

CSR REPORT
2011



The Trust Bank



Chuo Mitsui Trust Group and The Sumitomo Trust and Banking Group integrated to form the new trust bank group “Sumitomo Mitsui Trust Group” on April 1, 2011.

We will form “The Trust Bank,” a new trust bank group with significant expertise and a wide range of capabilities in swiftly providing comprehensive solutions to our clients.

Symbol Mark

The symbol mark features “Future Bloom” representing the vision of Sumitomo Mitsui Trust Group, which is “to generate new value through the combination of significant expertise and comprehensive capabilities, and to help the future of our clients and society bloom.” The four clear petals show our “Mission” to each stakeholder of clients, society, shareholders and employees. The four colors of petals represent our Codes of Conduct (“Value”): “Truthfulness and Loyalty” (natural green), “Dedication and Development” (golden orange), “Trust and Creativity” (blue green), and “Self-help and Self-discipline” (sky blue).

Creating Shared Value

Creating Shared Value through Strategic CSR

Through its strategic CSR initiatives,
Sumitomo Mitsui Trust Group* aims to
“Create Shared Value” by helping to solve social problems
while at the same time pursuing the Group’s own economic value.

* Hereinafter the “Group.”

Editorial Policy

Editorial Policy of the Corporate Social Responsibility (CSR) Report

This CSR report, the first to be issued by Sumitomo Mitsui Trust Group, takes as a reference point of the concept of “Creating Shared Value” (CSV), as advocated by Professor Michael E. Porter of Harvard Business School. In this report, we classify our CSR activities into three categories of materiality, based on his concept.

The “Dialogue with Stakeholders” covers discussions by the chairpersons of working groups established by the Drafting Committee to address the “Principles for Financial Action towards a Sustainable Society,” which were drawn up in October 2011. To make the entire content of these discussions accessible, we have posted videos and PDF files on the Group website (Japanese only): (<http://smth.jp/csr/index.html>).

The history behind the Group’s management integration as well as basic information can be found at the end of this report.

* We have attached a questionnaire at the end of this report so that we can receive the forthright opinions of our stakeholders concerning this report and the Group’s CSR activities. Please feel free to use this questionnaire to inform us of your opinions and impressions.

Scope of This Report:

Sumitomo Mitsui Trust Group (comprised of Sumitomo Mitsui Trust Holdings, Inc., The Chuo Mitsui Trust and Banking Company, Limited, Chuo Mitsui Asset Trust and Banking Company, Limited., The Sumitomo Trust and Banking Co., Ltd., and other group companies)

Target Readers:

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

Period Covered by Report:

April 1, 2010 to September 30, 2011

* This report also includes the latest information on activities before fiscal year 2010 and after October 2011.

Reference Guidelines:

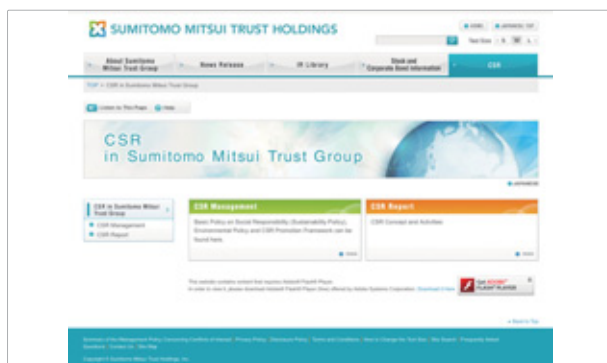
GRI (Global Reporting Initiative)

“Sustainability Reporting Guidelines 2006”

* A table comparing our CSR report and the guidelines is available at the following website:
<http://smth.jp/en/csr/report/index.html>

Our website carries extensive information on the CSR activities of Sumitomo Mitsui Trust Group not covered in this report.

Specifically, this website provides more detailed information on our initiatives related to the issues of environmentally friendly property and biodiversity. It also enables visitors to read the full text of “Dialogue with Stakeholders.” (Japanese only)



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

Sumitomo Mitsui Trust Group is working for biodiversity conservation, such as the protection of rare species.



Cover Photo: A Japanese crane
[Grus japonensis]

The Japanese crane is listed as an endangered species. The Group makes donations to the National Trust Movement for the purchase of land that forms the natural habitats of endangered species. This measure takes into account the sales performance of environmentally friendly investment trusts (see page 23).
Photo courtesy of the Association of National Trusts in Japan

This report includes investment trusts and other financial products and services provided by The Chuo Mitsui Trust and Banking Company, Limited, Chuo Mitsui Asset Trust and Banking Company, Limited, The Sumitomo Trust and Banking Co., Ltd. and other subsidiaries and affiliated companies.

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Management Principles ("Mission")

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

Ideal Model ("Vision") —Towards "The Trust Bank"—

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

Codes of Conduct ("Value")

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

Completely Client-oriented—Truthfulness and Loyalty

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

Contribution to Society—Dedication and Development

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

Realization of Organizational Capability—Trust and Creativity

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

Establishment of Individuality—Self-help and Self-discipline

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

Strict Compliance with Applicable Laws and Regulations

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

Resolute Stance against Antisocial Forces

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

Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (Sustainability Policy)

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

1. Contribute to Solving Social and Environmental Problems through Business

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

2. Serve Clients with Sincerity

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

3. Earn the Trust of Society

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

4. Address Environmental Issues

- We aim to build a low-carbon society, a natural symbiosis society which fosters biodiversity, and a circulatory society, and will work to solve problems which obstruct these aims through our core businesses by cooperating with various stakeholders.
- We work on energy and resource conservation to reduce the environmental burden caused by our own activities.

5. Respect the Individual

- We respect individual rights and diverse values, rejecting unjustifiable acts of discrimination in all our activities.
- We create a safe and pleasant workplace environment, respect employees' diverse ways of working, and strive to achieve work-life balance.
- We work to develop the skills of employees and strive to build sound minds and bodies.

6. Participate in and Contribute to the Community

- We aim to revitalize the community and build a rich living environment in cooperation with various partners in all communities where we engage in corporate activities, through our business activities and social contribution such as educational and cultural activities.

Management Commitment



“By integrating the diverse functions that are unique to a trust bank group, we will work toward the creation of shared value.”

We wish to convey our deepest sympathy to all the people affected by the Great East Japan Earthquake, and we sincerely hope that the affected areas can achieve the quickest possible recovery.

On April 1, 2011, Chuo Mitsui Trust Holdings, Inc., and The Sumitomo Trust and Banking Co., Ltd., carried out management integration, and established "Sumitomo Mitsui Trust Holdings, Inc." When the unprecedented disaster occurred in Japan immediately prior to the merger, both banks immediately decided to make donations to help the victims of the disaster, and also set up a special account at their respective branches into which the public could make donations. Japan's recovery from the disaster is the most pressing challenge facing the nation today. We will continue doing our utmost to assist with recovery efforts.

On a global level, meanwhile, there are concerns about diminished social sustainability attributable to the worsening of a variety of problems. These include climate change, the loss of biodiversity, and increases in poverty and health hazards. For companies, factors such as these have a detrimental effect on their business operations and impede sustainable growth. Against this backdrop, in recent times the international community has come to view companies as having an obligation to play a positive role in building a sustainable society. We at Sumitomo Mitsui Trust Group position working toward a sustainable society as the most important goal of our corporate social responsibility (CSR) activities.

In promoting this sort of CSR, we are guided by the concept of "creating shared value" as advocated by Harvard Business School's Professor Michael E. Porter. This concept of creating shared value involves companies creating economic value in a way that also creates value for society by addressing its needs and challenges. In the "Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group," drawn up at the time of the manage-

ment integration, we declared that we would "integrate the diverse functions that are unique to a trust bank group, and develop new business models and innovative products and services to help solve social and environmental problems." This is precisely our strategy for creating shared value.

When implementing this policy, it is important that we have specific strategies for enhancing social value, identifying which problems we are solving and by what means. Working in collaboration with our various stakeholders, we will endeavor to enhance social value by leveraging a distinctive total solutions model that combines the banking, asset management and administration, and real estate businesses.

The finance industry in Japan is also beginning to change. In October 2011, after one year of discussions, more than 30 financial institutions established "Principles for Financial Action towards a Sustainable Society." As suggested by the title, financial institutions in Japan have signaled their intention of playing an active role in creating a sustainable society. Going forward, Sumitomo Mitsui Trust Group wants to foster the creation of a sustainable society by taking a leadership role in promoting further change in Japanese financial circles.

In this sense too, we must first lead by example. All Group executives and employees must take every opportunity to enhance shared value. We look forward to your continuing support and cooperation.

January 2012



Hitoshi Tsunekage, Chairman (right)



Kazuo Tanabe, President (left)

Creating Shared Value through Strategic CSR

What is “Creating Shared Value (CSV)”?

“Creating Shared Value” is the concept of companies creating social value by addressing society’s needs and challenges while simultaneously creating their own economic value, as advocated by Professor Michael E. Porter of Harvard Business School. Sumitomo Mitsui Trust Group (the “Group”) recognizes CSR as constituting not merely activities that benefit society, but also as a strategy that generates value for both society and business. Therefore, we believe we are in a strong position to realize CSV.

The Cornerstone of CSV

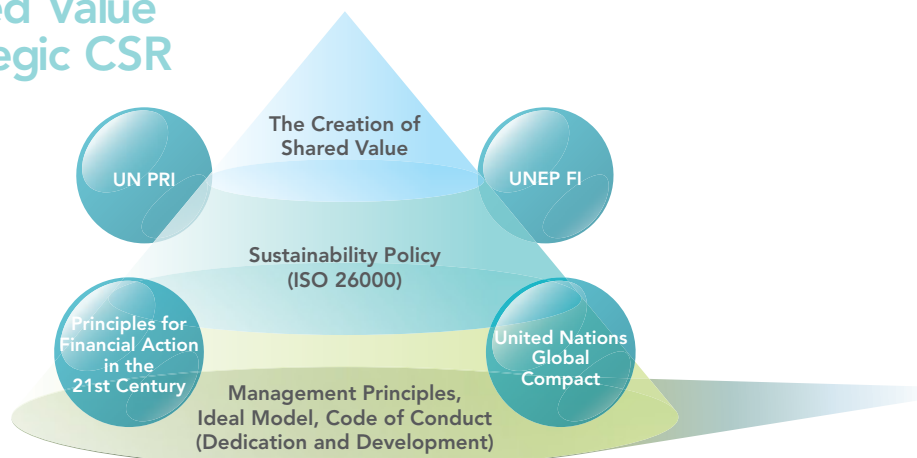
The Group’s pursuit of CSV is based on its Management Principles (“Mission”), Ideal Model (“Vision”), and Codes of Conduct (“Values”), as well as its Sustainability Policy*—its basic policy on social responsibility formulated to reflect the Group’s Mission, Vision, and Values. These policies identify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

Specifically, the Group’s Codes of Conduct calls for “Contribution to Society—Dedication and Development,” while one of the principles of our Sustainability Policy is to “Contribute to solving social and environmental problems through business.” These concepts are consistent with CSV, which places economic value and social value side by side.

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

* The Group’s Sustainability Policy adopts the principles of ISO 26000 on social responsibility, promulgated in November 2010.

Creating Shared Value through Strategic CSR



Creating Shared Value through Strategic CSR

A single business with limited resources cannot possibly address all of society's problems. Focusing its own resources on a social issue that has little connection to its business activities is not very likely to improve that business's corporate value. It would, however, create a gap between the expectations of shareholders and all the other stakeholders.

The Group is bolstering initiatives centered on fields where it can create value that can be shared by society. In other words, we are focusing on areas where we can create economic value for the Group by creating social value.

As for our CSR activities, we classify those social problems and themes with a high degree of materiality*, including the environment, into one of three categories. These are: (1) social problems that the Group strives to resolve through the creation of new financial businesses, (2) social compliance in everyday business activities, which the Group must strive to improve in order to reinforce its corporate foundation, and (3) social themes that need to be addressed in order to enhance the trust placed in the Group and thereby strengthen the business base. The CSR Promotion Office and other departments are responsible for promoting related activities with the aim of creating shared value.



* Materiality refers to important factors that are material to the Group's financial performance.

Social Problems and Themes Embraced by Sumitomo Mitsui Trust Group

Materiality 1 Efforts to solve social problems through the creation of new financial businesses (Examples of social and environmental problems addressed by the Group)

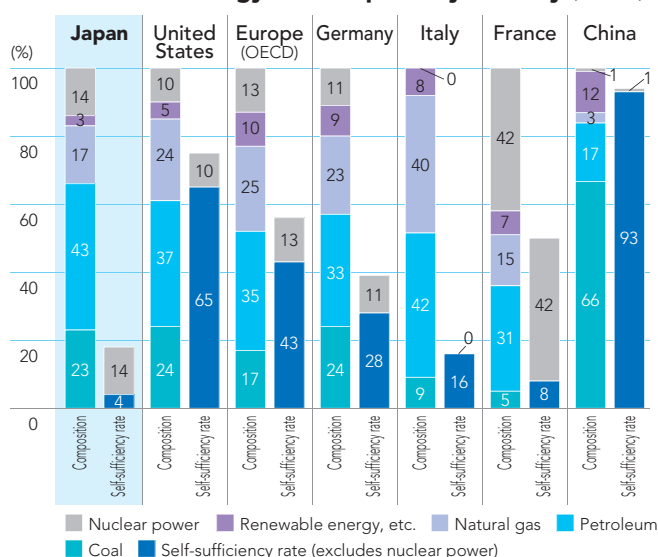
✕ Energy and Climate Change

The Japanese government's Basic Energy Plan, adopted in 2003, placed nuclear power as the nation's key source of electricity. Although the plan has been reviewed every three years, the accident at the Fukushima Daiichi Nuclear Power Plant caused by the Great East Japan Earthquake has prompted a radical reassessment of the plan amid growing support for an increase in renewable energy sources. However, because renewable energy sources are not necessarily highly stable forms of energy, their large-scale introduction requires the establishment of a smart grid—new technologies that control the supply and demand for electricity in real time. Meanwhile, there are concerns that the shortage of electricity caused by the shutdown of nuclear power plants will not be resolved any time soon. In this context, energy conservation, or reducing the amount of energy use itself, is gaining momentum.

Moreover, addressing climate change through the reduction of greenhouse gas emissions is becoming increasingly difficult. Japan set its own targets for the reduction of greenhouse gases in line with the Kyoto

Protocol, adopted in 1997, and also has medium-to-long-term targets to be achieved by 2020. However, a review of the Basic Energy Plan has resulted in pressure for a radical rethinking of these policies and what measures to take.

Breakdown of Energy Consumption by Country (2008)



(Source) IEA Energy Balances of OECD/Non-OECD Countries

✕ Biodiversity

The Earth is said to have 30 million diverse species, each of which has an important role to play. The mutual interaction between species helps maintain a delicate balance that supports the global ecosystem.

We humans depend on other living beings and various natural resources in order to generate all kinds of raw materials and energy, including food, water, fuel, fiber, lumber, and medicine. Our use of such resources has enabled us to build cultures and societies. While our lives have become prosperous and convenient, we have constantly placed a major burden on the natural environment. Our natural resources are limited. If we continue damaging the environment, our ecosystem will quickly collapse, and this may even impact the lives of humans, who constitute part of that ecosystem. It is absolutely necessary, therefore, that we address the issue of biodiversity.

✕ The Rapid Aging of Society

In Japan, increases in the average lifespan and falling birthrates have created a rapidly aging society. By 2015, the baby boomer generation will be aged 65 or over, and it is estimated that by 2025 the number of people in Japan aged 65 or over will reach around 35 million. Until now, attention has focused mainly on the speed at which Japanese society is aging. But from 2015, it is likely that the size of the elderly population itself will become a greater problem when Japan becomes an "ultra-aged society."

There is growing concern about the various impacts that this rapid aging will have on society as a whole. The government's finances will no doubt be strained by the provision of pensions, medical care, and welfare services. What is more, the increase in the number of elderly living alone will most likely prompt a rethink of the forms communities can take as Japan grapples with the best ways to support its older population.

Materiality 2 Efforts targeting improved social compliance in everyday business activities

✦ Governance and Compliance



It is said that finance is the lifeblood of the economy. The human body ceases to function if the flow of blood is stopped. Similarly, the entire economy will become paralyzed, and in some cases collapse, if finance ceases to function smoothly. In order to run its business soundly as a financial institution, the Group will build a robust governance structure and do whatever is needed to ensure thorough compliance, risk management, and customer protection.

✦ Human Rights



Because individuals engage with each other when conducting business activities, the risk of human rights-related issues emerging is ever present. One such risk is a corporation's relationship with its employees. The Group strives to nurture diverse human resources with a high level of expertise and creativity, who are capable of responding flexibly to changes in the business environment. To enable our employees to freely demonstrate their abilities, it is essential that we foster a business culture that respects each employee's individuality and does not discriminate on grounds of age, gender, and nationality. The Group provides various training and educational activities on human rights issues, which include the relationship between the Group and its employees.

✦ Reducing the Environmental Impact of Business Activities



Business activities inevitably have an impact on the environment. To realize a sustainable society, businesses must be aware of the impact that their activities have on the environment and take steps to reduce that impact. We are helping realize the preservation of the environment and a sustainable society by reducing resource and energy consumption, CO₂ emissions, and waste as part of energy and resource conservation and resource recycling initiatives.

Materiality 3 Efforts addressing social themes to enhance trust and strengthen the business base



The Group's business base is made up of its branches in Japan and overseas. Therefore, we cannot operate our business smoothly unless we earn the trust of the local communities in which we operate. Proactive measures that address issues present in each community help further strengthen the Group's business base. We engage in a variety of initiatives, mainly through our branches. These include volunteer activities, providing information to clients, and supporting non-profit organizations. Our activities focus on three themes: support for the environment and living beings, support for "successful aging," and contribution to the local community and society.

Materiality 1

CSR Activities that Create New Financial Businesses

The Group believes that using its businesses to address a range of environmental and social problems is an important part of CSR activities.

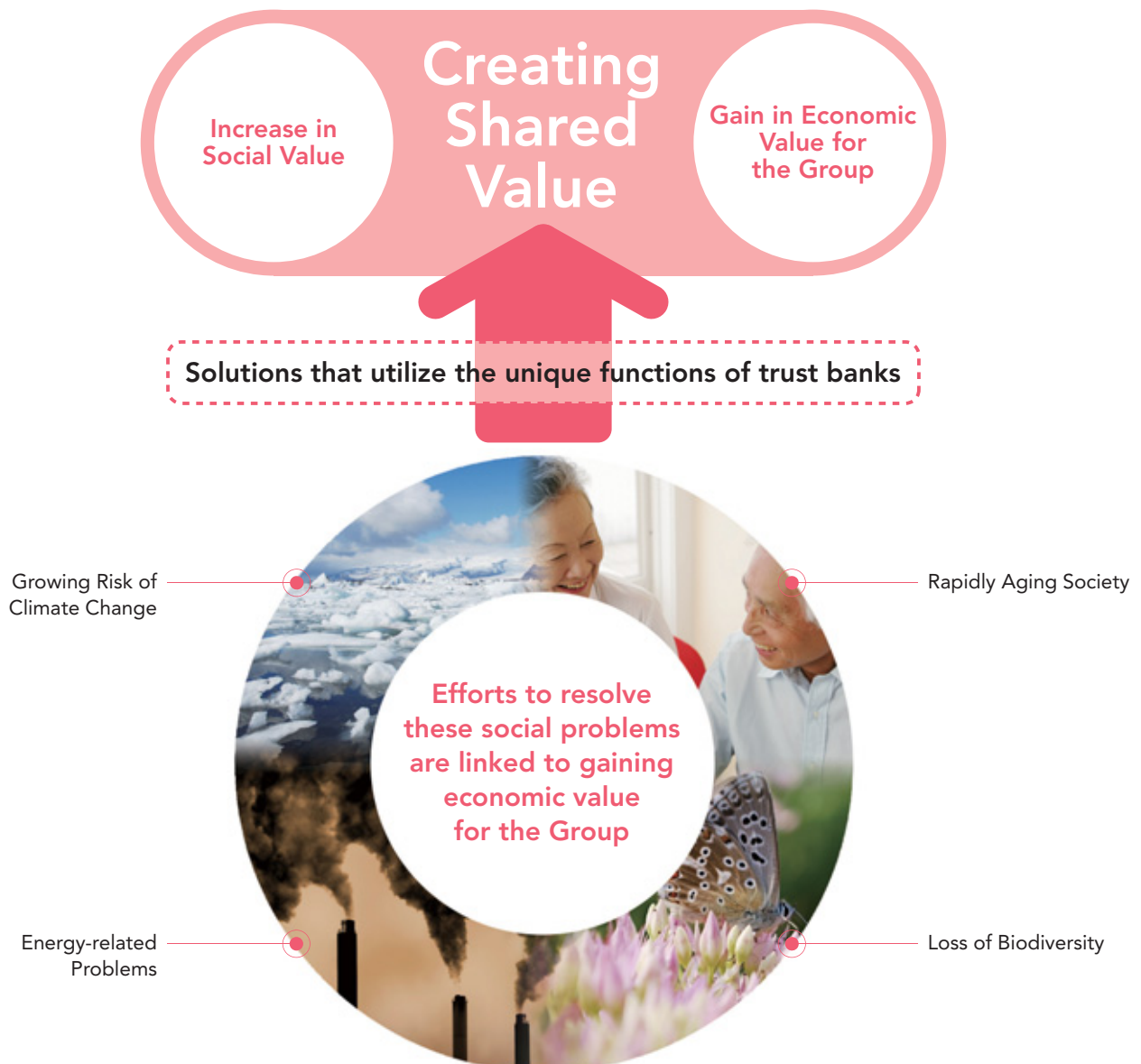
We place particular emphasis on the issues of energy, climate change, biodiversity, and the aging of society. We aim to provide total solutions, combining our banking, asset management and administration, and real estate businesses.

