growth strategies while firming up our defensive strategies such as cost reduction.

For example, we further reinforced our client-oriented, consulting-based sales approach for individual clients based on "long-term, diversified and stable" asset management. We worked to provide new products in light of the dramatically changing market environment. We cultivated mortgage loans with new clients by flexibly setting interest rates in response to market interest-rate fluctuation, while bolstering a system that can provide proposals for insurance products in accordance with major turning points in life such as buying a house. We also focused our efforts on increasing the number of plan members of defined-contribution pensions through their workplaces, taking into account changes in the economic environment and legal system.

In addition to loan services, we strengthened our transactions with small and medium-sized enterprises among our corporate clients, who have a deep need for total solutions including business succession. We also enhanced our new financial product offerings to corporate clients who have growing needs for diversified investment tools, reflecting the impact of Japan's negative interest-rate policy and the U.K.'s decision to leave the EU.

Furthermore, we worked to provide services that make use of the functions of each group company. Sumitomo Mitsui Trust Club develops credit card services including the Diners brand that we acquired in 2015. We launched a new Diners card in partnership with SuMi TRUST Bank and reinforced our comprehensive consulting that includes banking services for the card members.

For individual clients	For corporate clients	Using group functions
• Consulting adapted to changes in the asset management needs of clients and in the market environment • Mortgage loans that respond flexibly to market interest-rate fluctuation • Defined-contribution pensions	• Total solutions including business succession • Providing new financial products for clients who require diversified investment tools	• Providing comprehensive consulting that includes banking services for card members at Sumitomo Mitsui Trust Club

Question

What are your priority initiatives for the second half of FY2016?

Three priority initiatives for the second half

Challenges for new growth	•Enhancing products and services •Further refining proposal capabilities •Prioritizing allocation of personnel to growth areas and strategic areas
Dynamic structural change	•Strengthening asset management business - Expanding our transaction base of existing businesses - Cultivating new business areas - Enhancing the quality of products and services
Preparation for downside risks	• Promoting ongoing cost reduction measures • Strengthening our financial position

We will continue to step up our efforts to tackle "challenges for new growth" in the second half of the fiscal year. At the same time, we will work on "dynamic structural change" in our business model and "preparation for downside risks" resulting from sudden changes in the environment, based on the expectation that the economic and financial environment will continue to be severe for some time.

Regarding the "challenges for new growth" initiative, we will strive to further refine our proposal capabilities, while enhancing products and services that can win the support of clients. We will also prioritize allocation of personnel to growth areas and strategic areas, so we can offer proposals that meet the real needs of clients.

For "dynamic structural change," the SuMi TRUST Group will work as a whole to reinforce the asset management business, including asset management and asset administration, which is the Group's core business. Specifically, we will cultivate new business areas and enhance the quality of products and services, in addition to expanding our transaction base of existing businesses.

As for "preparation for downside risks," we will promote ongoing cost reduction measures, while making efforts to strengthen our financial position considering the uncertain outlook in financial markets.

Question

Can you explain your efforts with regard to fiduciary duties?

Financial institutions have been called upon in recent years to more thoroughly implement efforts that make them client-oriented, that is, "fiduciary duties*1." In light of this trend, the SuMi TRUST Group established its "Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group" (hereinafter, the "Policies") in September 2016 to ensure that fiduciary duties are practiced and fully implemented across all group operations.

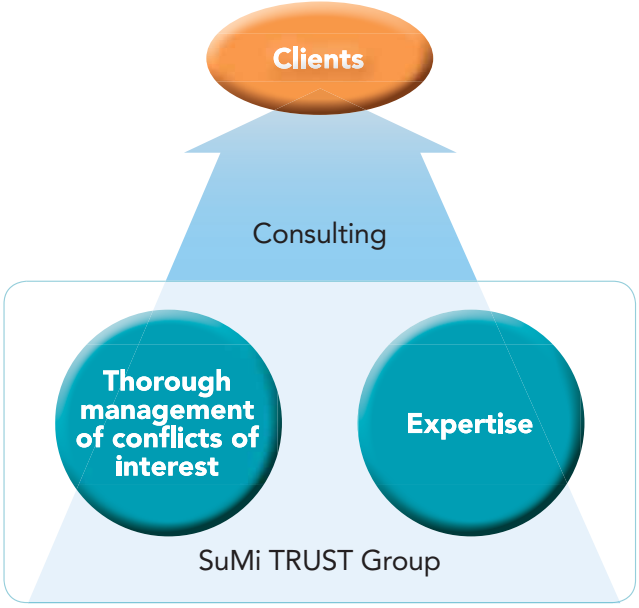
We believe that the practice of fiduciary duties depends on "significant expertise" that is trusted by clients, "approach to consulting" that offers clients the best options according to their individual needs, and "thorough management of conflicts of interest." We will put in place the following structures to ensure that all group companies comply with these principles for action and to make our efforts more substantial.