Furthermore, the Group has shown initiative not only in the provision of products and services, but also in shaping the markets that receive them. We lead the financial industry in the fields of environmentally friendly property, biodiversity and SRI, in which we are actively engaged.

In the following pages, we will present an overview of the Group's main activities.

Creating Shared Value

Naturally, a company should respond to customer needs. However, a company that responds only after such needs become evident will not be able to innovate. By considering the solution of various social problems as "social needs," and by actively addressing those needs before they emerge as customer needs, we can be innovative and stay one step ahead of our customers' potential needs. With the aim of gaining economic value, the Group views the leveraging of company strengths to resolve social problems as an opportunity to create new businesses.



Sumitomo Mitsui Trust Group's "Eco-Trustution"

One of the Group's top CSR priorities is to help solve environmental problems through finance. We have coined the word "Eco-Trustution" to represent such environmental initiatives. Under this concept, we will provide solutions to ecological issues through the use of our trust function. We will continue to develop and provide solution-based financial instruments and services.



1 Total Solutions to Address Energy and Climate Change Issues

Drawing on its action guidelines for mitigating climate change, the Group provides high value-added financial solutions that leverage its unique features as a trust bank group. We have been addressing the environmental and energy problems that have been the focus of attention in the aftermath of the Great East Japan Earthquake.

• Action Guidelines for Mitigating Climate Change

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

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

2. Provision of Products and Services

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

3. Collaboration with Stakeholders

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

4. Education and Training

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

5. Information Disclosure

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

(1) Measures to Expand the Use of Renewable Energy

(a) Promoting the Adoption of Renewable Energy through Project Finance

An effective countermeasure against climate change is the use of renewable energies, which do not emit CO₂ when supplying electricity and heat. From early on, the Group has committed itself to providing project finance for wind power generation and other renewable energy-related projects.

We have been working to nurture business in new energy fields, including providing financing for a hydropower project in fiscal year 2010. Including new financing for wind power projects, we had provided environment-related project finance to 15 projects as of the end of March 2011, with a total balance of 21.2 billion yen.

We have also begun studying a new financing framework for a mega-solar power generation project, utilizing our accumulated expertise.

(b) Supporting the Introduction of Residential Solar Power Generation Systems

The Group believes that solar power generation, in which Japan has achieved the highest level of technology, offers promise as a way to provide renewable energy as a solution to climate change. We have long been engaged in various financing initiatives to contribute to expanding this market.

As one such effort, we began offering "Preferential Interest Rate Loans for Houses Equipped with Solar Power Generation Systems" in 2004. We were the first of Japan's major banks to launch such a measure, which was undertaken in partnership with Sekisui Chemical Co., Ltd.

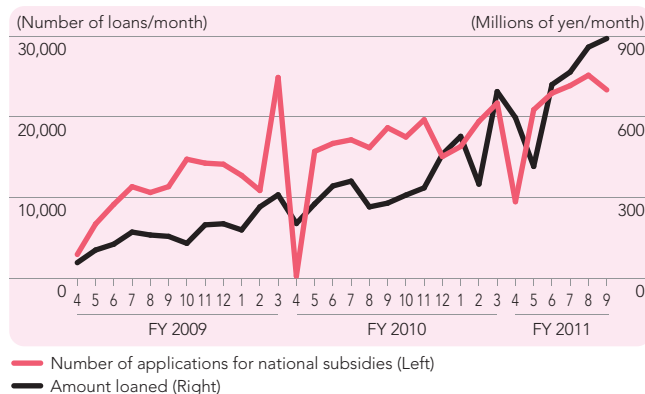
Furthermore, Sumishin Panasonic Financial Services Co., Ltd. (hereinafter "SPFC") has begun offering "Loans Exclusively for the Installation of Solar Panels." This measure is based on the assumption that residential solar power generation systems must be introduced in new and existing homes alike.

These loans are offered mainly in cooperation with builders and agents that sell solar power generation systems. The volume of these loans has grown rapidly since the introduction in November 2009 of a system* that allows for the purchase of excess power produced by residential solar power generation systems, in addition to subsidies from national and local governments. In fiscal year 2010, we provided 4.4 billion yen worth of these loans.

The growth steadily continued in fiscal year 2011, with 4.3 billion yen in loans extended during the six months ended in September, almost equal to the figure for the entire previous year.

* A system that enables the sale of surplus power, which was generated at home using solar panels, to power utilities for a 10-year period.

Loans Provided Exclusively for the Installation of Solar Panels



(2) Measures to Promote Energy Saving

Countermeasures to address climate change must include effective action in the fields of industry, business, and transportation, as well as in households. Through its finance business, SPFC supports efforts to save energy and reduce CO₂ emissions in various fields.

(a) Partnership with ESCOs

Energy-saving measures not only lower the risk of climate change, but also generate economic benefits for a company by lowering its utility costs.

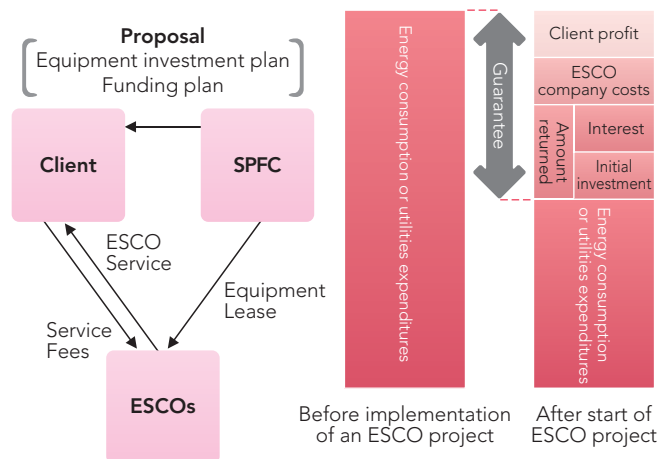
With this in mind, SPFC has partnered with ESCOs to bolster its leasing business for energy-saving equipment. ESCO stands for "Energy Service Company," a business that provides energy-saving services, through comprehen-

sive contracts that cover installation, maintenance, and management of energy-saving equipment. ESCOs are distinct in that they guarantee a set level of energy-saving results, so that by implementing an ESCO system, a company can concentrate its management resources in its core business activities, such as production, sales, etc.

For example, SPFC teamed up with the FUKUSHIMA INDUSTRY Group to implement an ESCO project at a medium-sized supermarket in the Kansai region, replacing display cases and other commercial equipment with high-efficiency energy-saving models. Installation of such equipment is crucial for supermarkets, where refrigeration equipment continues to use electricity even when the stores are closed. The use of leasing arrangements lessened the initial investment cost and evened out the funding burden, allowing for more efficient corporate management.

In addition to commercial establishments, ESCOs can be utilized for a variety of purposes, including industrial facilities. SPFC provides leases for companies in the metal-printing process business, enlisting an ESCO to install premix burners in drying ovens, thus providing support for plant management in terms of both energy and cost savings. SPFC actively assists small and medium-sized enterprises (SMEs) in energy conservation by offering them comprehensive proposals that take advantage of subsidies.

Outline of ESCO



* An example of adoption using ESCO's "shared model" method

(b) Implementation of Energy Management through Maintenance Leases

Large-scale factories often use several sources of energy such as electricity and gas, and there are also significant load fluctuations in equipment for secondary production lines, air conditioning, and so on. As a result, comprehensive energy management is needed to respond to peak load and energy-saving measures. When customers are replacing electric power generation equipment or heating sources, for example, SPFC takes advantage of the maintenance lease model, in which the leasing company also carries out maintenance on the equipment, to offer a financing function for investment in equipment that includes installation and maintenance work. At the same time, SPFC provides services to lighten the burden accompanying the installation of equipment and energy management. The outsourcing of such maintenance operations can help companies cut costs by improving efficiency.

The maintenance lease model is also being used for the construction of expanded power-supply facilities to back up large-capacity solar power generators. The purpose is to respond to increases in the capacity of plant equipment and to cut peak electricity consumption.

(c) Climate Change Countermeasures in Partnership with the Government

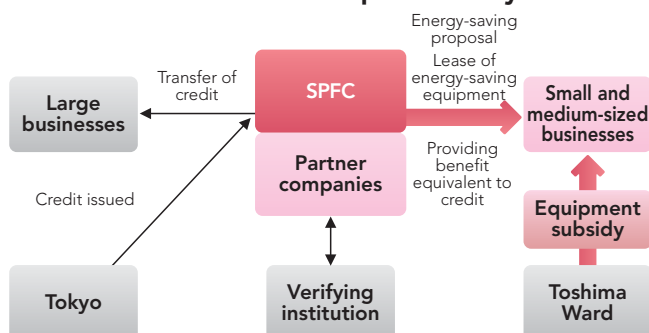
In many cases, initial investment in energy-saving measures is a huge burden for SMEs. In partnership with Toshima Ward in Tokyo, SPFC is moving ahead with measures to promote the installation of energy-saving equipment for SMEs in the ward. Toshima Ward has established

a system to grant subsidies to SMEs that make energy-saving investments meeting certain requirements. In May 2011, SPFC was selected as a supporting company of this system, and it gives proposals to businesses interested in making energy-saving investments. SPFC sells equipment to the businesses on an installment plan and provides benefits that coincide with reductions achieved of CO₂ emissions. Through Toshima Ward's system, SPFC helped support the introduction of LED lighting at the head office of Fabik Co., Ltd.

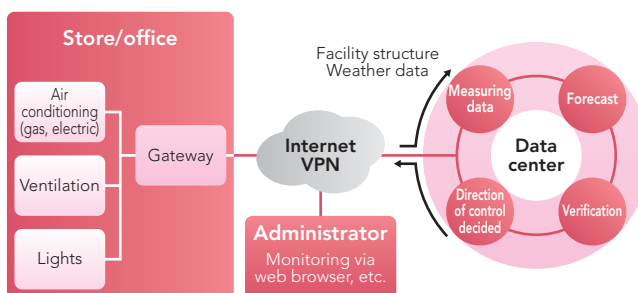
(d) Providing Energy Management Services through the Use of IT

Some businesses with energy-saving needs fail to make timely investment in equipment, either because they have not yet considered acquiring new equipment or because the equipment they have has yet to outlive its usefulness. For these businesses, we can offer a strategy to promote energy saving through constant monitoring and automatic remote control of the operating condition and environment of equipment. In collaboration with MITSUI KNOWLEDGE INDUSTRY CO., LTD., SPFC provides cloud-based energy management services. These services allow companies to promote energy conservation and create pleasant office environments without major renovations to existing equipment. These services are being used in a wide range of fields, including movie theaters, office buildings, and commercial facilities. Shochiku Multiplex Theatres, Ltd., uses these services in its cinema complexes, and it plans to extend usage of these services to all its outlets in the future.

Toshima Ward's System to Promote Use of Credits for Small and Medium-sized Enterprises in Tokyo



Outline of Cloud-based Energy Management Services



(3) Activities Related to Emission Rights

The Group is developing financial instruments related to emission rights, which it regards as a supplementary element in the fight against climate change.

(a) Small-lot Emission Rights Products that Use Trusts

One example of emission rights-related financial instruments are trust beneficiary rights, which involve the conversion of emission rights and take advantage of the trust function to sell overseas emission rights in small lots. Trust beneficiary rights realize small-lot sales (the minimum trading unit was reduced to 1,000 tons) of overseas emission rights based on the Kyoto Protocol (Kyoto credits), which are usually traded in large lots (tens of thousands of tons), by converting the rights into trust beneficiary rights. Sales of trust beneficiary rights began in November 2007.

We have built a record of sales of trust beneficiary rights to corporations and financial institutions that are looking into the development of carbon offset products, using routes through regional banks that have concluded trust agreements with us.

(b) Carbon Offset Leases

SPFC provides carbon offset leases for leased equipment, whereby emissions-related trust beneficiary rights are allocated according to the amount of CO₂ emitted. The carbon offset lease is a service that aims to effectively reduce to zero the CO₂ emissions from energy-efficient equipment.

SPFC has provided this type of financing in the past for the introduction of hybrid buses and other projects. In December 2010, it partnered with Panasonic Factory Solutions Co., Ltd., to offer carbon offset leases to companies that implement a Panasonic-made electronic parts packaging system. Since the beginning of the partnership, this service has been utilized by four companies.

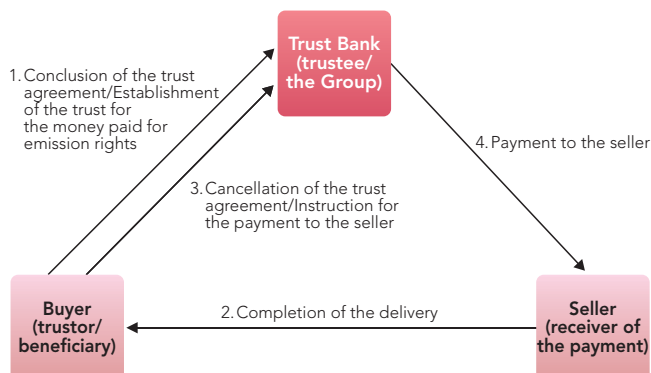


A packaging machine procured by Di-Nikko Engineering Co., Ltd., through a carbon offset lease arrangement

(c) Mechanism for Sumitomo Mitsui Trust Group's Emission Rights Trust Scheme

In emission rights trading, a settlement risk arises due to the time gap between the transfer of emission rights from the seller to the buyer, and the payment of the funds. In response, the Group has prepared a product that ensures the safety of the transaction by using its trust function in the following process: (1) a purchase payment from the buyer is deposited in a trust account; (2) the transfer of the emission rights from seller to buyer is confirmed; (3) we receive the instruction from the buyer; (4) we send the purchase payment to the seller.

Mechanism for the Group's Trusts for Emission Rights Settlement Funds



2 Financial Instruments and Services that Reflect an Evaluation of Environmental Friendliness

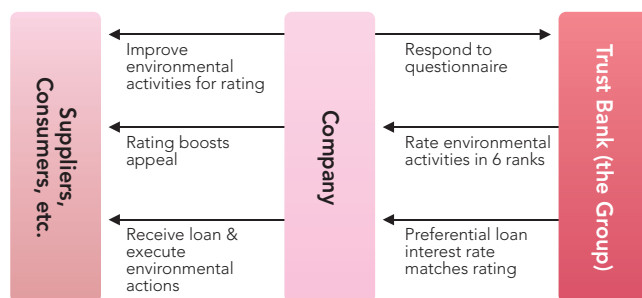
(1) Environmental Rating Loans

In February 2010, we began providing "Environmental Rating Loans," which offer preferential interest rates to companies that promote initiatives such as climate-change countermeasures and biodiversity friendliness. The Group's ratings are based on its independently developed and comprehensive evaluation method. In addition to general evaluation items such as environmental management and climate-change countermeasures, the method includes biodiversity and environmentally friendly properties, for which greater efforts are needed from Japanese companies.

Specifically, regarding environmental initiatives by client companies, we perform a questionnaire-based survey containing about 60 questions for manufacturing companies and about 50 questions for non-manufacturers. Each company's environmental initiatives are evaluated based on the answers they give and are then rated (on a six-grade scale ranging from AAA to D). A company given an environmental rating in the top four ranks is provided with a preferential interest rate corresponding to its rank.

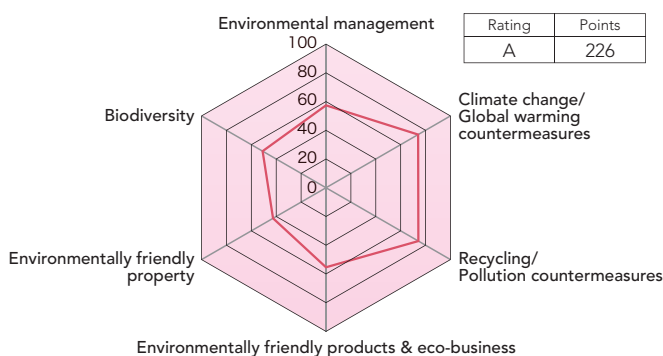
Companies that obtain an environmental rating loan can raise capital at a low rate of interest. They can also expect the advantage of having an enhanced reputation—as a company whose outstanding initiatives meet Sumitomo Mitsui Trust Group's rating criteria for environmental issues.

The Group's "Environmental Rating Loan" Flow Chart



We also provide a service which reports on our comprehensive evaluation and each item's point rating and evaluation content and issues. The borrowing company can use this for understanding and analyzing its own strengths and weaknesses.

Evaluation Report Diagram



(2) Preferential Interest Rate Loans for Environmentally Friendly Housing

The Group has developed various housing loan products to promote environmentally friendly housing. We began in 2004 by developing "Preferential Interest Rate Loans for Houses Equipped with Solar Power Generation Systems." In October 2008, we began offering the "Sekisui House CO₂ Off Housing Loan" together with Sekisui House, Ltd. This product applies a preferential interest rate in proportion to the margin of CO₂ reduction. In addition, we provide a preferential loan for houses powered by gas for increased energy efficiency.

For condominiums, we launched a housing loan in October 2005 whose margin of preferential interest is determined based on the ratings of the Apartment Environmental Efficiency Label Program of Tokyo. In October 2006, we started offering a housing loan whose margin of preferential interest rate is decided based on the ratings of the Apartment Environmental Efficiency Label Program, "CASBEE Kawasaki," operated by Kawasaki City. Since then, we have offered housing loans in various regions linked to the evaluation system established by each local government, including CASBEE Kobe and CASBEE Hiroshima.

(3) Promotion of CSR (Environment) Consciousness in Supply Chain Management

As companies expand their business operations globally, a business practice called "CSR procurement" is growing. CSR procurement refers to the selection of parts and materials on the basis of a supplier's CSR-related performance with regard to environmental friendliness, labor management, etc. In December 2006, the Group prepared the CSR-Conscious Receivables Collective Trusts scheme in partnership with PricewaterhouseCoopers Aarata Sustainability Co., Ltd. This helps to promote CSR procurement by giving suppliers the financial incentive to purchase accounts receivable (trust beneficiary rights) to enhance their compliance with the CSR procurement criteria. It is also possible to use this product as a means to strengthen the initiatives that are considered to be important in the view of the purchasing companies by focusing the scope of assessment of a supplier on specific themes like climate change or biodiversity friendliness.

3 Initiatives for Environmentally Friendly Property

"Environmentally friendly property," which is sustainable and has high environmental value, cuts energy costs, enhances worker's productivity, and improves livability for residents. It can also add value by reducing risks of future regulations and boosting the company's image. The Group thinks that a full-fledged market for environmentally friendly property will form through a process of making market participants aware of and internalizing such added value. We have undertaken research for a long time to make this a new pillar of the real estate business.

(1) Developing the Environmentally Friendly Property Business

The Group was a step ahead of others in establishing a section dedicated to the environmentally friendly property business and beginning full-fledged development in 2010. Working closely with the CSR Office, the new section plays a central role in the environmentally friendly property business, and, in addition to promoting related projects, is engaged in various efforts to expand the market.

(a) Support for Enhancing Environmental Added Value

The Group's involvement with environmentally friendly property dates back to recommendations in a paper entitled "Examination of 'Environmentally Added Value' to Real Estate," for the 10th Anniversary of Tokyo Association of Real Estate Appraisers in 2005. (See page 21.)

Since then, we have consistently recommended building a mechanism to link environmental considerations to the property value of real estate, and creating a market to promote such a link. In March 2011, we launched a concrete and quantitative evaluation as part of our eco-friendly development and construction consulting services for rebuilding projects for office buildings in Tokyo.

Furthermore, we believe that clearly understandable, easy-to-use environmental evaluation indicators for investors are essential for environmentally friendly property to become commonplace in the market. With this in mind, we launched an evaluation service using Environmental Performance Records, based on the new metric CASBEE for Market Promotion (tentative version), which is expected to act as a driver of the environmental property market. (See page 21.)

(b) Formulating an Evaluation Index for Environmentally Friendly Property in the Fujisawa Sustainable Smart Town

The Fujisawa Sustainable Smart Town is a joint project under the leadership of Panasonic Corporation in collaboration with eight companies and the city of Fujisawa, Kanagawa Prefecture. The grouping is pursuing progressive initiatives in environmentally friendly urban development and smart city projects. This town concept, the first of its kind, includes plans to install solar-power generation systems and household-use storage batteries as standard equipment throughout the city—in homes, various facilities, and public zones, and so on. As a member of the project, the Group has taken on the responsibility for designing an evaluation index for the Smart Town, and is putting together specific evaluation indicators for environmental value. In conjunction with this, we are studying other initiatives, including an exclusive housing loan and a town card.



Information session on the Fujisawa Sustainable Smart Town Concept

(c) Energy Management Proposal including a Business Continuity Plan (BCP)

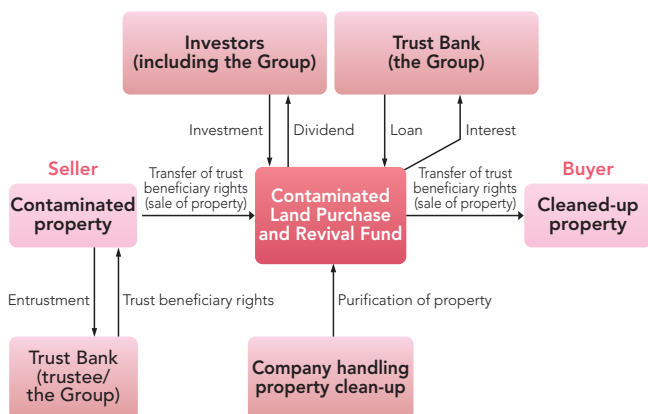
Tighter regulations resulting from amendments to the Energy Conservation Act and other factors have heightened demands for energy saving and CO₂ reduction in the real estate field. In particular, since the Great East Japan Earthquake of March 2011, there have been calls to cut peak consumption of electrical power and for disaster responses to be included in business continuity plans (BCPs).

Working together with other energy conservation businesses, the Group offers proposals incorporating advice on finance (including leases) for efficient energy management of buildings and factories. We have also prepared a finance scheme that encourages building owners and tenants to cooperate in energy conservation efforts through limited liability partnerships (LLP).

(d) Encouraging Use of the Contaminated Land Purchase and Revival Fund

Liquidation and development of contaminated land that has been left unused is an important challenge also from the point of view of revitalizing urban areas. At the same time, with amendments to the Soil Contamination Countermeasures Act in 2010, there is growing potential for the development of contaminated land through "containment measures," by which the soil is not removed but treated appropriately on site. In 2011, the Group conducted a survey of end users in connection with these measures and analyzed client needs. Going forward, while putting containment measures into use, we will continue to support the Contaminated Land Purchase and Revival Fund that was launched in 2006, and will contribute to the advancement of clean-up efforts for contaminated land.

Mechanism of Contaminated Land Purchase and Revival Fund



(e) Developing an Environmentally Friendly Property Business with a Biodiversity Consciousness

The Group has acted as a consultant for environmentally friendly construction for TOYO SEIKAN KAISHA, LTD., on the Osaki Forest Building in Shinagawa Ward, Tokyo. We recommended taking into consideration the local ecosystem when planting on the exterior of the building and advised them to obtain the third-party certification Japan Habitat Evaluation Procedures (JHEP).

In addition, we support the work of the Ecosystem Conservation Society-Japan, and offer advice related to land surveys and other practical matters.

(2) Leadership in Promoting Environmentally Friendly Property

(a) Multi-Stakeholder Sustainable Real Estate Study Group

Since 2007, the Group has organized the Sustainable Real Estate Study Group, with the participation of stakeholders from multiple fields across industry, government, and academia. Chaired by Professor Tomonari Yashiro of the University of Tokyo's Institute of Industrial Science (currently its Director General), the group's purpose is to come up with mechanisms to reflect environmental efforts in market value, and to examine how to promote them. At each meeting, the study group invites speakers from diverse fields, and holds wide-ranging discussions related to environmentally friendly property. This serves as an intellectual foundation for the generation of innovative yet practical ideas.

(b) Supporting the Preparation of a Market Base for Accurate Appraisal of Environmentally Friendly Properties

The Group supports the preparation of a market base for the accurate appraisal and circulation of environmentally friendly properties in the real estate market. To that end, we participate as a member of a panel on environmentally friendly property established by the Ministry of Land, Infrastructure, Transport and Tourism, where we make various recommendations. We also collaborated on setting up the Ministry's Green Building Online Portal (URL: <http://tochi.mlit.go.jp/kankyo/>). Furthermore, we have served as panelists and coordinators at the 17th Annual International Land Policy Forum, Environmental Real Estate Forum, and the Land Day Fair Symposium. We have used these events and taken other opportunities to make proposals for the development of the environmentally friendly property market.



The 17th Annual International Land Policy Forum

(c) Efforts to Promote the CASBEE Environmental Performance Evaluation System for Buildings

CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is being developed jointly by industry, government, and academia, under the leadership of the Ministry of Land, Infrastructure, Transport, and Tourism, as a mechanism to appraise architectural environmental performance. Believing that this system (an evaluation index) should also be used widely in the real estate market, the Group made a proposal that led to the start of discussions of the "CASBEE for Market Promotion (tentative edition)," a tool announced in July 2011. This promotional version incorporates a new approach. It presents information in a way that investors can easily understand and takes into account the connection with similar types of indicators abroad.



CASBEE for Market Promotion (tentative edition)

(d) Initiatives in the Real Estate Appraisal Business

Maintaining a market base so that environmentally friendly properties can go into circulation is essential for the formation of the environmentally friendly property market; at the same time, it is also necessary to establish a real estate appraisal evaluation method. Compared with ordinary properties, emphasis for environmentally friendly properties tends to be placed only on the higher initial cost of equipment. So it is important to have a mechanism that can accurately appraise added value such as reduced energy costs. To address that issue, the Group is chairing a subcommittee set up within the Japanese Association of Real Estate Appraisal to study an evaluation system for environmentally friendly properties, and is leading discussions regarding the elaboration of property appraisals that include enhanced environmental performance.

(e) International Cooperation and Contribution

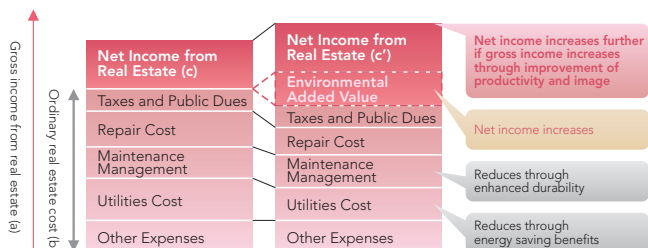
The Group is working in collaboration with international networks on environmentally friendly property. We place particular emphasis on the United Nations Environment Programme Finance Initiative Property Working Group (UNEP FI PWG),

where as a key member we participate in planning and contribute to the global spread of Responsible Property Investment (RPI), which takes into consideration the environmental, social, and governance (ESG) issues. As part of these activities, we collaborated on the production of the toolkits on RPI and have created and released a Japanese version. As a member of the working group's Common Metrics Team, we are also involved in pressing for the creation of a comprehensive environmental performance evaluation system for buildings, including the development of common global indicators.

(f) Providing Information on Environmentally Friendly Property

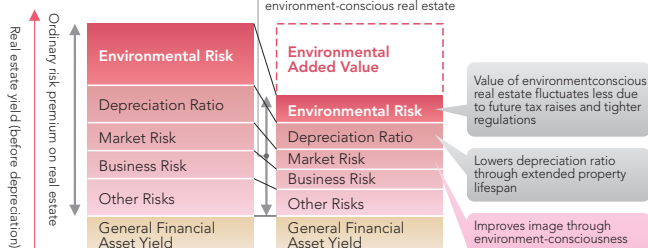
In order to make environmentally friendly property more widely known, the Group has set up an independent website for the purpose of disseminating information and raising awareness. This site carries reports on the latest initiatives concerning environmentally friendly property, as well as papers, lectures, and various articles; an English version is also in the works. Mutual links with the Green Building Online Portal of the Ministry of Land, Infrastructure, Transport, and Tourism (see page 20) allow us to provide information more effectively.

Conceptual Diagram of Environmental Added Value (1) Reflection in Net Income



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

Conceptual Diagram of Environmental Added Value (2) Reflection in Yield



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

4 Biodiversity Initiatives

The 10th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP10), held in Nagoya, concluded in October 2010. COP10 achieved significant results, namely the adoption of the Nagoya Protocol and the Aichi Biodiversity Targets. The Group has been stepping up biodiversity-related activities since 2008. Setting our first targets for COP10, we have been involved in a variety of efforts. In particular, we have been making comprehensive efforts since COP10 to address biodiversity problems in Japan and have drawn up guidelines on action to preserve biodiversity. The Group intends to continue playing a leading role in the financial industry in this area.

• Action Guidelines for Preserving Biodiversity

1. Implementing Measures and Providing Support for Biodiversity Preservation

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

2. Providing Products and Services

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

3. Collaboration with Stakeholders

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

4. Education and Training

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

5. Information Disclosure

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

(1) Activities at COP10

(a) Booth at COP10 Venue

The Group operated a booth in the event space in front of the COP10 venue at the Nagoya Congress Center to explain its efforts to address biodiversity issues. Many people, including attendees from overseas, visited the booth and gained a deeper understanding of why a financial institution has chosen to involve itself in biodiversity issues.



(b) International Business and Ecosystems Dialogue

The International Business and Ecosystems Dialogue is an official event organized by the Nippon Keidanren Committee on Nature Conservation, the International Union for Conservation of Nature (IUCN) and others. The event is attended by businesses, governments, NGOs, and academic professionals from around the world. We gave a presentation on how the world's financial industries are endeavoring to address biodiversity, illustrated with examples of activities undertaken by the Group and others.

(c) Participation in the Japan Business and Biodiversity Partnership

A launch ceremony for the Japan Business and Biodiversity Partnership, made up of Japanese businesses, economic groups, NGOs, researchers, and local and national governments, took place at the final session of the International Business and Ecosystems Dialogue. The Group is also involved in the partnership. As a member of the advisory board, we have been active in offering recommendations on management.

(d) Business and Biodiversity Initiative Event

At COP9 held in Germany in 2008, the Group supported the aims of the Business and Biodiversity Initiative led by the German government and signed the Leadership Declaration. At the COP10, we organized and led an event bringing together the ten Japanese member companies to introduce the various efforts being undertaken by each. We also gave a presentation explaining the Group's endeavors at Business Meets Biodiversity—Doing Business the Biodiverse Way, an official event held during the initiative. The biodiversity initiatives of the ten member companies have been collected in the book "Business Approach to Biodiversity—Case Studies of Pilot Companies," published by the Economic Legal Research Institute.

(e) United Nations Environment Programme Finance Initiative (UNEP FI)

The Group presented its initiatives at The Next Challenge, an official event organized by UNEP FI. We have also supported the UNEP FI secretariat by translating the report "CEO Briefing—Demystifying Materiality," which was released in conjunction with COP10, and by organizing a roundtable discussion for members participating in COP10. The debate that kicked off the roundtable was followed by a series of dialogues in various countries, resulting in the drafting of the "Natural Capital Declaration."



(f) Display at the Eco-Products Exhibition

Since 2007, the Group has collaborated with the Ecosystem Conservation Society-Japan to create exhibits on the theme of biodiversity for the Eco-Products Exhibition, the largest environmental event in Japan, held in December every year at Tokyo Big Sight. In 2010, our exhibit featured a compilation of activities up until COP10.



(2) New Biodiversity-Related Financial Products and Services

(a) The Keidanren Nature Conservation Fund, a Charitable Trust

Since 2000, the Group has undertaken the entrusted management of the Keidanren Nature Conservation Fund, a charitable trust, for the Nippon Keidanren Committee on Nature Conservation. This fund receives donations from Nippon Keidanren member companies and the general public, and supports nature conservation activities in Japan as well as those implemented in developing countries by NGOs and other organizations. (Please see page 27 for information on charitable trusts.)

(b) Social Contribution Donation Trust

Through the activities of the National Trust, citizens purchase and safeguard as trust land the habitats of rare species at risk of being destroyed from development. The Group has designated the Ecosystem Conservation Society-Japan as one of the recipients of donations from its social contribution donation trust. (See page 28.) The society has purchased as trust land the habitat of the Amami rabbit in Amami Oshima, Kagoshima Prefecture; the habitat of the Tsushima leopard cat in Tsushima, Nagasaki Prefecture; and land in Japan's northernmost beech forest, in Kuromatsunai-cho, Hokkaido. In addition, the Group itself has donated two million yen to the society, in line with sales of its environmental mutual funds.



(c) Environmentally Friendly Development and Construction Consulting

The Group believes that recovering ecosystems in highly developed urban areas requires repeated efforts and should be tackled at the level of individual parcels of land. Based on this concept, we encourage clients to give consideration to the local ecosystem in the green areas on the

property, in our eco-friendly development and construction consulting work. We also advise clients to obtain third-party certification, specifically, the Japan Habitat Evaluation Procedures (JHEP). (See page 20.)

(d) Proposing Utilization of Unused Land

Broad corridor areas of land, which perform a variety of functions to preserve ecosystems, lie between cities and remote regions. Since many companies own unused land in these areas, the Group has proposed that it introduce "mitigation banks,"* thus allowing developed areas and conservation areas to coexist in separate spheres. In August 2011, we presented this method as an effective way to preserve biodiversity through the use of trusts, at the joint conference of the Regional Network Meeting on the Green Spaces and Water of the Tama Miurakyuryo Hills, an organization made up of 13 municipalities that share the Tama Miurakyuryo hills.

* Fixed credits are purchased at a mitigation bank by restoring and protecting ecosystems in advance to offset development by the purchaser.

(e) Biodiversity Evaluation for Environmental Rating Loans

The Group launched "environmental rating loans," which include a biodiversity assessment, in February 2010. (See page 17.) In the belief that biodiversity will be a materiality element (a significant factor influencing corporate finances) for corporations in the future, we are formulating

our own ratings criteria, with biodiversity efforts specified as an important assessment item.

(f) Biodiversity SRI Fund

In August 2010, STB Asset Management Co., Ltd., a Group company, began selling the world's first biodiversity SRI fund, which invests in Japanese companies actively working to protect biodiversity (nicknamed "Ikimonogatari"). As the world's first asset-management initiative to analyze corporate risk and opportunity from the perspective of biodiversity, this fund has attracted attention from abroad, and was included in the UNEP FI report. (See page 23.) The fund won the Nikkei Veritas Award for Superiority at the 2010 Nikkei Superior Products and Services Awards organized by Nikkei Inc.



Receiving the Nikkei Veritas Award for Superiority at the 2010 Nikkei Superior Products and Services Awards Ceremony

Ecological Network Concept

This is the concept of securing "ecological networks" that include both sites inhabited by living creatures and the roads that link these sites together. We, at Sumitomo Mitsui Trust Group, believe that we can contribute to building a seamless ecological network throughout Japan. We are working actively to achieve that by supporting the National Trust through our social contribution donation trust and by taking advantage of products and services specific to a trust bank, such as mitigation banking and environmentally friendly properties.



Courtesy of the Ecosystem Conservation Society-Japan

Financial Instruments and Services that Contribute to Solving Social Issues

Japan is currently facing various social problems such as the declining birthrate and aging population, the growing income gap, and stagnation of regional economies. To help resolve these problems, the Group practices “social contribution through its core businesses,” which involves developing and providing new financial products and services—particularly services utilizing its trust functions.

1 Working toward a Comfortable, Long-Lived Society

(1) Life Insurance Trusts

In collaboration with Prudential Life Insurance Co., Ltd., the Group developed the Anshin Support Trust (a life insurance trust), and launched it in July 2007. This financial product is the first in Japan that enables clients to flexibly designate in advance the beneficiaries and how the proceeds are to be disbursed and used.



This product is a made-to-order trust product chiefly for the use of clients with the following preferences:

- (a) To provide regular or occasional funds for living expenses or tuition, etc., for relatives whose financial management is a concern, such as young children or those with disabilities, while the holder conserves his or her life-insurance proceeds.
- (b) The ability to use assets to provide economic support for a designated person, without being restricted by legal succession.
- (c) Having assets divided and donated to society or to serve the public good for a defined period after their death.

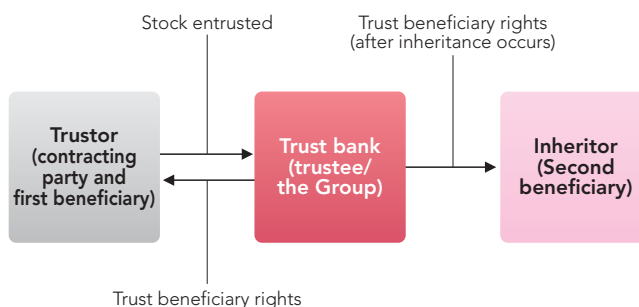
(2) Business Succession Trusts

The Group offers business succession trusts (in the form of substitute will) as a plan to cater to clients who have the following preferences with regard to stocks in their possession:

- (a) to designate inheritors in advance
- (b) to change the inheritor in the event of a change in circumstance.

By designating the inheritor (second beneficiary) under a trust agreement, this product makes it possible for stocks (and voting rights) to be passed on smoothly, without going through estate division discussions and other inheritance procedures, after the inheritance from the trustor (the contracting party and first beneficiary) occurs.

Mechanism of Business Succession Trust

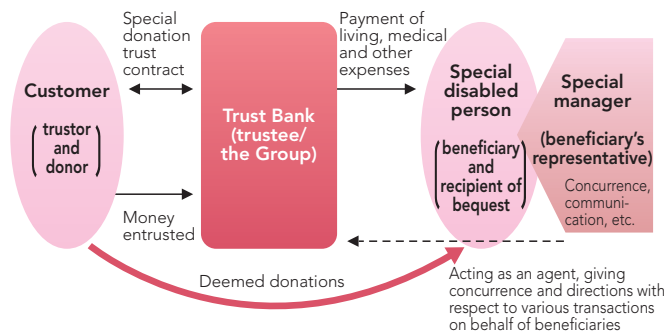


(3) Special Donation Trusts

With special donation trusts, family members or others can entrust money for people with severe disabilities, which trust banks disburse in periodic installments. Up to 60 million yen is exempt from special donation taxes. The Group provides a lineup of trust schemes as a means to ensure support for disabled persons, including those using this special donation trust mechanism, as well as testamentary trust funds.

In fiscal year 2010, we concluded 13 new contracts with a total worth of 580 million yen. (As of the end of March 2011, we had concluded 458 contracts.)

Structure of Special Donation Trusts



(4) Efforts to Promote the Adult Guardianship System

The adult guardianship system protects individuals whose judgment has been impaired due to dementia or other reasons. Under certain conditions, the system limits the individual's capacity to act and appoints a guardian to take on the role of carrying out legal action on behalf of the individual, or helping the individual with legal action.

In order to respond to cases where the family members of an elderly client diagnosed with dementia or others request a referral to an adult guardian, the Group has concluded an agreement with Adult Guardianship Center Legal Support, a public interest corporation of which the Group is a supporting member. The aim is to provide consultations and to make arrangements related to use of the adult guardianship system.

(5) Reverse Mortgages

In March 2005, the Group became the first major Japanese bank to offer reverse mortgages, which lend funds to allow elderly clients to live comfortably in their retirement years.

These loans allow an individual to borrow funds using their residence as collateral, and the loan is repaid in a lump sum from the proceeds from the sale of the house upon the borrower's death.

(6) Home Renovation Loan for the Elderly (with Lump-Sum Principal Repayment)

The Group developed the home renovation loan for the elderly (with lump-sum principal repayment) for elderly individuals who have difficulty obtaining housing loans or other financing.

Launched in October 2009, this product provides support for the elderly so that they can enjoy a comfortable retirement, allowing them to continue living in a familiar dwelling. It provides 100% financing for home renovations, such as the installation of barrier-free features or enhanced earthquake resistance. Alternatively, clients can borrow up to 50% of the assessed value of the house, which serves as collateral. They pay only the monthly interest, with the principal repaid in a lump sum from the proceeds of the sale of the house upon the owner's death.



(7) Support for Retirement Home Business

The Group has teamed up with Message Co., Ltd., a developer of retirement homes with nursing care, to offer loans exclusively for the purpose of funding the construction of retirement homes.

We are also working in collaboration with the Social Welfare Research Corporation to provide a go-between service that introduces operators of retirement-home businesses to individual clients of the Group who own land that they will sell or rent for the purpose of constructing retirement homes.

Since the Great East Japan Earthquake, there has been a growing need for business continuity plans (BCPs) for welfare facilities for the elderly. The Group has been making proposals (including financing) related to electrical generators and energy saving equipment, with a focus on energy management.

2 Using our Trust Function to Facilitate Social Contribution Donations

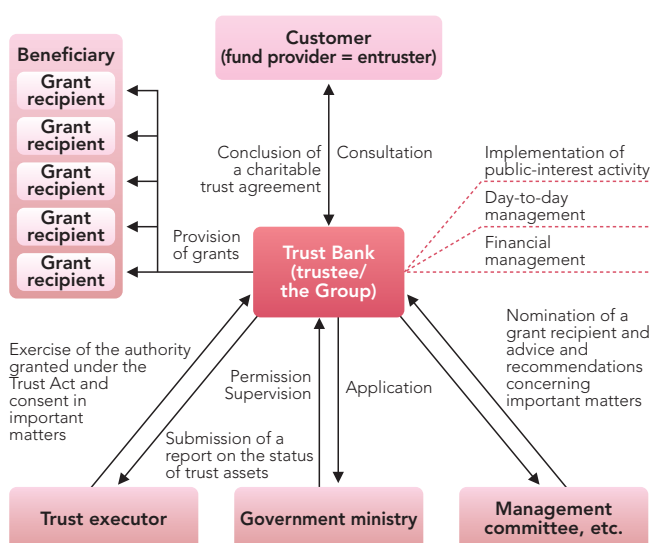
(1) Charitable Trusts

A charitable trust is a legally prescribed system whereby an individual or corporation entrusts funds for the public benefit to a recipient who administers and manages the trust funds in accordance with previously determined public interest goals, and subsidizes projects to realize those goals.

The charitable trust system plays an important role, as it uses private funds to stimulate activities. The activities serve the public good, and they encompass academics, art, charity, worship, religion, and so on. Since receiving our first charitable trust in May 1977, the number under our management has steadily risen. We are currently providing grants for public-interest projects in a variety of fields.

In fiscal year 2010, we used charitable trust funds totaling 1.4 billion yen to provide grants to 3,539 persons (including individuals, corporations, and voluntary organizations) in need of funds for activities that serve the public good.

Mechanism of Charitable Trust



As of March 2011, the Group had 228 charitable trust funds (totally 28.8 billion yen), which it manages based on the goals of the respective funds.

Number of Charitable Trusts by Type

Type	Number of trusts under management
Scholarship	76
Promotion of natural science research	45
Promotion of human science research	6
Promotion of education	26
Social welfare	11
Promotion of arts and culture	10
Protection and propagation of animals and plants	1
Conservation of the natural environment	8
Development and maintenance of the urban environment	21
Promotion of international cooperation and exchanges	17
Other	7
Total	228

(As of March 31, 2011)

Setagaya Community Design Fund

The Setagaya Community Design Fund, managed by the Group, was established in 1992 with the goal of encouraging town revitalization infused with the imagination and ingenuity of Setagaya Ward residents to create an attractive environment rich in humanity, where everyone can enjoy their lives with peace of mind. To date, we have provided grants to 259 groups, generating revitalization activities broadly throughout the ward. After the Great East Japan Earthquake, we established a special category "Disaster Measures: Urban Development for Reconstruction," starting in 2011. This category draws on the track record of groups with both experience in resident-led town revitalization activities in Setagaya in addition to participation in the various recovery efforts after the earthquake. The groups share their experiences and knowledge with other residents. In this way, their knowledge of disaster reconstruction and countermeasures, and the results they have seen, are passed on to town development in Setagaya.