First, we have established the "Fiduciary Duties Planning and Promotion Department." This organization promotes the thorough penetration of fiduciary duties at Sumitomo Mitsui Trust Holdings, Inc. ("SuMi TRUST Holdings") and SuMi TRUST Bank. Each group company will carry out initiatives in accordance with the Policies, with advice, guidance and training from the Fiduciary Duties Planning and Promotion Department.

We established a fiduciary duties discussion panel among group companies*2 that engage in the businesses of asset management, product development, sales and asset administration. These companies will be the main performers of fiduciary duties. We will share and further enhance our initiatives related to improving expertise and stewardship activities*3 at group companies.

Through this series of initiatives, we will carry out our fiduciary duties across the entire SuMi TRUST Group. We will make full use of total solutions that combine the businesses of banking, asset management and administration, and real estate to provide products and services that are in line with the best interests of our clients.

*1 Described as "client-oriented business operations by financial institutions, etc." in the "Program Year 2016 Financial Administration Policy" published by the Financial Services Agency.
*2 SuMi TRUST Bank, Nikko Asset Management, Sumitomo Mitsui Trust Asset Management, Japan Trustee Services Bank
*3 Dialogue and exercise of voting rights, etc., carried out by institutional investors for the purpose of enhancing the medium- to long-term corporate value of the companies in which they invest.



Policies regarding the Fiduciary Duties of the Sumitomo Mitsui Trust Group

Principles for action established in the Policies

- Implementation of a client-oriented approach to consulting and the provision of information
- Development and provision of products and services that meet the diverse needs of our clients
- Enhancement of our client-oriented focus and expertise
- Provision of financial services that leverage the diverse functions of the trust bank group
- Client comfort and satisfaction, and contribution to the economy and society

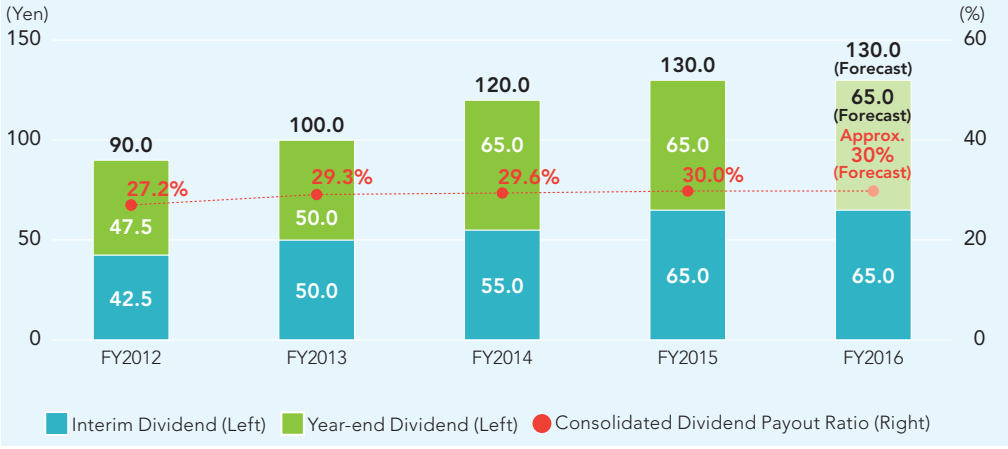
* For details, please see the SuMi TRUST Holdings website.
(http://www.smth.jp/en/about_us/philosophy/fiduciaryduty/index.html)

Question

Please tell us your policy on shareholder returns.

We at SuMi TRUST Holdings regard the return of profits to shareholders as an important management policy. Our policy is to share our profits with shareholders according to our performance. We also aim to maintain a consolidated dividend payout ratio on common shares of approximately 30%. We may also repurchase our own shares by considering the balance with profit growth opportunities and taking into account the effect of repurchases on improvement of capital efficiency. Through these measures, SuMi TRUST Holdings aims to enhance shareholder returns in the medium term.

Dividend Per Share and Consolidated Dividend Payout Ratio



* SuMi TRUST Holdings implemented share consolidation with a ratio of ten shares of common shares to one share as of October 1, 2016. The above graph shows dividends assuming that the share consolidation was carried out at the beginning of FY2012.

Question

What is your message to the stakeholders?

We feel that clients are expressing ever more strongly their concerns and needs with respect to asset management and asset administration. The issues involved are also becoming more diverse, as domestic economic and financial outlook grows increasingly uncertain.

Our era specifically demands that we respond to the increasingly complex and diverse concerns and needs of our clients by providing total solutions with high added value. We will achieve this by making full use of the "client-oriented fiduciary spirit" that is at the heart of trusts and that we at the SuMi TRUST Group have carried on since our founding, while leveraging the expertise and comprehensive capabilities that are our strengths. We are also convinced we will win the trust and support of our clients by responding to these demands.

As Japan's only independent financial group specialized in trust banking, all of the officers and employees of the SuMi TRUST Group will continue to do their utmost to become completely client-oriented and provide high-quality products, services and consulting, so that we can serve as a model for the practice of fiduciary duties.

We ask sincerely for your ongoing support in these endeavors.