Suntory Fund for Bird Preservation

The Suntory Fund for Bird Preservation was established in 1990, for the purpose of contributing to global environmental conservation by providing grants for various activities to protect bird species. The fund's achievements have

been considerable, with grants totaling 251.2 million yen awarded to 187 groups to date. Furthermore, in order to broaden the scope of activities for bird preservation, a new category, “Subsidies for Local Bird Lover Activities,” was set up in 2006 in addition to the “Subsidies for the Activities of Bird Protection Groups” category, which dates from the fund’s establishment. As a result, the range of grant recipients has expanded to include elementary, middle and high school clubs and committees, and children’s eco clubs involved in bird protection or bird watching, as well as local groups such as community associations and volunteer organizations. In 2011, we provided grants for activities to survey and record the condition of nesting sites in the Tohoku region that were damaged in the Great East Japan Earthquake.

The Society of Mary St. Joseph Scholarship Fund

The Society of Mary St. Joseph Scholarship Fund was established in 2001 to provide educational support for economically disadvantaged children. The aim was to nurture individuals who respect human rights and service to society. Specifically, the fund provides support for schooling by granting scholarships or financial assistance to high school students from disadvantaged households and to elementary and middle school children of foreign residents of Japan. In 2010, 200 students were granted 20,000 yen per month, for a yearly total of 48 million yen in aid. The establishment of the fund sprang from a desire to nurture respectful and sincere citizens whose hearts are full of the compassion and spirit of equality needed for true internationalization, based on the idea that education is an extremely important element in realizing the right to existence and human rights of each and every human being.

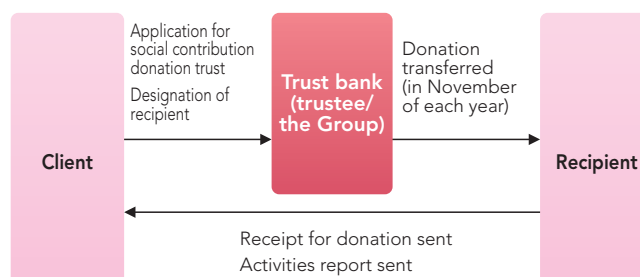
(2) Social Contribution Donation Trust

The Group launched a social contribution donation trust (also referred to as “Bridge to Tomorrow”) in April 2011 as a new trust product for the purpose of making donations to organizations engaged in activities that contribute to society.

Clients deposit the donated amount in a trust fund, and once each year one-fifth of the original trust principal is donated. Donation recipients are chosen from a list of nine organizations, and donors can designate the same

recipient organization every year, or change from year to year. One of the nine recipient organizations is the Central Community Chest of Japan, which can be used to support the Great East Japan Earthquake reconstruction effort. A distinctive feature of this trust is how it enables donors to examine the activities of recipient organizations. The donors receive reports of how their funds were used and what activities were conducted using their donations.

Social Contribution Donation Trust



Organizations receiving donations

(Clients choose from these 9 organizations)
*Can change donation recipients on a yearly basis

Field	Organization
Environment	World Wide Fund for Nature Japan
Environment	Ecosystem Conservation Society—Japan
Community/	National Federation of
Cultural heritage	UNESCO Associations in Japan
Medical care	Japan Cancer Society
Social welfare	Japan Guide Dog Association
Overseas aid	Médecins Sans Frontières Japan
Academic achievements	The Japan Prize Foundation
Culture	Japan Arts Council
Great East Japan Earthquake reconstruction support	The Central Community Chest of Japan

(3) Testamentary Trusts

The Group’s testamentary trusts provide the kind of service only a trust bank can offer, including assistance with will preparation, custody of wills, and will execution that ensures that the wishes of the deceased are carried out. In recent years, a growing number of our clients have expressed a desire to see their assets used to serve the good of society. In response to such needs, the Group provides support for testamentary donations by collaborating with universities and other public interest bodies regarding bequest donations.

3 Financial Products to Encourage Diverse Lifestyles

(1) Exclusive Loans for Working Women

As part of its encouragement of diverse lifestyles, the Group offers exclusive loans to lend support to working women for the purchase of their own homes.

These loans are extended to finance the purchase of newly built or existing condominiums that will serve as the borrower's residence. Special features include a preferential interest rate of 0.1% for the first year after the birth of a child, support during hospitalization through a medical plan with premiums paid by the Group, and exemption from fees for early repayment.



(2) Loans to Support Two-Family Dwellings

The Group offers a two-family dwelling loan to support clients who are building houses designed so that those individuals can live under the same roof as their parents.

These loans provide financing to build, expand, or remodel a house, or to purchase land or a house, for clients who are planning to build duplexes with over 80 square meters of floor space*.

* Applications for this product will no longer be accepted after April 1, 2012.



4 Social Contribution as a Business Activity

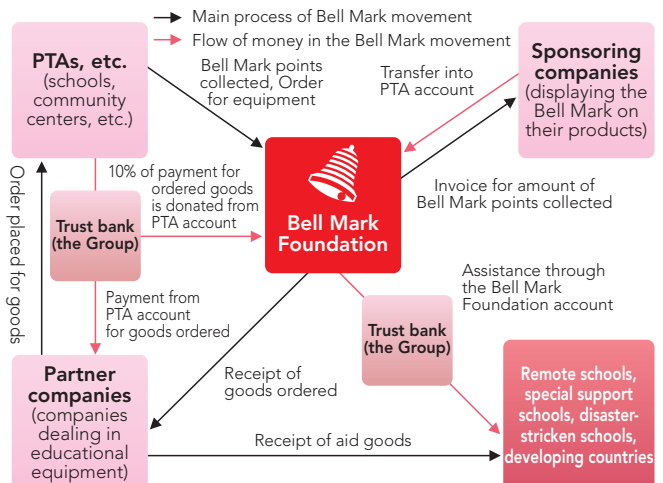
Support for the Bell Mark Movement

The Bell Mark Movement is a well-known social contribution activity for the purpose of furthering education. By collecting the Bell Mark label found on everyday products, schools can purchase needed equipment based on the number of points they have assembled. When the movement began in 1960, numerous banks were involved, but since 1982 the Group has overseen all administration related to transactions for the movement.

In concrete terms, that means that we now administer a total of 28,670 parent teacher association (PTA) accounts nationwide (as of the end of March 2011) and take care of other business such as handling payments from sponsoring companies to PTAs, and transferring assistance funds from partner companies to the Bell Mark Educational Support Foundation. In addition, we look after financial aid transfers to regions affected by disasters or are otherwise distressed (friendship assistance).

When schools purchase equipment through the Bell Mark movement, 10% of the purchase price is donated to the Bell Mark Foundation, to be used as financial aid to schools including those in remote areas or that have been damaged in disasters, as well as schools in developing countries. We at Sumitomo Mitsui Trust Group continue to support the Bell Mark project as a social contribution that is part of our business and an activity with wide-ranging scope.

Our Role in the Bell Mark Movement



Socially Responsible Investment (SRI) Activities

Financial institutions are being called on to consider ways of circulating their money so that a sustainable society can be realized. The Group believes that Socially Responsible Investment (SRI) is an investment mechanism that contributes to achieving a sustainable society, and we are devoting our efforts to SRI promotion. As the industry leader, we present here Group efforts that are driving the SRI market.

(1) Offering a Variety of SRIs

In recent years, there have been calls for the financial industry to consider “E” (the environment), “S” (society), and “G” (corporate governance), or ESG,” to realize a sustainable society. From early on, the Group has offered SRIs that take into account ESG issues, and we have devoted ourselves to promoting them.

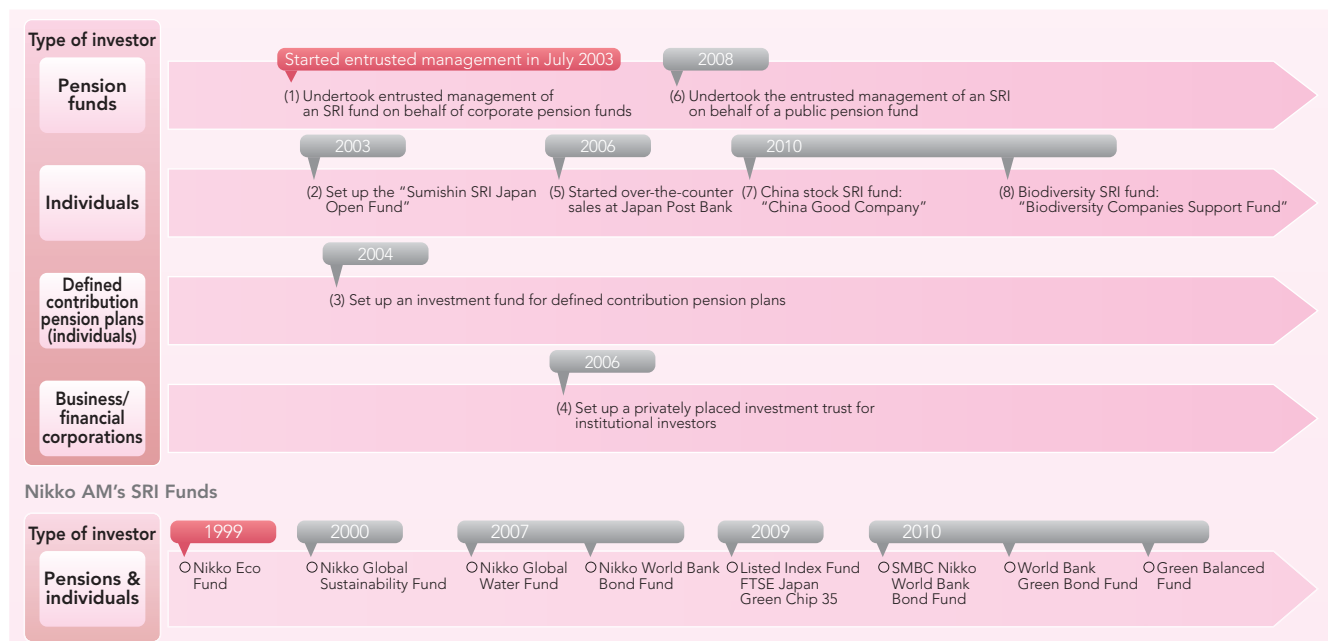
In 1999, the Group launched Japan’s first SRI fund, the Nikko Eco Fund, (established by Nikko Asset Management Co., Ltd.). We began managing SRI funds for corporate pensions in 2003, and our status as an SRI pioneer is acknowledged universally. Since then, we have contributed to expanding the scope of the market by providing SRIs for defined contribution pension funds, Japan Post Bank Co., Ltd., and public pension funds.

We have further enhanced the variety of our SRI fund lineup with the Biodiversity SRI Fund (established by STB

Asset Management Co., Ltd.), the China Stock SRI Fund (established by STB Asset Management Co., Ltd.), and the SMBC Nikko World Bank Bond Fund (established by Nikko Asset Management Co., Ltd.), several of which are the first of their kind. As of the end of March 2011, the SRI balance for the Group as a whole was 134.4 billion yen, the largest in Japan. In addition, the World Bank Bond Fund (established by Nikko Asset Management Co., Ltd.), a social contribution-type fund that donates a portion of its trust fees, has grown to a balance of 250 billion yen.

In addition to SRIs that consider ESG in general, the Group has put together a variety of themes, target assets, and methods to provide products for a wide range of clients, ranging from individual to institutional investors. We have become a leading SRI company whose groundbreaking initiatives are attracting attention overseas.

Flagship SRI Funds of the Group



(2) The Group's Leading SRI Funds

(a) Good Company (STB Asset Management Co., Ltd.)

In order for an SRI fund to fulfill its function of aiming to increase the sustainability of society through capital markets, it is indispensable to have investment from pension-fund investors whose judgments are based on a long-term perspective. In 2003, the Sumitomo Trust Banking Co., Ltd., was the first in Japan to undertake entrusted management of an SRI for a corporate pension fund. Afterward, we made the same type of service available to individual investors as a publicly offered investment trust (named "Good Company"), followed by defined contribution pension funds, public pension funds, financial corporations, and a wide range of other investors, becoming one of Japan's leading SRI funds. Two full-time fund managers and one analyst are assigned to manage the fund. They pursue enhanced performance by investing in rigorously selected stock in companies promoting ESG initiatives that will lead to increased corporate value.

These efforts have received high acclaim. The product won the Morningstar Fund of the Year Award for outstanding funds in 2005 and 2006, and was awarded the R&I Fund Award 2008, the award for the outstanding fund in the domestic SRI section, and other honors in 2008.

Similarly, "China Good Company" is an SRI fund that uses Japanese stock SRI techniques adapted to Chinese stocks. The fund is attracting attention as the first SRI fund for Chinese stocks managed by a financial institution other than China's financial institutions. (See page 33.)

(b) SRI Plan

(Chuo Mitsui Asset Management Company, Limited)

Chuo Mitsui Asset Management started offering an SRI fund for corporate pension funds in 2004. This was followed in 2006 by a publicly offered investment trust (named the "SRI Plan") for individual investors, and in 2008 by the establishment of a fund for defined contribution pensions and other products through which we have expanded the investor base.

The company has set up a "Talking about CSR" corner on its website, featuring dialogues between CSR evaluation experts and executives from companies actively engaged in CSR initiatives. Through these dialogues, the company provides information about the significance and appeal of SRI funds.

(c) World Bank Green Bond Fund

(Nikko Asset Management Co., Ltd.)

SRI funds that invest in bonds have been the center of attention in recent years. In 2010, Nikko Asset Management, in collaboration with the World Bank, developed the SMBC Nikko World Bank Bond Fund, the first in the world to invest in green bonds, and the World Bank Green Bond Fund. Green bonds are one type of bonds issued by the World Bank; the procured funds are, in principle, used only for loans to projects for climate-change countermeasures in developing countries. Funds that invest in green bonds are now in the spotlight, and were named the winner of the prize for Most Innovative Development related to ESG at the ESG Leaders Awards 2010 organized by *Investment and Pensions Europe* magazine and Holland's TBLI Group in November 2010.



1



2



3



4

1 Good Company 2 China Good Company / STB Asset Management 3 SRI Plan / Chuo Mitsui Asset Management 4 SMBC Nikko World Bank Bond Fund / Nikko Asset Management

(3) Cooperation with International Organizations and NPOs

UN organizations, NPOs, and NGOs have been actively engaged in making ESG part of the mainstream in the investment industry. The Group has built close relationships with three organizations in each area: UN Principles for Responsible Investment (UN PRI) on a global basis, and ASrIA in Asia, and the NPO Social Investment Forum Japan (SIF-Japan) on the domestic level. All have contributed to expansion of the market.

(a) UN Principles for Responsible Investment (UN PRI)

The Group companies are signatory institutions of the UN Principles for Responsible Investment (UN PRI, see page 71), and since 2010 the Group has served as co-chair of the PRI Japan Network. In May 2011, we reported on governance initiatives at a seminar organized by the same network at the British Embassy. In addition, we gave a presentation on current efforts in Japan at the PRI annual meeting held in Paris in September.



PRI annual meeting

(b) ASrIA (Association for Sustainable and Responsible Investment in Asia)

The Group has contributed to the development of SRI in Asia through its membership in ASrIA, an NPO working to promote sustainable SRI activities in the Asia region. The 10th Anniversary Conference was held in September 2011 to mark the founding of ASrIA. We served as a panelist in a discussion of the question: "Shareholder engagement—how do we do it better in Asia?"

(c) Social Investment Forum Japan (SIF-Japan)

As a key member of the NPO Social Investment Forum Japan (SIF-Japan), the Group has supported the Forum's activities in various ways, such as by sending a member to the steering committee. We served as commentator on the discussion of "An evolved model for SRI; Multi-themed management based on 'sustainability'" at the 37th annual study group in January 2011. We also acted as a judge for the SRI Report Contest held jointly with Kinzai Co., Ltd., to play our part in nurturing the human resources who will carry SRI into the next generation.

(4) Communicating ESG Information to Japanese Companies

The Group is a member of the Global Compact Japan Network (GC-JN), made up of Japanese companies that are signatories to the United Nations Global Compact. (See page 71.) In 2011, we served with Daiwa Securities Group Inc. as joint organizers of the SRI Caucus, where we discussed how to disclose ESG information to overseas investors. We intend to disseminate information widely among member companies through case studies and other research.

The "Focus Club," the Group's transfer agency business that serves as an information service for company IR sections, organized a seminar. The guest speakers were executives from the Responsible Investment Unit of FTSE, based in the U.K., which provides FTSE4Good, the world's leading SRI index, and EIRIS, which conducts corporate assessments for FTSE.



SRI Caucus at Global Compact Japan Network

Activities in China

Interest in CSR is growing rapidly in China, which is advocating “a harmonious society” (a society with harmony between all classes). More and more Chinese companies are seeing CSR not as a cost, but as an opportunity for growth. The Group is developing its own CSR business in China, including the launch of a China stock SRI fund.

(1) About China Stock SRI

Since 2010, the Group has been managing a full-fledged SRI fund named “China Good Company,” which invests in a wide range of leading Chinese companies with excellent ESG, including China A shares^{*1}. The fund contracts with the Japan Research Institute, Limited, for ESG research, and obtains a variety of supplementary information related to investment target companies from BSR^{*2}, a U.S. NPO promoting CSR. As the first SRI fund to be offered by an institution other than the Chinese financial institutions, the fund has also caught the eye of SRI professionals abroad. It was featured in the “BSR Report 2010—Redefining Leadership,” as a ground-breaking case study in international CSR.



BSR Report 2010

^{*1} Shares traded in a market only for China's domestic investors. Overseas investors can only invest if they fulfill special requirements to be recognized as a Qualified Foreign Institutional Investor (QFII).

^{*2} BSR (Business for Social Responsibility): Established in the United States in 1992, it is an NPO and the world's largest CSR promotion organization. BSR mainly provides consulting services in the strategic CSR field, with global membership of more than 250 companies. BSR is currently involved in CSR-related projects in more than 70 countries.

(2) Promoting Awareness of SRI

Asia Socially Responsible Investment Roundtable (Japan, China, and Korea)

In cooperation with BSR, the Group organized a roundtable discussion for Japan, China, and Korea, held in Beijing, China, in March 2011. With participants including AEGON-INDUSTRIAL Fund Management, the Shanghai and Shenzhen stock exchanges, Peking University of China, and Allianz Global Investors of Korea, a lively exchange of opinions took place based on examples of SRI management in the three countries. A record of the discussion is available on the BSR website^{*}, and this infor-

mation is expected to give a boost to the expansion of the SRI market in Japan, China, and Korea.

^{*} URL: http://www.bsr.org/reports/Asia_SRI_Roundtable_Summary_Transcript.pdf



Scene from the Japan-China-Korea roundtable (photo courtesy of BSR)

(3) Environmental and Other Agreements with Shenyang City

In June 2010, the Group concluded a cooperative agreement on economic exchange with the People's Government of Shenyang City, in the People's Republic of China, and the Administrative Committee of the Shenyang Finance and Trade Development Zone. Under the agreement, we are collaborating to introduce Japanese companies and attract foreign companies, with the idea of promoting recycling-oriented economic development, using as examples Japan's energy conservation and environmental protection efforts. In addition, the Group receives introductions to Chinese companies wishing to invest in Japan from Shenyang City and the Development Zone.

(4) Participating in Establishment of Company Engaging in Energy-Saving and Eco-Business in China

In October 2009, the Group participated in launching the Techno-Power Eco-Energy Company Limited, established in Hong Kong by QualiSys Management Consultancy (HK) Company Limited^{*1} and others to conduct ESCO (energy service company)^{*2} activities related to the energy-saving and eco-business so as to leverage the leading environmental technologies of Japanese companies.

^{*1} Management of productivity, improvement of production efficiency, consultation for quality improvement and training of employees. This consulting company primarily specializes in consulting related to acquiring ISO9000 and ISO14001 certifications.

^{*2} See page 15.

Dialogue with Stakeholders:

The Role of Financial Institutions in the Creation of a Sustainable Society



Tsukasa Kanai (Moderator) [top left]
Chairperson, Discussion and Follow-Up Working Group
Head, Corporate Social Responsibility Office,
Corporate Planning Department, Sumitomo Mitsui
Trust Holdings, Inc.



Mariko Kawaguchi [top right]
Chairperson, Fund Management, Securities,
Investment Bank Working Group
General Manager, Environmental Management and
CSR, Daiwa Institute of Research Ltd., Co-chair and
Director of the Secretariat of the Social Investment
Forum (Japan)

Masao Seki [bottom right]
Chairperson, Insurance Working Group
Director and General Manager of CSR, Sompo Japan
Insurance, Inc.

Keisuke Takegahara [bottom left]
Chairperson, Deposit, Lending and Lease Working Group
Head, Environment and CSR Division, Development
Bank of Japan Inc.

Sumitomo Mitsui Trust Group is a signatory to the “Principles for Financial Action towards a Sustainable Society,” drafted in October 2011. These principles set out guidelines on the responsibilities and roles of financial institutions, including banks, insurance, securities, and fund management companies, needed for the creation of a sustainable society. In November 2011, four chairpersons of working groups established by the Drafting Committee gathered to participate in the dialogue with stakeholders presented here. They engaged in a lively discussion on the significance and main points of the principles, their links to international initiatives and regional developments, and methods of managing their implementation.

Moderator: We are fortunate today to have gathered together the three of you, who have served as chairpersons of working groups established by the Drafting Committee for the “Principles for Financial Action towards a Sustainable Society.” I hope you will not hesitate to share your views in a frank and robust discussion.

1. Significance and Main Points of the Principles

First, what are these principles about? Taking into account the status of Japanese financial institutions, what kind of role do you think they will play going forward?

☐ Platform for Prompting Change in Awareness among Japan’s Financial Institutions

Kawaguchi: To begin with, these principles were meant to serve as Japan’s version of the United Nations Principles for Responsible Investment (PRI). The focus of the PRI is

on investment management, as they were formulated to help institutional investors and financial institutions integrate consideration of ESG (Environmental, Social and Governance) issues into their investment decisions when investing in pension funds and fund management organizations. Consequently, it doesn’t really matter if not everyone signs up to the PRI. In Japan’s case, however, we wanted principles that all financial institutions would sign up to. The finance industry is so large that initially we thought it would be impossible to get all financial institutions to take part. However, because we have created a platform that incorporates all individual initiatives taken so far, I think it will provide impetus for a huge change in the thinking of those in the financial world who have previously not shown much concern for environmental issues.

Seki: Financial institutions are engaged in a wide variety of businesses, so there is no single organization that encompasses them all. This is why the convening of 25 financial institu-

tions*, covering diverse financial sectors over a one-year period to discuss and formulate shared targets, was groundbreaking. The principles are also hugely significant because they encourage other stakeholders to take part in joint action.

* When the Drafting Committee was established. Ultimately, a total of 36 financial institutions took part.

Takegahara: The excuse used until now has been that because finance has an intermediary function, those managing finance have claimed that they're in no position to change unless those who put up the money and those who use it express a willingness for such change. However, I think these Japanese principles are significant because everyone recognized that this is not the case.

□ March 2011 Disaster Heightens Awareness of Sustainability

Moderator: What is your take on the 12-month period it took to come up with the principles?

Takegahara: In the beginning, the discussion was a textbook abstract discussion, but following the disaster participants gradually came to realize that sustainability was their problem too.

Moderator: The March 2011 disaster had an impact on the evolution of initial talks on devising environmental principles into the concept of a sustainable society based on international standards for sustainability, didn't it?

Seki: Today, sustainability is the central concept of the Principles on Sustainable Insurance (PSI) being formulated by the United Nations Environment Programme (UNEP). They also contain a social element. The disaster probably did have an effect, but I think it was more a case of a consensus to follow the international trend.

Moderator: The definition of "sustainable" was a key point in the discussions.

Kawaguchi: Most participants saw "sustainable" as meaning the continuation of society as it is today, so I think there were many who didn't have a good understanding of its true meaning. But since the disaster, there has been a shift in the perception of everyday life as being rock-solid to it being something that is surprisingly brittle. I think that participants became aware that they had to take action in order to change the unsustainable aspects of society.

□ Groundbreaking Preventive Principles

Moderator: What are your views on the incorporation of preventive principles?

Seki: I think it is extremely significant that preventive principles, which call for preemptive measures that take account of the various potential risks that financial institutions foresee, are a dominant feature of the principles for action.

Moderator: Does the notion of preventive principles carry sufficient weight to alter the lending behavior of banks?

Takegahara: I believe that taking a good look at environmental risks, which lie behind balance sheets and profit and loss statements, to supplement financial data will ultimately lead to the elimination of financial losses. If understood in this way, preventive principles can be used for credit management and managing credit risk.

□ Opportunity for New Financial Businesses

Moderator: What are your thoughts on opportunities for new financial businesses?

Kawaguchi: With consumers demanding environmentally friendly products and services, companies have no choice but to make their businesses environmentally friendly. I get the feeling that financial institutions are encouraging this trend by offering environmentally friendly finance and other services.



Seki: These principles call for addressing not only environmental issues, but also social issues as part of an integrated approach. For example, even BOP businesses* engage in solving the problem of poverty from a business standpoint and not as an activity that makes a contribution to society. As seen here, business behavior is already changing, and I think that financial institutions also want to join in.

* Base of the Pyramid: A new business model that targets low income earners in developing countries with the expectation that it will help solve various social problems in such countries.

Takegahara: Those whose business is the environment managed to turn the environment, which had been a factor constraining economic growth, into a business opportunity. A financial market that is able to truly appreciate this will ultimately help businesses, since companies that have made great efforts should see their share prices rise automatically, insurance premiums fall, and bank interest decrease.

2. Sector-Based Guidelines

Moderator: Please outline the guidelines your committee drafted, their main points, and how you envisage they will be used.

☐ Fund Management, Securities, and Investment Banking Guidelines

Kawaguchi: The focus of PRI is on asset management. But these guidelines cover the three areas of asset management, securities brokerage, and investment banking. They signal the need to build a framework for the provision of financial products that take ESG into consideration by all three. There are investment banks that create securities at the upstream end of the sector, securities companies that provide services for purchasing and selling securities in the midstream, and asset management companies that invest in securities at the downstream end.

The guidelines also apply the term “ESG issues” to issues relating to the environment, society, and governance. Because PRI specifies ESG as an indicator that investors should take notice of, the term ESG carries the most weight in today’s SRI world.

Moderator: What are your thoughts on the adoption of ESG in finance in Japan?



Seki: The insurance guidelines were written with a particular emphasis on risk. Life insurance companies, as well as non-life insurance companies, are huge institutional investors, and this is why it is important for the insurance sector to increasingly incorporate ESG.

Moderator: What was the view of the Deposit, Lending, and Lease Working Group regarding ESG?

Takegahara: Our working group, which covered the indirect finance sector, felt some resistance toward ESG. The emphasis of CSR varies according to country. In Europe, CSR is centered on employment and human rights, but in Japan companies talk about CSR in the context of the environment. Therefore, in the world of direct finance that reflects the preferences of Western investors, the adoption of ESG will meet with little resistance. However, the indirect finance sector that deals with Japanese businesses is not yet ready to discuss ESG. There are those who thought that it is premature to incorporate Western ideas as criteria for making their own lending decisions. However, because their corporate clients are putting out more and more ESG data, they will gradually have to turn their gaze closer to the direct finance sector.

☐ Insurance Guidelines

Seki: Because I am engaged in the drafting of the Principles for Social Investment (PSI) guidelines currently being drawn up by the UNEP Finance Initiative, I made a deliberate effort to make the insurance guidelines consistent with the PSI, which will become international principles for insurance. The insurance sector itself carries risks, as seen in an increase in insurance claims stemming from natural disas-

ters caused by climate change. Insurance companies take on not only such environmental risks, but also various ESG-related risks, such as human rights. Consequently, how to provide solutions is a major challenge for them. As with the guidelines for the fund management, securities, and investment banking sectors, the insurance guidelines make it necessary to pay more attention to ESG.

Moderator: From the standpoint of ESG, for example, is collaboration between direct finance and insurance out of the question?

Seki: One way would be for insurance premiums to reflect ESG ratings. In my view, however, I think that insurance companies have a bigger role to play in making it easier for a company to get into a new line of business. For instance, when a company takes up the challenge of developing a new environmental business, they could provide a mechanism for hedging that risk. I think that good will come from adept engagement between business companies, financial institutions, and insurance companies.

□ Deposit, Lending, and Leasing Guidelines

Takegahara: We faced the major challenge of whether or not we could draw conclusions that could be applied to common guidelines for mega banks, regional financial

institutions, and leasing companies, all of which have different customer bases and engage in different activities. The conclusion we reached was to formulate guidelines that would direct us to manage our own loss risks by managing our customers' environmental risks through our intermediary function, and thus would lead to growth on both sides. If we rephrase the purpose of the guidelines in such abstract terms, both mega banks and banks that support regional small and medium-sized enterprises agreed that there was no difference in what they do. But when it came to setting out credit policy, some thought it was premature to incorporate the ideas of the principles into their credit policies because they would constrain their main line of business, while others were of the view that there should be explicit principles because they would encourage the growth of their customers, from which they could reap some benefit. There were also those that thought the principles were self-evident. Unfortunately, we still have further work to do on this.

□ ESG is Also Important for Life Insurance

Moderator: Will outstanding issues be covered by other guidelines? I think that ESG-related themes will impact strongly on non-life insurance, but what about life insurance?



Seki: They will be extremely important, particularly for social themes. The role of the life insurance industry is as a private-sector provider of solutions for problems related to the aging of society, health, medical care, and pensions. This has been included in the guidelines.

Kawaguchi: Pensions receive a great deal of attention, while not very much is given to life insurance. It is important that we keep an eye on the activities of life insurance companies, which collect and manage funds from throughout Japan on a monthly basis.

Seki: The life insurance industry has been taking part also on an association basis, so I think this will provide some momentum for speeding up industry efforts.

3. Links to International Initiatives and Regional Developments

Moderator: Please tell us about the links that these principles have with international initiatives, such as the UNEP FI, PRI, and the forthcoming PSI. Also, how will the principles be disseminated within Japan, especially in the regions?

□ Recognizing Their Global Relevance is Important

Takegahara: There are regional financial institutions that are engaged in preserving biodiversity, including protecting local forests and mountains—something that one can't possibly do in Tokyo. Some of these institutions are not aware of the significance of what they do. In other words, initiatives taken on a regional basis are not irrelevant to efforts taken on an international basis. I think it would be

great if these principles provided the opportunity for regional financial institutions to realize the significance of their own initiatives.

Seki: Today, it has become the norm for small and medium-sized regional businesses to have dealings overseas. Because the economy is no longer confined to Japan's geographical boundaries, every financial institution needs to think of things in a global context.

Steps are afoot to hold the Multi-Stakeholder Forum on Social Responsibility for a Sustainable Future*, not only in the main centers, but in the regions as well. It is important that regional financial institutions are also included in these discussions, where the principles will be one of the topics.

* Meetings at which various stakeholders, including business groups, consumer groups, labor unions, the financial sector, NPOs, NGOs, and the government, discuss the creation of a safe and secure sustainable society based on equitable representation. A report entitled "Collaborative Strategy Toward a Safe, Secure and Sustainable Future" was issued in March 2011.

Kawaguchi: There are many regional financial institutions engaged in good initiatives, although I think that they exclude ideas that can be applied to regions besides their own. If they first changed their approach and then utilized the resources available in their region, a variety of needs would come to light, and they would see that these actually have global relevance. If, for example, they adopted an ESG perspective toward property that they had previously regarded as merely a piece of vacant land, they might see it as a space that has value or it might prompt a rethink of their local asset portfolio.

Takegahara: On the one hand, there are financial institutions that try to undertake advanced initiatives, while on the other hand there are also many that haven't made such progress. Consequently, I think it would be a good idea to have some kind of mechanism that puts the spotlight on regional financial institutions pursuing excellent initiatives.

Kawaguchi: Regional financial institutions will change if they come to realize that society recognizes such initiatives, they make the local community happy, and they promote good business.

Moderator: Is it possible that since receiving recognition changes the mindset of regional financial institutions, initiatives taken by such institutions can transform society into a sustainable society?



4. Turning the Principles into Something of Substance

Moderator: At present, it is envisaged that there will be an organization with a three-tier structure comprising an annual general meeting attended by all signatories, a steering committee responsible for coordination, and working groups that will take over the different sets of guidelines. What are your thoughts on how you think this kind of structure should be used going forward?

□ Combining General Meetings and Road Shows

Kawaguchi: First, there should be an event for financial institutions that explains the principles and how they are to be used. It would also be a good idea to take a road show to regional centers. Next, at meetings held once yearly, examples of best practice for three (sets of) guidelines could be introduced and awards given to outstanding signatory institutions.

Takegahara: I think that establishing a regional version of the Multi-Stakeholder Forum on Social Responsibility for a Sustainable Future and cleverly combining that with a regional road show would prove interesting.

For example, there could be a rotating schedule, whereby it becomes your region's turn once every so many years. When your turn comes, the signatory institution hosting the meeting could work in cooperation with the local community. You could put together a program that takes regional examples that have gone well in a community context and puts them into a large corporation context. In that way, you could show the signatories that have come to your region how wonderful your region is.

Moderator: Do you think we'll reach a point in the future when institutions that have signed up to the principles will get involved in putting out policy?

Seki: Looking ahead, I'd like to see activities where ideas that evolve through discussions held at meetings of various types of businesses are recommended as policy. But first I think it important that there are activities that raise awareness among ordinary bank, securities, and insurance sector workers so that they can learn what they can do as part of their own work.



Moderator: Meanwhile, I wonder if it's also possible that the public will criticize financial institutions by saying it is merely lip service.

Kawaguchi: There's no doubt that a company should not rest on its laurels once it has signed up to the principles, and that signing is just the beginning. It would probably be a good idea to establish a forum for gathering opinions from stakeholders and incorporate them when the principles come up for review.

□ In conclusion

Moderator: Even though those in the financial mainstream know that international society is moving in a direction that places emphasis on ESG, in reality they go no further than that. There is a danger that Japan's financial sector will be irrevocably left behind. As individuals who have chaired working groups and have therefore been in a position to formulate principles, our role, in addition to making such principles more widely known, is to work toward creating an effective framework for their implementation. As the first generation, let's do all that we can.

Note: The entire discussion (in Japanese) is available on the Group's website as a PDF file and as a video. (<http://smth.jp/csr/index.html>)

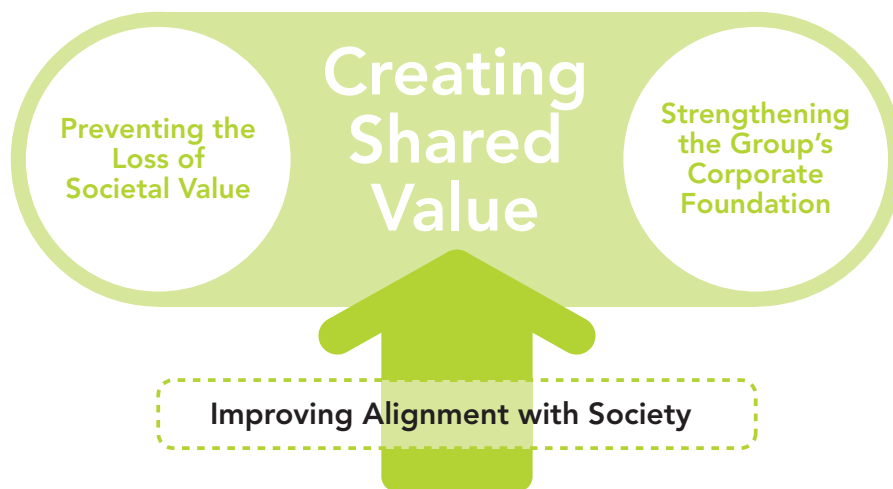
Materiality 2

CSR Activities for Improving the Alignment of Our Business Activities with Society

When we carry out our Group business activities, we must give consideration not only to a possible loss of faith in the Group that might occur from eroded functionality of our governance and compliance systems and risk management systems, but also to the negative effect this could have on the economy as a whole. Thought must also be given to human rights issues as they relate to our employees and all Group stakeholders, and the environmental burdens of our business activities. Our fundamental philosophy is based on aligning our business activities with society so that we can head off any problem that might occur with our activities in the course of our business management, and which might harm our social value. We engage in our various activities based on this fundamental philosophy.

Creating Shared Value

Among our Group business activities, the need for alignment with society is the strongest for our financial functions. In order to ensure the safety and reliability of these financial functions, we are working to further advance our governance, compliance, and risk management. We are dedicated to creating a corporate culture of respect for human rights, and wish to contribute to the realization of a fair and just society in which human rights are respected. We also dedicate our efforts to reducing the environmental burden of our business activities, and are working to help resolve the problem of climate change and contribute to recycling, through energy conservation and waste reduction in our business activities. These initiatives will help the Group to strengthen its corporate foundation and contribute to increased long-term economic value.



Customer-Related Activities

Sales Activities

Sales Promotion Activities

Proposal Creation

Customer Support

Complaint Handling

Sumitomo Mitsui Trust Group Business Activities

Internal Activities

Governance/ Compliance

Risk Management

CS Activities

Human Resources Management

CO₂ Reduction and Other Environment-Conscious Activities

Conducting Financial Seminars

Corporate Governance, Internal Control

The Group has created a management structure befitting a trust bank group that boasts the largest scale and highest status in Japan, combining the banking, asset management, administration, and real estate businesses. We are striving to ensure management transparency and soundness, while speeding up our decision-making in order to respond with flexibility to changes in the environment.

Outline of Corporate Governance System

(1) Functions and Roles of the Group Holding Company

The Group has a management structure that allows each subsidiary trust bank (The Chuo Mitsui Trust and Banking Company, Limited, Chuo Mitsui Asset Trust and Banking Company, Limited, and The Sumitomo Trust and Banking Co., Ltd.) and each subsidiary asset management company (Chuo Mitsui Asset Management Company, Limited and Chuo Mitsui Capital Company, Limited) to pursue their respective business activities in an independent manner. As a holding company, Sumitomo Mitsui Trust Holdings, Inc. (hereinafter "SMTH") focuses on the management of business operations, taking responsibility for the following functions:

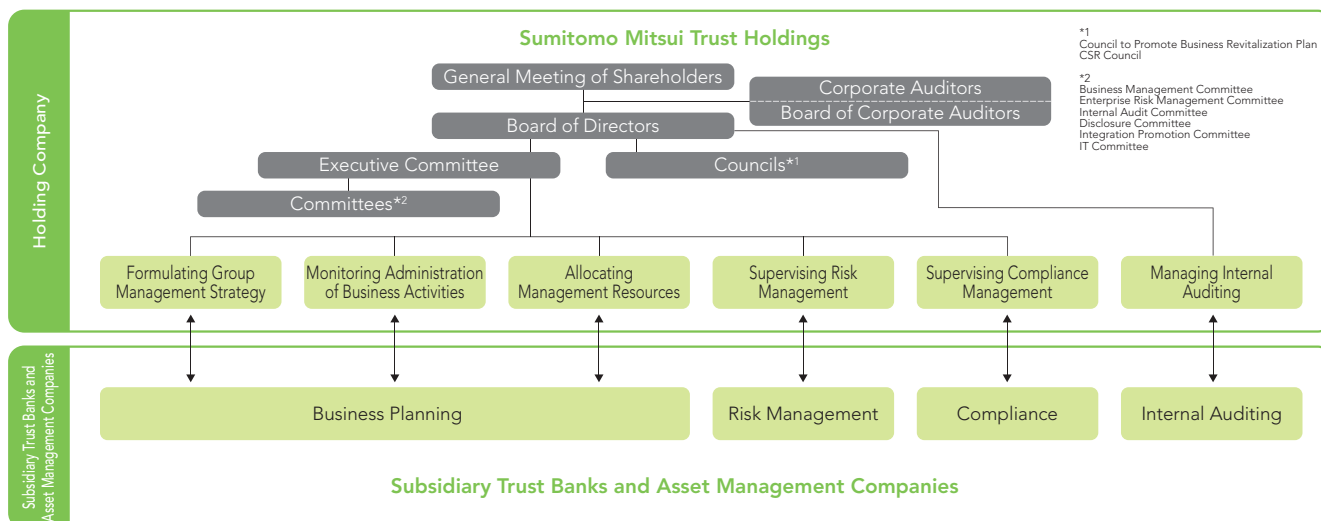
- Formulating group management strategy,
- Allocating management resources,
- Monitoring the administration of business activities,
- Supervising risk management,
- Supervising compliance management and
- Managing internal auditing.

(2) Business Execution and Supervision System

Some SMTH directors in the Group are concurrently directors at subsidiary trust banks and responsible for ensuring effective implementation of business strategies within the Group. The director of SMTH, who does not hold concurrent positions at subsidiaries, supervises internal auditing and maintains the checking function for subsidiaries. SMTH directors are appointed for single-year terms, and their management responsibilities are clearly defined. In addition, some of the corporate auditors hold concurrent positions as auditors at subsidiary trust banks. This contributes to a system that audits the management of subsidiaries and contributes to the audits of SMTH. The majority of our corporate auditors come from outside the Group to ensure the independence of the audit function.

Under the Board of Directors is an Executive Committee, headed by the President. This body deliberates on important items regarding the conduct of business activities in accordance with the policies defined by the Board of Directors. The Council to Promote the Business Revitalization Plan and CSR Council are established as bodies at the same level as the Executive Committee. Other bodies such as the Business Management Committee have also been established.

Corporate Governance System



(3) Internal Control

In order for SMTH to achieve the following four objectives: (1) effectiveness and efficiency of operations; (2) reliability of financial reporting; (3) compliance with laws and ordinances concerning business activities; and (4) safeguarding of assets, the Board of Directors has set out a Basic Policy on Internal Controls, and SMTH has developed and operates an internal control system.

Basic Policy on Internal Control System Structure



(4) Audit

(a) Auditing System

SMTH has adopted a corporate auditor system, with a Board of Corporate Auditors comprised of two full-time auditors and four part-time auditors (external auditors), for a total of six corporate auditors. The full-time corporate auditors work to share information with part-time corporate auditors at the Board of Corporate Auditors and liaison meetings by giving them reports on audit information collected during daily audit activities. These include information on proposals at important meetings such as the Executive Committee, and the content of investigations of SMTH and subsidiaries. Part-time corporate auditors perform auditing from multi-faceted perspectives, such as legal and corporate management ones, in addition to stating their opinions at the meetings of the Board of Directors and Board of Corporate Auditors, etc.

(b) Internal Auditing

SMTH has established an internal audit unit that is independent of other units engaged in business execution. The unit performs internal auditing for each business execution unit, issues recommendations and proposals for improvement, and periodically and appropriately reports to the Board of Directors on internal auditing results and the status of progress and achievement of internal auditing plans.

Control of Information Disclosure

The Group has adopted compliance standards that all executives and employees must uphold to ensure the transparency of corporate management through appropriate and fair disclosure of corporate information, and it has established an internal control system to ensure that disclosures are made in accordance with relevant laws, regulations and rules. Based on this philosophy, the Group has established a Disclosure Policy in order to clarify its basic policy on disclosure, internally and externally, thereby ensuring appropriate disclosure.

Executive Remuneration and Other Contents

Basic salaries for holding company executives (for the April 1, 2010 to March 31, 2011 period) are decided by the Board of Directors for company directors and by deliberations by auditors for company auditors. The decisions are within the total executive remuneration limits approved at the General Meeting of Shareholders.

Executive Remuneration

(For current fiscal year, April 1, 2010 to March 31, 2011)

Category	Number of Persons	Remuneration (Million Yen)
Director	9	130
Corporate Auditor	5	35
Total	14	166

- (Notes)
1. Amounts shown have been rounded down.
 2. Remuneration amounts include the 34 million yen in provisions for directors' retirement benefit allotted for directors, and the 6 million yen in provisions for directors' retirement benefit allotted for corporate auditors, for the current fiscal year.
 3. The remuneration limit decided on at the General Meeting of Shareholders was 30 million yen per month for directors and 9 million yen per month for corporate auditors.
 4. The figures above include 3 directors who left their positions during the course of the current fiscal year.
 5. The figures above do not include remuneration from bank subsidiaries at which executives concurrently hold posts.

Compliance

The Group regards thorough compliance one of its most important management issues.

Compliance refers not only to compliance with laws, market rules, and internal regulations, but also to societal mores and norms.

The Group has established a checking system and promotion system to ensure legal, regulatory and other forms of compliance by all executives and employees, and to ensure that business activities are fair and just. The Group promotes various initiatives to address issues and problem areas and to enable appropriate action based on self-discipline.

1 Main Compliance Policies and Rules

In addition to the Group's defining of a Code of Conduct ("Value"), the holding company, subsidiary trust banks and others have defined internal compliance regulations.

Sumitomo Mitsui Trust Group Code of Conduct ("Value")

The six-part Code of Conduct ("Value") for carrying out the Group's Management Principles ("Mission") define strict regulatory compliance and a resolute stance against antisocial forces.

Compliance Rules

The Compliance Rules define the basic approach to compliance, executive and employee compliance standards, and the organizational structure of compliance.

Compliance Manual

The Compliance Manual explains the laws and regulations with which executives and employees must comply, and specifically details regarding what should be done in the event that a compliance infraction is discovered.

2 Group Compliance System

The Group considers the supervision of the entire group's compliance structure as one of its most important functions as a holding company, and has established a Compliance Department within the holding company. This department is responsible for creating basic compliance policies and monitoring their management and operation.

The head of this department has been designated as Control Department Manager. The department maintains overall compliance control for the Group by creating the required regulations, implementing initiatives and giving instruction, handling compliance issues, enriching the training system, etc.

3 Monitoring Compliance and Addressing Violations

Every fiscal year, a Compliance Program regarding plans for the implementation of specific compliance initiatives is drawn up, and progress is periodically assessed.

The subsidiary trust banks and other subsidiaries develop appropriate compliance systems that suit their own operations' characteristics, based on the compliance policy established by the holding company.

In addition, in order to promptly and appropriately cope with any violation, the Group has established a compliance hotline, in addition to regular reporting channels. All executives and employees can directly report violations to the Compliance Department and an external attorney's office via the hotline. Under this system, information management and privacy protection are thoroughly implemented in order to protect the privacy of those reporting violations, and retaliatory actions against those issuing well-founded reports of violations are strictly prohibited.

4 Outline of Initiatives

(1) Prevention of Money Laundering*

Criminals and terrorists employ skillful methods to create false identities. Personal authentication is used to prevent

this and to prevent the unauthorized use of financial services. Because criminals and terrorists disguise their actions to make them appear as normal transactions, we have prepared a system to report any suspicious transactions to facilitate detection of the ones that are illicit.

Within the Group, we have adopted various measures to ensure proper personal authentication and prompt reporting of suspicious transactions. For example, training is carried out for employees at subsidiary trust bank branches and governing head office employees. We are working to constantly maintain and improve employees' knowledge of this subject on an ongoing basis.

* Money laundering is the act of hiding the source of money obtained illegally (for example, through the sale of illegal drugs) by routing such money through multiple banks or bank accounts. Terrorists and perpetrators of remittance scams are examples of people abusing the accounts of financial institutions. It is the responsibility of financial institutions to prevent the misuse of financial services. Such efforts are commonly referred to as "Money Laundering Prevention Countermeasures."

(2) Insider Trading Prevention

Insider trading is when an insider performs a transaction using information unknown to outside parties, inflicting unexpected damage upon ordinary investors, and creating a loss of trust in the securities market. To prevent insider trading, Sumitomo Mitsui Trust Holdings, Inc., and subsidiary trust banks have developed internal rules such as information management and self-trading rules, and provides training to all employees annually in order to make these rules widely known. In addition, every year all employees and executives must submit a written vow to comply with in-house rules and not to engage in unfair transactions such as insider trading.

(3) Response to Antisocial Forces

Antisocial forces refer not only to organized crime groups and their members, but also to individuals and companies with ties to them, who may threaten public order and the security of civil society. Allowing the unjustified interference of antisocial forces in our business would lead directly to a loss of the public's trust in the Group. Standing up resolutely against such antisocial forces is our corporate social responsibility to ensure sound economic and social development, and is requested by the Japanese government in the form of the guidelines of the Cabinet Meeting on Anti-Crime Measures. The Group has declared, both internally and externally, its resolute stance against antisocial forces in its

Code of Conduct ("Value") and various other codes. We have established a system for investigating and conducting systematic checks in all types of transactions in order to prevent transactions by antisocial forces. We have also incorporated a clause to exclude organized crime in the provision of our loan and money transfer contracts. This clause deters antisocial forces from initiating transactions with us. The measure gives us the legal grounds to dissolve contracts, once the presence of antisocial forces is detected, after the commencement of transactions.

Basic Policy on Financial Facilitation and Outline of the System

In light of the enforcement of the Act Concerning Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises (SMEs), etc., by subsidiary trust banks, the Group has established a basic policy on the facilitation of financing to SMEs, and has developed a related system.

Basic policy

When we receive applications for new loans or for alteration of conditions from clients, we will study them and respond promptly after examining individual cases in detail. We will conduct appropriate screening and, if necessary, closely cooperate with other financial institutions. We also intend to provide counsel to clients and deal with their complaints appropriately. When we have no choice but to decline an application, we will strive to provide specific and detailed explanations to obtain the client's understanding and consent.

Outline of the system

In order to ensure appropriate management and operation based on the basic policy, the Group has assigned officers in charge of the management of financial facilitation. These employees are in charge of establishing various facilitation rules, creating plans, and keeping branch offices abreast of the rules.

Client Protection Management

1 Basic Policy

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

Given these conditions, the Group regards client protection as one of its most important management issues. To meet the expectations and trust clients place in the Group, SMTH has established the basic policy in its Client Protection Management Rules to enable each group company to enhance client protection and convenience.

Checking and promotion systems have also been developed, so the Group complies with these and carries out business activities in a fair and just manner. By developing these systems, the Group is promoting various initiatives to address issues and problem areas, and enabling appropriate action based on self-discipline.

The subsidiary trust banks and other subsidiaries develop appropriate client protection management systems in accordance with the characteristics of their own operations, based on the basic policy established by SMTH.

2 Outline of Initiatives

(1) Providing Appropriate Information to Clients

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

Our policy for the solicitation and sales of financial instruments is available for clients to see at subsidiary trust banks and on our website. We also ensure that the aforementioned actions are appropriately taken from the clients' standpoint by ensuring compliance with the suitability rule* and establishing company regulations through the compilation of a client manual regarding the provision of adequate explanations, etc., as well as through the thorough training we give to our employees.

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

(2) Client Information Management

The Group manages client information appropriately, and when using client information jointly in the Group, each company complies with laws on personal information protection, guidelines on personal information protection in the financial industry, and other related laws and regulations so as to ensure appropriate use of such information.

(3) Client Support Management

We quickly respond to inquiries and complaints from clients in a sincere manner, aiming to resolve them with the understanding and consent of clients to the greatest degree possible. We also work to assess and analyze the causes of such inquiries and complaints as well as making efforts to improve operations in order to enhance client convenience.

(4) Outsourcing Management

When outsourcing its operations, the Group carries out appropriate management, such as the selection and monitoring of outsourced contractors, to ensure proper performance of operations as well as the appropriate handling of clients, including the appropriate management of client information.

(5) Efforts to Manage Conflicts of Interest*

In order to avoid unfairly impairing the interests of clients, the Group manages and carries out operations properly in accordance with laws and regulations as well as the Group's Management Policy concerning Conflicts of Interest. Thus, the Group is working to gain greater trust from clients and society.

In order to properly manage conflicts of interest, we have established a department that is responsible for such management, independent from the sales department, and have assigned a supervisor in charge of such management to develop a system to properly perform the management of conflicts of interest for the whole Group.

The department and the supervisor examine and evaluate the effectiveness of the Group's management of conflicts of interest on a regular basis in order to make continual improvements. We also provide regular training and education and keep executives and employees informed on such matters.

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

(6) Initiatives to Facilitate Financing

Please see page 45.

Efforts to Enhance Customer Satisfaction (CS)

Regardless of the business category, gaining the trust of clients is the foundation of business activity.

We listen closely to our clients. We hope our clients put their trust in us as a result of the continual improvements we make to our products and services.

1 Basic Policy

One item of the Group's Code of Conduct ("Value") covering the conduct of all executives and employees is: "Completely Client-Oriented—Truthfulness and Loyalty." We will adhere to the highest degree of "Truthfulness and Loyalty" as well as credibility and sound management, and will carry out all our responsibilities with our clients' peace of mind and satisfaction as our top priorities.

2 Outline of Initiatives

(1) Our System for Reflecting Client Feedback

The Group receives much feedback from clients and many requests at branches throughout Japan, through telephone centers and the Group's website, as well as through "Voice of Customers" postcards, which are available at every office, as well as through questionnaires sent out to clients by mail.

We analyze such feedback and requests to provide better products and services.



Examples of Improvements

Improved Waiting Time Displays

Client Feedback

It's difficult to tell how long the lineup at the counter will take.

Improvement Contents

We have introduced a system that displays the number of people in line. This helps create an environment at bank branches that makes it easier for clients to judge for themselves whether or not to wait. Some of our branch offices have also been equipped with crowd forecast calendars that predict congestion times. Others provide service announcements regarding waiting time. The devices and services are tailored to each individual branch office's environment.

Installation of

"Paving Blocks for the Visually Impaired"

Client Feedback

There should be textured paving blocks for the visually impaired, directing them to branch ATM corners.

Improvement Contents

We have installed textured "paving blocks for the visually impaired," guiding them to ATM corners in branches that have received this feedback. In response to our clients' comments, we are planning to eventually install paving blocks for the visually impaired at all branches, to improve the ease of use.

(2) Activities to Raise Employees' CS Awareness

We are dedicated to training and education to ensure that each and every Group employee always takes a client-oriented approach.

Main Education and Training Content

(a) CS Lectures



We invite speakers from various industries, such as theme parks and aeronautics, to give lectures and lead study sessions for employees in order to improve service quality and client treatment.

(b) New Employee Training

Our training for new employees is not limited to general business manners such as the proper way to greet clients or exchange business cards, but includes discussions about what a client-oriented approach entails. The goal is to raise employee awareness and assist them to naturally acquire the skills to satisfy clients.



(c) Client Service Training—Role-Playing



Our client service training includes role-playing. Employees play the roles of clients, and then evaluate each other's performance. These role-playing exercises are videotaped and reviewed by the employees themselves so that they can improve their skills.



We also hold a "Seminar Providing a Simulated Experience as an Elderly Person." Employees wear special glasses and attach weights to their bodies to experience what

life is like for elderly clients. The employees use this experience to improve their service from the perspective of elderly customers.

(d) CS Information Sharing

Information regarding CS activities and success stories from branch offices, praise from clients, and other CS information is shared via the intranet in order to improve the CS awareness of all of our employees.

(3) Barrier-Free, Accessible Sites Improving Environments at Branches

The Group is implementing a variety of physical and systemic initiatives in order to ensure that its branches are accessible to all.



For example, we are installing ATMs for the visually impaired, as well as textured paving blocks, to allow them to carry out their transactions smoothly. We

have also defined internal procedures for writing and reading proxies for deposits, withdrawals, and the like.

To make our branch facilities easier to use for those with hearing difficulties or impairment to their hearing, speaking, or reading, we have posted "Ear Mark" signs and "Assistance Dog" stickers, and are equipping branches with writing boards, hearing aids, and communication boards.



Risk Management

The Group must be prepared for the emergence of new risks which also affect financial markets, such as the recent Great East Japan Earthquake and subsequent nuclear problems, Europe's fiscal deficit problems, and growing tension in the Middle East. We are more dedicated than ever to advanced risk management and strengthened preventive action.

Basic Policy and Outline of Initiatives

(1) Basic Policy

The Group regards as one of its most important management issues the establishment of a risk management system suited to the characteristics of its operations and environmental changes. Accordingly, we are making constant efforts to improve and advance our risk management, which forms the basis for the sound operation of business to support the expansion of business scope and the sustainable growth of the Group.

In fiscal year 2011, we flexibly and accurately responded to changes in the risk structure resulting from changes in the external environmental and management integration, and developed practical and efficient risk management systems.

(2) Outline of Initiatives

(a) Types of Risk

SMTH classifies risk categories by the cause of risks faced by the whole Group in business operations into "credit risk," "market risk," "funding risk," "operational risk," and "other risks." It manages these risks in a manner suited to their respective characteristics.

(b) Risk Management Methods

SMTH has established a department to supervise overall group risk management and monitor the risk status of the whole Group, as well as to supervise and provide guidance to its subsidiary trust banks and subsidiary asset management companies as needed.

We have also established an organizational structure that appropriately performs activities ranging from risk identification to control and reduction. In addition, we formulate annual risk management policies and plans.

Risk Categories

Risk Category	Definition
Credit Risk	Risk that the Group incurs losses due to the value of an asset (including off-balance sheet assets) decreasing or impairing owing to such reasons as deterioration in the financial condition of an obligor. Of this, "country risk" in particular means risk that the Group incurs losses on credit provided overseas, due to foreign exchange, political and economic conditions of the country of the obligor.
Market Risk	Risk that the Group incurs losses due to fluctuations in the value of assets/liabilities (including off-balance sheet assets/liabilities), due to fluctuations in various market risk factors such as interest rates, securities prices, foreign exchange rates. Of this, "market liquidity risk" in particular means risk that the Group incurs losses caused in a situation where it becomes impossible to conduct transactions in the market or becomes obliged to trade at prices significantly more disadvantageous than usual due to market turmoil.
Funding Risk	Risk that the Group incurs losses in a situation where it becomes impossible to secure necessary funds or becomes obligatory to raise funds at interest rates significantly higher than usual.
Operational Risk (Below are "risk sub-categories")	Risk that the Group incurs losses resulting from inadequate or failed internal processes, people and systems or from external events.
Business Processing Risk	Risk that the Group incurs losses arising from executives or employees neglecting to engage in proper business activities, or other incidents such as accident or fraud.
Information Security Risk	Risk that the Group incurs losses for such reasons as loss of confidentiality of information belonging to the Group, owing to such factors as improper management of information (including client information management).
System Risk	Risk that the Group incurs losses due to such reasons as computer system failure, malfunction, defect, and misuse.
Legal & Compliance Risk	Risk that the Group incurs losses due to uncertain legal aspects of transactions, or due to insufficient compliance with laws, regulations, etc.
Human Resource Risk	Risk that the Group incurs losses due to such issues as unequal or unfair management of personnel and harassment.
Tangible Asset Risk	Risk that the Group incurs losses due to loss or damage to tangible assets (movables, real estate, facilities, fixtures, etc.), resulting from such factors as disaster, war, crime, flawed asset management.
Other risks	Risk that the Group incurs losses due to risks other than credit risk, market risk, liquidity risk or operational risk. Includes reputational risk.
Reputational Risk	Risk that the Group incurs losses due to a (possible) major impact on business as a result of deterioration in reputation for SMTH or its subsidiaries, owing to such reasons as mass media reports, rumors or speculation.

(3) Risk Management Structure

The roles and responsibilities of the management structure and principal departments related to risk management are as follows:

(a) Board of Directors

The Board of Directors formulates the Group's risk management policy based on its management policy and strategic goals, supervises the development of appropriate risk management systems, and implements appropriate measures to raise awareness of the policy throughout the Group.

(b) Directors, Officers in Charge

Directors and officers are fully aware of the importance of risk management, and consider policies and specific measures for developing and establishing proper risk management systems.

(c) Risk Management-related Departments

These departments accurately recognize risk status and conduct appropriate management and operations regarding risks, through a series of activities that include risk identification, assessment, monitoring, control, and reduction.

(d) Internal Audit Department

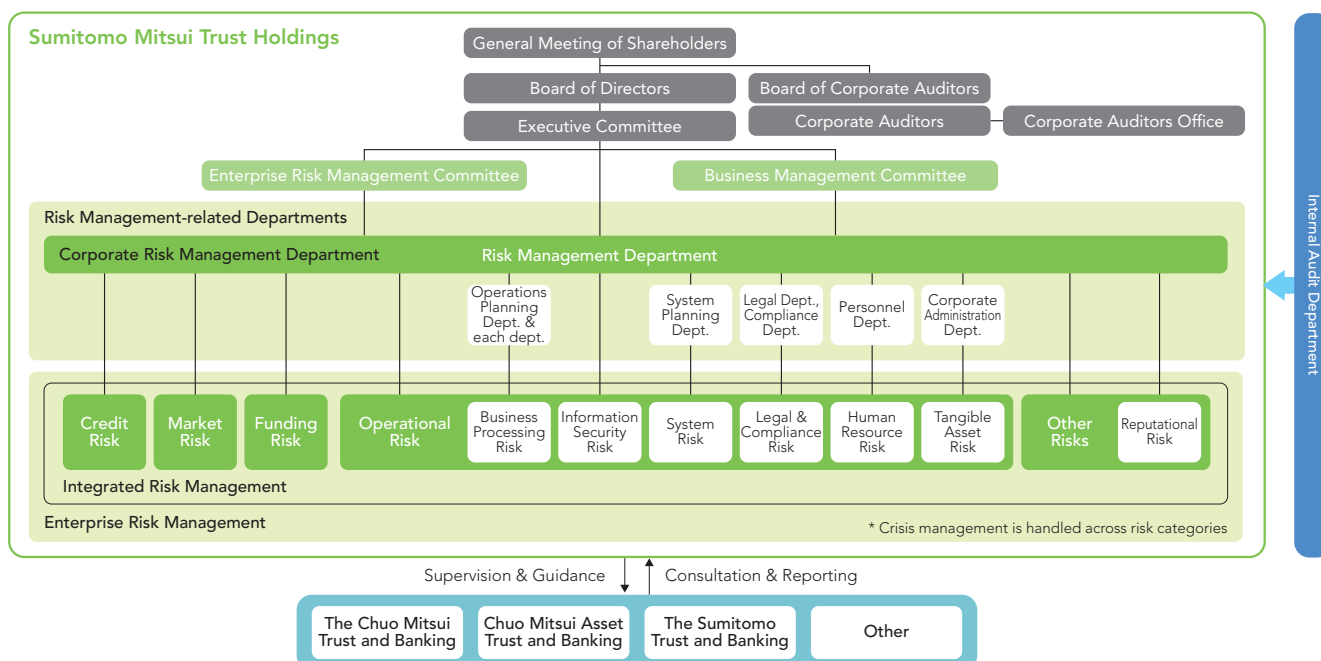
This department, which is independent of business execution, verifies the appropriateness and effectiveness of the risk management system.

(4) Enterprise Risk Management and Integrated Risk Management (Economic Capital Management)

SMTH manages various risks faced by the Group and comprehensively measures risks unique to the Group organization that each group company cannot recognize on its own, such as the spread of risks within the Group. We manage these risks by comparing them with the Group's overall financial strength (Enterprise Risk Management).

In addition, among the risks subject to the Enterprise Risk Management, SMTH combines risks which are quantifiable with a unified criteria such as the integrated VaR*, and manages these risks by comparing them with the Group's overall financial strength (Integrated Risk Management). Aiming to simultaneously secure both capital adequacy and efficiency of capital use, Integrated Risk Management seeks to comply with risk limits set on the basis of risk capital allocated within the financial strength and pursues maximum risk-return.

* Value at Risk (VaR): A risk measurement indicator. VaR indicates the maximum amount of loss anticipated within a certain period (the holding period) within the range of certain probability (the confidence interval). SMTH conducts measurements with a one-tailed confidence interval of 99%.



Employees and Sumitomo Mitsui Trust Group

Human resources are the most valuable resource for financial institutions. The Group endeavors to educate employees in human rights so that their individualities are respected and will not be subjected to discrimination based on their age, gender, nationality, etc. We also promote a personnel training program, and the creation of a working environment that enables a healthy work-life balance. We thereby nurture human resources in such a way that they contribute not only to the development of the Group, but also to the sustainable development of society as a whole.

1 Measures to Educate Employees in Human Rights

(1) Initiatives to Promote Human Rights Education

Centered on the Human Rights Education Committee, chaired by a Personnel Officer, the Group is carrying out wide-ranging activities to train and educate employees about various human rights issues.

In fiscal year 2011, we carried out human rights awareness promotion initiatives, including those listed below.

(Example) Sumitomo Mitsui Trust Holdings Human Rights Education Committee

Chairperson	Personnel Officer
Vice Chairperson	General Manager of the Personnel Department
Committee Member	Compliance Officer of each Department
Secretariat	Personnel Department

(a) New Employee Training Initiatives

New employees are given training regarding the relationships between companies and human rights, and we work to cultivate a common understanding and awareness of individual issues such as discrimination against the Dowa (the Buraku minority) and problems concerning foreign residents.

(b) Human Rights Week

As part of our Human Rights Week activities, we invited submissions of "Human Rights Catch Phrases," with awards for the best suggestions. We also participated in various projects implemented by the government and other organizations in order to maintain and improve awareness of human rights issues among our employees.

Through these activities, the Group is working to help employees respect each other's individuality and foster a

corporate culture that emphasizes human rights as the foundation of business activities.

(2) Prevention of Sexual Harassment and Power Harassment

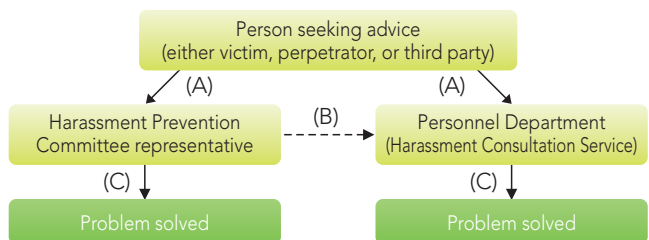
Sexual harassment and power harassment are prohibited. Such behavior can both damage the character of an individual and infringe upon his or her human rights.

We have taken a particularly strict stance prohibiting sexual harassment within the workplace.

In the event that harassment occurs, an overall decision will be reached regarding the specific behavior indicated, the relationship of the people involved, the response of the victim, etc. Either stringent corrective measures or punishment, or both, will be implemented against any person considered to have engaged in harassment.

Furthermore, we discuss harassment in workplace-based training, new employee training, and training implemented for different management levels. We are also committed to ongoing educational activities to ensure that all employees are well acquainted with the principles and issues.

Structure for Advice/Complaints and Response relating to Harassment



- (A) Advice is sought and complaints are registered via the Harassment Prevention Committee representative in each branch or department, or directly by the Harassment Consultation Service within the Personnel Department.
- (B) The Harassment Prevention Committee representative will, where necessary, consult the Harassment Consultation Service within the Personnel Department and request advice or the handling of the case.
- (C) The Harassment Prevention Committee representative or the Harassment Consultation Service within the Personnel Department will, once they understand the details of the complaint being registered by the complainant, interview the party accused of harassment, as well as other related parties as necessary, in order to accurately understand the situation, and attempt to solve the issue via advice or other measures.

Harassment Consultation Service

The Harassment Consultation Service has been set up within the Personnel Department to serve as a contact point for advice and registering complaints regarding harassment, and also to provide a response to such complaints. Advice regarding harassment can be provided via the Harassment Prevention Committee representative in each branch and department. We have established the system so that employees can talk directly with the Harassment Consultation Service within the Personnel Department.

2 Measures to Support Employee Career Formation

(1) Recruiting and Hiring

The recruitment section of our website provides clear explanations of the characteristics of our personnel system, the function of trusts, and their importance, and the business content of each of our divisions. The website also features items such as employee interviews to give visitors a realistic idea of employee life.

More than 53,000 recent graduates applied via the website during the 2011 recruitment period, and the number of entries continues to increase every year.

	FY2009	FY2010	FY2011
Number of new recruits*	537	434	314
Male	204	176	122
Female	333	258	192

* Total for The Chuo Mitsui Trust and Banking Company, Limited, Chuo Mitsui Asset Trust and Banking Company, Limited, and The Sumitomo Trust and Banking Co., Ltd.

(2) Our Personnel System and Personnel Management, Supporting Employee Career Formation

The Sumitomo Mitsui Trust Bank, Limited, to be launched in April 2012, plans to implement a course-based system that promotes employee career formation.

Employees will be streamed into three courses, the G Course, R Course, and A Course, depending on their likelihood of being transferred and the nature of their work duties.

There is also a system, applied to all courses, that places employees into four work groups based on their demonstrated capabilities. By adopting this system, we encourage personnel management based on ability, rather than age or gender.

(3) Internal Job Posting System

We have initiated an internal job posting system to encourage our employees to independently and voluntarily shape their own careers. Under this system, applicants can apply directly to the Personnel Department. If applicants pass the screening, they will be able to transfer to their desired position or division.

(4) Personal Evaluation System

The Group's personnel evaluation system enables individual employees to participate in the evaluation process. Employees consult with their supervisors, setting tasks that they will attempt to tackle at the beginning of the term. They meet again with their supervisor to discuss whether they achieved these goals and to receive feedback.

3 Measures to Support Employees in Improving Their Skills

(1) Level-Based Training

While employee training and skills development in the Group is generally provided on an OJT* basis, group training is also provided, with the objective of improving employees' operational skills and management abilities, many opportunities for self-development are also provided to encourage employees to keep improving their skills. For example, we provide training for young and mid-level employees in order for them to achieve improvements that are appropriate to their respective role expectation.

* OJT = On the Job-Training. OJT is a process whereby workplace supervisors and senior employees teach subordinates the knowledge, skills, and duties required of them via their daily tasks.

(2) In-House Training Programs with Rich and Diverse Curriculums

Our in-house training programs offer an extensive lineup of courses, as well as many opportunities for training, enabling the acquisition of various business skills. Furthermore, in terms of self-development, we guide our employees so that they can broaden their range of professional opportunities by raising their fundamental skills, such as by attaining qualifications outside the company and improving their English abilities.

(3) Human Resources Development that Promotes CSR

CSR is incorporated into the training curriculum for new hires, and we give lectures on the Group's basic CSR philosophy as well as the significance of our efforts.

4 Promoting a More Employee-Friendly Workplace Environment

(1) Measures to Promote the Realization of a Healthy Work-Life Balance

The Group actively works to establish a workplace environment where employees can work with peace of mind, while maintaining a good balance between work and personal life. Specifically, in addition to offering childbirth and childcare leave until children reach the age of 2, we also offer childcare leave for fathers, and up to 10 days per year of additional leave to look after sick children (for employees with two or more children requiring care). Furthermore, we offer a system of shorter working hours and the freedom to choose not to work overtime or at night, creating an environment where parents can raise their children with peace of mind. Moreover, for employees with family members who require nursing care (with two or more family members requiring care), we offer up to 10 days of nursing care leave, a nursing care leave system that provides up to one year's leave, and a shortened workday system.

In addition, we have held "Family Visit Days," when the family members of employees are invited to the workplace in order to deepen the bonds and communication between family members, and to provide an opportunity for families to consider what it means to work as part of society.

Based on Article 13 of the Act on Advancement of Measures to Support Raising Next-Generation Children, the Group has been accredited, through the attainment of certain performance targets, as a regulation-conformant general business, required to receive the "Childrearing Support Approved Business Mark" (also known as the "Kurumin Mark").



(2) Improving the Workplace Environment

The Group is conducting a broad range of initiatives to improve the workplace environment. Specifically, we have been working on reducing the level of overtime work by carrying out thorough work-efficiency and time-management measures. In addition, we have attempted to minimize total working hours by encouraging employees to take long holidays and by conducting promotions such as "Go-Home-Early" month and "Leave-the-Office-on-Time" week.

(3) Employee-Health Management System

In an effort to help our employees manage and improve their health, we have appointed medical and hygiene supervisors

(hygiene promoters) at each of our business locations to provide detailed health management guidance. Moreover, we provide health examinations every year and assistance to employees and their families to enable them to receive comprehensive physical examinations at facilities through our health insurance association.

We offer mental health counseling sessions at clinics within our company, and our health insurance association also provides free health advice to employees by telephone. In addition, we have activities such as training for managers to raise their awareness at recognizing the importance of employee health management.

5 Creating a Workplace Where Employees with Diverse Backgrounds Can Work

(1) Appointing and Supporting Women

At the Group, the right personnel are placed in the right positions based on their capabilities, in order that all of our employees can realize their full potential. We make sure that decisions about managerial promotions are strictly based on merit.

In particular, we proactively appoint female employees to the position of Section Manager or above, and carry out training for female employees who have not yet reached Section Manager level in order to foster proactive career planning and network creation.

We plan to continuously hold information exchange meetings, both for female Section Managers and sub-Section Manager leaders, as a means of promoting personnel exchange inside and outside the company, and the sharing and resolution of issues faced in the carrying out of duties.

Moreover, from the standpoint of supporting the balance between work and private life, we are promoting the development of a variety of systems and a workplace environment in order to make it easier for employees to choose flexible ways of working so that they can cope with major life events such as childbirth, childcare, and nursing care.

(2) Employment of Disabled Persons

We strive to hire disabled persons who wish to work. As of June 1, 2011, our disabled person employment ratio* was 2.03%, exceeding the statutory ratio.

* Total for The Chuo Mitsui Trust and Banking Company, Limited, Chuo Mitsui Asset Trust and Banking Company, Limited, and The Sumitomo Trust and Banking Co., Ltd.

(3) Re-employment of the Elderly

The Group has in place a program that rehires retirees who meet certain criteria, until they reach the age of sixty-five.

Environmental Burden Reduction Initiatives

The Group utilizes an environmental management system framework to reduce the environmental impact of its daily business activities, and is working on initiatives to improve the efficiency of its operations.

• Environmental Policy

1. Provision of Products and Services

We will strive to reduce environmental risks and enhance environmental value for the society as a whole by providing financial products and services that contribute to the preservation of the global environment and the realization of a sustainable society.

2. Environmental Burden Reduction

We will strive to preserve the environment and realize a sustainable society through efforts toward energy conservation, resource conservation, and resource recycling based on the recognition of the burden imposed on the environment by the consumption of resources and the discharge of wastes involved in our business activities.

3. Pollution Prevention

We will strive to ensure continuous verification and improvement of our environmental activities and make efforts to prevent pollution.

4. Regulatory Compliance

We will comply with the laws, regulations, rules, and agreements concerning the preservation of the environment.

5. Monitoring

We will strive to ensure the continuous improvement of our environmental activities by setting and periodically reviewing and revising environmental objectives and targets.

6. Education & Training

We strive to ensure group-wide awareness of compliance with the Environmental Policy and to provide appropriate environmental education.

7. Information Disclosure

We will strive to promote activities to preserve the environment through communications with external organizations by publicly disclosing the Environmental Policy.

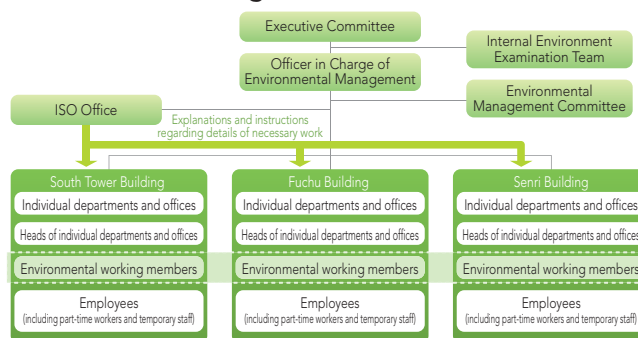
* The Action Guidelines for Mitigating Climate Change (see page 14) and the Action Guidelines for Preserving Biodiversity (see page 22) are specific guidelines that were drawn up based on this Environmental Policy.

1 Strengthening Our Environmental Management Structure through the Introduction of ISO 14001

(1) Environmental Management Structure

In March 2009, the South Tower Building, the Fuchu Building, and the Senri Building obtained ISO 14001 certification, the international standard for environmental management systems. By coordinating the processes of our core businesses with environmental management, and incorporating environment-related efforts into our management strategies, we have been able to move forward with more effective measures.

Environmental Management Structure



* Structure of the Sumitomo Trust and Banking Co., Ltd. We are planning to create a similar structure after the April 2012 merger of our subsidiary trust banks.

(2) Operating Conditions of the Environmental Management System

We conduct internal auditing to verify whether the environmental management system is being carried out effectively and efficiently. This auditing is performed by an auditing team made up of internal auditors from our employees and external specialists (NKSJ Risk Management, Inc.). The team's findings are reported to the management and used in implementing further improvements.

In the internal audit conducted in July 2011, our CSR-related product development and promotion and our achievement of both environmental management and profitability received high marks.

In the future, these initiatives will be spread throughout the group, and we will steadily and surely implement improvement measures.

2 Environmental Burden Generated by Business Activities

(1) Major Activities and Targets

We have clearly stated in our Environmental Policy our determination to be conscientious regarding the environmental burdens caused by the resource consumption, waste emissions, and the other effects of our business activities, as well as to work toward achieving environmental preservation and a sustainable society by engaging in energy conservation, resource conservation, and resource recycling efforts. Our three ISO 14001 certified business offices make continuous improvements by establishing and regularly revising environmental targets.

Major Activities and Targets

Activities	Targets	
	FY2010* ¹	FY2011* ²
Paper consumption	5% Reduction	10% Reduction
Electricity consumption	2% Reduction	8% Reduction
Waste discharge	3% Reduction	10% Reduction
Environment-conscious "Green procurement"	90%	91%
Expansion of sales of environment-related financial products		
Environment-conscious activities in office		

Targets for ISO Certified Sites (South Tower Building, Fuchu Building, and Senri Building)

*1 Paper, electricity, and waste discharge figures indicate reductions since FY2008.
(Fuchu Building and Senri Building electricity figures are vs. FY2007)

*2 Paper consumption and waste discharge figures indicate reductions since FY2008.
Electricity figures indicate reductions since FY2010.

Environmental Performance (Domestic Sites)

Input	FY2009			FY2010		
	Chuo Mitsui Trust Holdings	Sumitomo Trust	Total	Chuo Mitsui Trust Holdings	Sumitomo Trust	Total
Total energy input (GJ)	522,071	600,189	1,122,260	527,817	616,514	1,144,331
Electricity use (MWh)	47,720	51,700	99,420	47,565	52,611	100,176
Gas use (km ³)	690	1,248	1,938	675	1,337	2,012
Gasoline use (kl) * ¹	58	616	674	55	619	674
Paper consumption (t) * ²	432	531	963	377	521	898
Recycled paper (t)	53	332	385	0	338	338
Water use (m ³)	129,709	71,610	201,319	128,274	71,665	199,939

Output	FY2009			FY2010		
	Chuo Mitsui Trust Holdings	Sumitomo Trust	Total	Chuo Mitsui Trust Holdings	Sumitomo Trust	Total
CO ₂ emissions (t)* ³	22,437	25,211	47,648	21,072	25,944	47,016
Total waste disposal (t)* ⁴	1,265	812	2,077	1,158	724	1,882
Paper disposal (t) * ⁴	1,009	592	1,601	857	503	1,360
Recycled amount (t)	967	592	1,559	831	503	1,334
(% of total)	96	100	97	97	100	98
Other waste disposal (t) * ⁴	1,189	176	1,365	1,091	170	1,261
Recycled amount (t)	1,000	144	1,114	921	143	1,064
(% of total)	84	82	84	84	84	84

• Tabulation Period:
April 1, 2009 - March 31, 2011

*1 Does not include all sites.
*2 Scope includes paper used for copies and computer printouts.

*3 Chart uses actual emission factor. Amounts from previous years have also been recalculated.

*4 Main site buildings

Findings from External Auditors

Findings (positive assessments)	As one of the Group's principal management goals (business objectives), the Group has incorporated the development and dissemination of CSR-related products, a move that expanded its lineup of products reflecting societal conditions and led to greater sales. This has enabled the Group to achieve both environmental management and profitability.
	In setting departmental targets, the Group has not discarded profitable initiatives that fell below impact evaluation standards, but instead instructed departments to set individual voluntary objectives, and respected the autonomy of individual departments.
	The number of monitoring and measurement items is high, so in order to reduce the operation load on staff, the Group promotes data collection mechanization, systematization and automated generation, improving efficiency.
	In order to boost employee awareness, the Group consistently provides rich general education e-learning courses and carries out extensive education activities.
Opportunities for Improvement	On the educational program, internal auditor training is regarded as part of general education, but as this education is provided for specific individuals who will be responsible for internal auditing, the Group should give consideration to the fact that this would normally be treated as special education.

(2) Environmental Performance

The Group has been engaged in the 3Rs (Reduce, Reuse, Recycle) initiative with the objective of reducing both its input of resources and the burden (output) that it places on the environment. In 2010, the volume of CO₂ emissions was 47,016 tons, 1.3% less than that of the year before. For paper usage, we managed to cut the amount by 6.7% versus FY2010. This was accomplished by creating stricter inventory controls for supplies, pamphlets, and the like, as well as thoroughly managing creation and disposal costs, and devising separate, department-specific measures for each of the departments that showed a particularly

high volume of paper consumption. Paper disposal dropped by 15.1% versus the previous year, and our recycling rate rose 1%, from 97% to 98%. The Fuchu Building used an energy service company (ESCO) to carry out extensive energy-conservation measures, such as conversion of its heat source system. But due to an increase in the number of personnel and equipment in the IT Department, electricity consumption rose over last year by a slight 0.8%. Water consumption fell by 0.7%, and gasoline usage remained unchanged.

In the future, through intensive promotion and management by the Secretariat, we aspire to eliminate discrepancies among activities carried out in our various departments and improve our environmental performance throughout the entire group.

3 Countermeasures against Climate Change

(1) Promoting Group-Wide Energy Management

The amendment of the Energy Conservation Act, which came into effect in April 2009, presented an opportunity for the Group to introduce a system, @Energy, to promote comprehensive energy and CO₂ emissions management. Generally, the headquarters and branches of finance companies are located in buildings they do not own, making it difficult to assess energy usage. However, with the cooperation of building owners and other means, we have been able to collect this data at all locations since April 2009.



Energy management system using the @Energy website

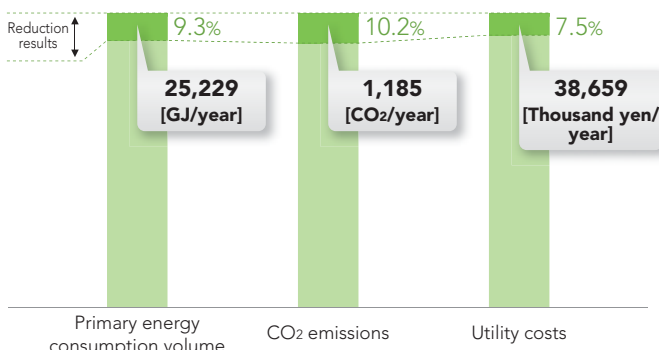
(2) Responding to Metropolitan Tokyo's Total CO₂ Emission Reduction Obligation

The head office building of The Chuo Mitsui Trust and Banking Company, Limited (hereafter referred to as the "Shiba Head Office Building"), the Chofu System Center, the Meguro System Center, and the Fuchu Building are business locations subject to CO₂ emission-reduction obligations. Hence, they have been designated as "Specified Global Warming Countermeasure Business Locations." Third-party verification has set the following reduction baselines: Shiba Head Office Building, 3,132 tons of CO₂; Chofu System Center, 4,715 tons of CO₂; Meguro System Center, 4,255 tons of CO₂; Fuchu Building, 11,570 tons of CO₂. Over the five years from 2010 to 2014, they are obligated in principle to achieve an 8% reduction.

In order to comply with the CO₂ emissions reduction ordinance, various measures have been taken, such as the introduction of a Building Energy Management System (BEMS, which is a high-efficiency energy management system) by the Chofu System Center with the support of the New Energy and Industrial Technology Development Organization (also known as NEDO), and the introduction of an ESCO (the installation of high-efficiency heat source systems, the optimization of air-conditioning operations, etc.) at the Fuchu Building, which has a particularly large emissions volume.

Actual emissions during the FY2002 to FY2010 period were reduced by 12.7% for the Shiba Head Office Building, 29.3% for the Chofu System Center, and 32.6% for the Meguro System Center, already achieving ordinance targets. In order to reduce emissions by the Fuchu Building by approximately 12% by FY2014, various initiatives have been planned, based on the ESCO's measures.

Energy Conservation Results from the ESCO's Introduction



4 Sumitomo Mitsui Trust Group Electricity Conservation Measures

Electricity conservation measures that reduce unnecessary electricity consumption are always critical for maintaining environmentally friendly operations. But in 2011, concerns about electrical shortages caused by the Great East Japan Earthquake made electricity conservation more important than ever. The Ministry of Economy, Trade and Industry, under the Electricity Business Act, requested all major facilities that use large amounts of power and that are within the service areas of Tokyo Electric Power Company and Tohoku Electric Power Company to reduce their peak power usage by 15% as a general rule. The Group implemented various responses to comply with this request.

(1) Response by Major Facilities

Within the Group, the Shiba Head Office Building, Chofu System Center, Meguro System Center, Meidaimae Center (main building), and Fuchu Building were categorized as major facilities.

In addition to setting air-conditioner temperatures at each of the facilities to 28°C in the summer as a general rule, we also reduced lighting in common areas and offices, and thoroughly applied energy-saving settings to office equipment. We also implemented initiatives tailored to the characteristics of individual facilities, such as shutting down dining hall kitchens, converting backup heat-storage tanks to air conditioning, and changing machine-room air conditioning energy sources. Peak power usage was cut by at least 15%.

Facility	Reference Power Value*1	Peak Power Usage*2	Reduction Ratio
Shiba Head Office Building	1,358kw	757kw	44.3%
Chofu System Center	1,248kw	984kw	21.2%
Meguro System Center	1,856kw	1,448kw	22.0%
Meidaimae Center (main building)	696kw	528kw	24.1%
Fuchu Building	4,247kw	3,334kw	21.5%

*1 Peak power usage during the previous year (from July 1, 2010 to September 9, 2010)

*2 Peak power usage during the July 1, 2011 to September 9, 2011 period

(2) Response by Other Facilities

Even for branch offices and facilities (including buildings owned by other companies) other than the major facilities within the service areas of Tokyo Electric Power Company and Tohoku Electric Power Company, we set air conditioner temperatures to 28°C in the summer as a general rule, reduced lobby and electrical sign lighting, and applied energy-saving settings to ATMs, reducing peak power usage by 15% or

more. Electricity saving measures were also implemented in the area served by Kansai Electric Power Company.

5 Environmental Considerations at Our New Head Office Building

The Group's new head office building was completed in January 2012 in Marunouchi, Chiyoda-ku, Tokyo. The building features environmentally friendly exteriors and highly energy-efficient facilities to reduce CO₂ emissions, and add greenery to the lower levels. We plan to obtain the Comprehensive Assessment System for Built Environment Efficiency (CASBEE) class "S" assessment, the highest class possible. The building has also been selected by the city of Tokyo as one of the "Low Emission Buildings TOP30 in Tokyo."



The building exterior uses low-E double-paned glass in order to reduce its heat impact, horizontal perpendicular louvers for each cardinal direction that take into consideration the position of the sun, automatic-angle adjusting blinds that follow the sun, and other advanced features. It is a cutting-edge, environmentally friendly building with a host of environmentally harmonious technologies and systems, reflecting the Group's efforts to achieve environmental harmony, such as through the installation of ultra-high efficiency transformers and total heat exchangers, air conditioners controlled based on individual thermal measurements, and natural energy use.

6 Initiatives by Related Companies

EcoAction 21 Certification Oriented Initiatives

In May 2011, Sumishin Panasonic Financial Services Co., Ltd., started a new project team as part of its efforts toward receiving the EcoAction 21 certification. In addition to measures such as creating and operating an environmental management system to reduce electricity consumption and waste emissions, it is working to appropriately dispose of equipment for which the lease periods have ended. It is dedicated to carrying out these initiatives through the course of its primary business activities, such as by supporting the installation of environmental devices through eco leases. In doing this, it is aggressively pursuing the advantages of low interest-rate financing through Environmental Rating Loans and "green bidding" by government offices and agencies.

Materiality 3

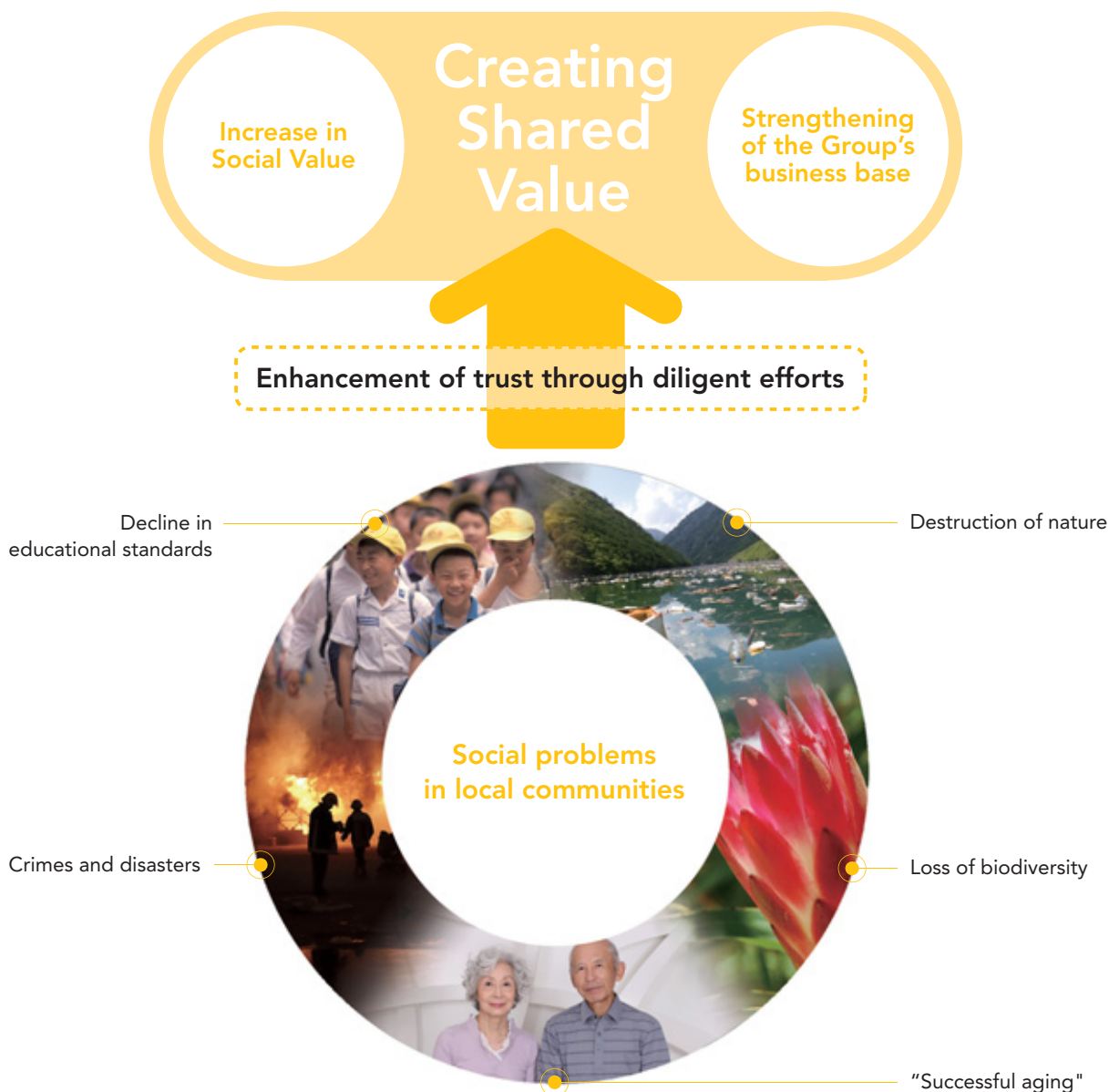
CSR Activities to Enhance Trust and Strengthen the Business Base

The Group makes various social contributions, primarily through local business offices. These activities play a crucial role in earning the trust of clients and local communities, promoting familiarity, and strengthening our business base.

We have made donations to the victims of the Great East Japan Earthquake and to help rebuild the disaster-stricken areas. In addition, branches and group companies have carried out independent activities to support reconstruction.

Creating Shared Value

Although corporations contribute to society along various themes, the Group is stepping up its activities in three areas, namely, (1) support for the environment and living beings, (2) support for “successful aging,” and (3) contributions to local communities and society. Even though the social values involved in these fields include activities not directly connected to the Group’s business, we believe that continuing consistent activities will enhance the trust our clients and local communities place in us and consequently strengthen the Group’s business base.



"With You"—Social Contribution Activities—

The Group engages in a wide range of social contribution activities in order to enhance stakeholders' trust, primarily through each local business office, and to strengthen its business base. With the catchphrase "With You," the Group has been engaging in such activities. In this section, we explain the most prominent activities being undertaken at the business offices of Chuo Mitsui Trust and Banking, Limited and The Sumitomo Trust and Banking Co., Ltd.

WithYou

The Group seeks to put particular focus on the three "With You" activities of (1) support for the environment and living beings, (2) support for "successful aging," and (3) contributions to local communities and society. Each business office intends to contribute to local communities and build a strong relationship of trust with community members primarily by conducting these activities, which are rooted in such communities. The Group's business base consists of business offices located in various regions, including those in foreign countries. Such social contribution activities play the role of enhancing trust in the Group and further strengthening its business base.





Support for the environment and living beings



Support for the National Trust Movement



The National Trust is a global movement aiming to preserve places of natural beauty and historic buildings by purchasing or receiving them as donations or bequests, thus ensuring they can be passed on to future generations. The Association of National Trusts in Japan raises awareness about this movement and coordinates the activities of many groups working in Japan for this cause.

We support the National Trust in various forms, such as through campaigns by social contribution donation trusts, testamentary trusts, and investment trusts, while receiving expert advice from the Association of National Trusts in Japan and the Ecosystem Conservation Society-Japan.

As part of this initiative, we implemented the "National Trust Support Campaign" to protect three types of precious living beings when we began selling the "Green Balanced Fund" investment trust in 2010. This campaign supports a program that buys land in three locations, namely Amami Oshima in Kagoshima Prefecture (for the Amami rabbit), Tsushima in Nagasaki Prefecture (for the Tsushima leopard cat), and Kuromatsunai-cho in Hokkaido (site of Japan's northernmost beech forest), and protects rare species in danger of extinction that inhabit these places. After this campaign ended, we donated to the Ecosystem Conservation Society-Japan.

We carry out activities in collaboration with the World Wide Fund for Nature Japan (WWF Japan) and implemented a special interest rate campaign for donations to WWF Japan. During the campaign period, we displayed panels in the lobbies of our branches on nature conservation with the theme of preserving biodiversity.

Participation in COP10-related Events



In connection with the Tenth Conference of the Parties to the Convention on Biological Diversity (COP10) held in Nagoya in October 2010, we held lectures, exhibited photo panels, offered branch-sponsored seminars, and arranged exhibitions in branch lobbies for corporations and citizens in Nagoya ahead of the convention. To support COP10's preparatory activities, we also provided seminar halls and lobby areas at our branches to the Japan Civil Network for the Convention on Biological Diversity, in which local NPOs took part as the core members.

In addition, in connection with COP10, many events concerning biodiversity were held continuously throughout the year ahead of the main event. These included the "One Year Countdown Event to COP10" in October 2009, the "Half Year Countdown Event to COP10" in May 2010, and the "100-Day Countdown Event to COP10" in July 2010. We actively offered support by providing assistance in such events. In particular, we proactively provided information concerning biodiversity through booth exhibitions and the on-stage introduction of activities in the "Half Year Countdown Event to COP10" and lectures on "SRI activities by corporations" in the "100-Day Countdown Event to COP10."

Even after COP10, we participated in the closing event for the International Year of Biodiversity held in Ishikawa Ongakudo music hall in Kanazawa in December 2010. Our branch displayed panels there to describe our stance and activities toward biodiversity problems.

A Lobby Exhibit on Biodiversity



As part of our activities to support living beings, which are aimed at arousing interest in nature close to our clients, the Ibaraki branch in Osaka Prefecture held "Shinta-kun's IKI-MONO-MIKKE (I found it!)

Biodiversity Report," an exhibit on biodiversity, in its lobby. In July 2010, employees themselves went around the local area to take photos of the fauna, focusing on Lake Biwa, which provides drinking water to Ibaraki citizens. Many photos and pictures were displayed in the lobby. Furthermore, in the "Insect Edition" of August 2010, we used origami to explain the secrets of the area's insects. In the "Ibaraki Satoyama Edition" of September 2010, we introduced the nearby satoyama, the rural landscape of Japan that consists of secondary forest, farmland, grasslands, etc. Exhibits featuring a map of the satoyama and a fauna motif, made of origami, were displayed.

Maintaining Satoyama and Bamboo Groves in Verdant Yamaguchi



Yamaguchi Prefecture is a largely verdant area, yet it also has forests that are not adequately cared for due to a shortage of maintenance staff, stemming partly from depopulation.

The Hofu branch participates in efforts to thin the forests and bamboo grooves and prune tree branches. The project is carried out together with members of Chikurin Volunteer Hofu and Hofu Rotary Club in an effort to periodically maintain the satoyama and bamboo grooves. Through these activities, we not only contribute to the regeneration of forests and satoyama but also enhance relationships with local citizens and children. These activities have entered their seventh year since their commencement in 2005 and have established themselves as an annual event for the branch.

"Deer of Nara" Habitat Eco Tour



The Nara branch has been taking initiatives to stress the importance of biodiversity by explaining the impact humans have on animals and the pros and cons of that impact, using the theme of "the

Deer of Nara," a local symbol. In September 2010, the branch participated in habitat fieldwork (observing the habitat of deer and making a tour of the facilities for deer) organized by the "Foundation for the Protection of Deer in Nara Park" together with 25 clients. The group learned about the deer's coexistence with nature and the ecological cycle theory.

Also, in the branch lobby we displayed panels borrowed from the Foundation for the Protection of Deer in Nara Park. Through this and other events, clients who visited the branch were able to gain a broad understanding of biodiversity.

Preserving Native Plants in Natural Parks



The Kitamoto Nature Observation Park in Saitama Prefecture is designed to preserve the natural environment of this "countryside satoyama," and is well maintained as a wildlife habitat. Since 2006, the Omiya

branch has participated in volunteer activities to cull non-native plants and make other efforts to preserve the park's indigenous plants. In 2010, the fifth year of the project, we listened to explanations from the park staff about its flora and fauna, and we helped protect the local ecosystem by culling non-native trees that impact Japan's unique ecosystem.

As a result, we made space for the planting of native trees, like Konara oak and Shirakashi (Japanese white oak).

Creating Awareness Regarding the Protection of Endangered Fish Species



The Yao branch in Osaka Prefecture is breeding a local endangered fish, the Nippon Baratanago (rosy bitterling), in a fish tank in the branch's storefront window, in a bid to raise public awareness of the need for its protection. Inspired by this activity, branches in Kobe, Hyogo Prefecture, Sendai, Miyagi Prefecture, and Aobadai, Kanagawa Prefecture, as well as consulting offices are now working with local conservation groups to breed and display fish (golden venus chub, zenitanago, and Yokohama killifish) in their lobbies. Panels are also displayed in the lobbies, explaining the ecologies of these fish.

Energy Conservation and Global Warming Countermeasures in Everyday Activities



There is heightened movement toward making energy conservation and global warming countermeasures part of our everyday activities. The Sapporo branch is calling on its employees to set their thermostats at 20°C during winter, not only in the workplace but also at home. Through this measure, named "Let's Set the Temperature at 20°C," the branch is raising awareness of CO₂ reduction among not only employees but also their families. Thanks to the campaign, the employees have made it a habit to turn off unnecessary lighting and are actively taking various initiatives for energy conservation and the prevention of global warming. The Sagami-hara branch in Kanagawa Prefecture and other branches are also adjusting their thermostats. In addition, branches in Fukui, Shinjuku, Tokyo, and other locations cooperated with the local governments and the local shopping districts in sprinkling water in the area around the branches, in connection with energy conservation and global warming countermeasures for summer.

Promoting Local Production for Local Consumption in the "Home Gardening Seminar"



The Aobadai consulting office in Kanagawa Prefecture enlisted the help of SAKATA SEED CORPORATION to hold a seminar on home gardening, which is the most familiar form of local production for local consumption, mainly among our clients. In the first part of the seminar, the consulting office introduced home gardening from spring, and in the second part it introduced funds relating to CSR and the environment. The number of participants in the seminar exceeded capacity and the participants actively asked questions, extending the seminar by 30 minutes beyond the scheduled time. The seminar was very interesting for participants, who passionately engage in home gardening and gardening in their post-retirement years, because experts skilled in raising seedlings conveyed some of their secrets.

Ecocap Movement and Other Recycling Activities



The Group promotes the recycling of various items, including aluminum can tabs, postcards with miswritten messages, and postage stamps, at branches across Japan. In particular, the Group and clients worked as a single unit in moving forward with the "Ecocap Movement." Used plastic bottle caps are collected and proceeds from their sales are used to pay for vaccinations for children in developing countries. Caps are collected from executives and employees at the headquarters building and business offices, and bottle-cap collection boxes are available at branches.

Also, the Group is promoting similar activities with "Recycle Book Aid," which converts used books and CDs into cash and uses the money to provide educational and cultural support to children in Asia.

Support for "successful aging"

Seminar on Medical Treatment and Health



Amid a growing interest in medical treatment and health in aging societies, the Group, together with local specialist institutions and NPOs, holds various seminars for a wide range of clients. At the Shinjuku-

Nishiguchi branch in Tokyo and the Umeda branch in Osaka Prefecture, healthcare professionals gave lectures on cancer, which were received favorably by participants. Also, many branches held seminars on health practices and anti-aging. For example, the Hankyu-Umeda branch in Osaka Prefecture held a "Seminar on Exercise for Improving Health" and the Shinjuku branch in Tokyo held a "Hands-on Happy Aging Seminar." Participants gave a lot of positive responses like, "I learned what to watch out for."

Installation of AEDs and Training



The public is increasingly being required to learn how to use automated external defibrillators (AEDs), which resuscitate people whose hearts have stopped, as the devices become commonplace. The Nagoya branch

in Aichi Prefecture invited a speaker from Nakamura Fire Station in Nagoya to conduct a lifesaving training program. Participants received practical training mainly in emergency resuscitation, such as cardiac massage, and the use of AEDs by using a doll, covering all practices from identifying sufferers to the arrival of an ambulance. At the end of the program, all the participants received a Lifesaving Training Program (General Course) Certificate. In Hiroshima as well, the branch invited an outside speaker to conduct an AED training program following the installation of an AED at its 1st floor entrance.

The Pink Ribbon Campaign



The Group participates in the "Pink Ribbon Campaign," which seeks to raise public awareness of the importance of the early detection, diagnosis, and treatment of breast cancer.

The Wakayama branch held exhibits in its lobby, distributed pamphlets, and cooperated in the "Pink Ribbon Campaign in Wakayama," and made pink ribbons for the runners participating in the "Wakaura Bay Marathon with Jazz," to be held in Wakayama City. Also, the Fukuoka branch, in partnership with Kurume University Hospital, announced a service in which a PET scan course for cancer screening is offered at a partnership rate. In addition, branches in different locations are engaged in various activities. For example, the Chiba branch and Sendai branch in Miyagi Prefecture participated in the Smile Walk event, while the Umeda branch in Osaka held a seminar on breast cancer.

Seminar on Nursing Care and Adult Guardianship System



The Group holds seminars on nursing care and retirement homes and displays panels so that elderly clients can spend their post-retirement years with peace of mind. The Ashiya consulting office in Hyogo Prefecture held a seminar explaining the differences among facilities, costs, and services, which the participants appreciated. Also, branches across Japan displayed panels on the nursing-care insurance system. With respect to the adult guardianship system, which is attracting interest among middle-aged and elderly people, the Yokohama branch in Kanagawa Prefecture invited an administrative scrivener to hold a seminar. The seminar was well received, with many participants requesting individual consultations. In addition, the Ibaraki branch in Osaka Prefecture and the Aobadai consulting office in Kanagawa Prefecture held seminars on the theme of funerals. Participants made comments such as, "It was good because I was able to hear about a topic that is rarely discussed."

❖ Workshop on Becoming a Supporter for People with Dementia



The Group receives many enquiries regarding procedures involving elderly people, as well as inquiries from the families of elderly people. It thus held the "Workshop on Becoming a Supporter of People with Dementia." We also encourage our employees to attend outside seminars. The Chiba branch invited a speaker from an association officially recognized by Chiba City Hall to hold a "Workshop on Becoming a Supporter of People with Dementia." Also, at the Kichijoji branch in Tokyo and the Saga branch, our employees participated in a workshop for becoming a supporter of people with dementia, and made efforts to properly understand dementia. Through these activities, our employees are learning how to support clients with dementia and their families, and understand more about what they can do in everyday life.

❖ Exhibits about Pensions Held at Branch Lobbies



Clients will have greater awareness of post-retirement life if they deepen their understanding of the pension system. To help clients achieve wellness ("successful aging"), each branch displays exhibits in their lobbies relating to basic information on the pension system. The Osaka head sales office displayed panels, which included an explanation of how to read the annual pension notice, and it also placed booklets and leaflets in the lobby and the storefront. Similar exhibitions were held in such locations as Tachikawa, Tokyo, and Okayama. Clients responded favorably to our active support for their post-retirement lives.

❖ "Love Letters at Sixty"



"Love Letters at Sixty" is a project we launched on November 22, 2000 (11/22 sounds like "good husband & wife" in Japanese). This project invites couples to compose love letters, or messages on postcards, addressed to their spouses and to send them to us. Of the letters submitted, about 160 are selected each year for publication by Japan Broadcast Publishing Co., Ltd., with all the royalties from sales donated to the NHK Year-End Charity Drive and NHK Overseas Charity Drive, and to the Japan Guide Dog Association. Along with this project, the Akashi branch in Hyogo Prefecture held book readings together with a performance by the Akashi Philharmonic Orchestra. In addition, the Kashiwa consulting office in Chiba Prefecture invited Hiroshi Masuoka, a famous voice actor for Masuo-san, a character in the animated TV series "Sazae-san," and held book readings and a group play reading.

❖ Introduction of Activities to Support Orphans in India



The Niigata branch, in collaboration with Niigata Prefecture, has been using its lobby to introduce the activities of "Sawayaka Kikakushitsu for Education and Environment," a volunteer group established through funds provided out of the retirement allowance of Niigata residents Mr. and Mrs. Katagiri. This group seeks to protect street children in India, whose lives are filled with danger. To this end, this group builds facilities, such as accommodations, cooking facilities, farms, vocational training centers, meditation rooms, clinics, and libraries. It is also proceeding with the construction of a school with the permission of the state government. In the branch lobby, drawings and writings by Indian children were displayed, in addition to exhibits featuring the group's activities. This project has been favorably received by branch clients.



Contributions to local communities and society



Mt. Fuji Clean-Up Program



The Shizuoka and Kofu branches in Yamanashi Prefecture held a "Mount Fuji Clean-up" in the Aokigahara Jukai area, which has become an annual activity since 2005, in cooperation with the Fujisan Club, an

NPO. A total of 120 people, consisting of the Group's employees and their families, participated, spending two hours collecting such debris as cans, plastic bottles, and plastic bags. The total weight of the trash came to about 280 kg and filled one light pickup truck. In the branch lobbies, beautiful photos of Mount Fuji were displayed, contrasting with photos of the clean-up efforts and the piles of trash taken at the time of the clean-up. In the future as well, we will tackle local environmental issues through the cleaning up of Mount Fuji, Japan's symbol, and efforts to raise awareness among our clients regarding the problems posed by the trash on Mount Fuji.



Contributing to the Local Community by Cleaning up Nihonbashi Bridge



The Nihonbashi Bridge, a culturally important property of Japan, marked its 100th anniversary in April 2011. As part of its contribution to the local community, the Nihonbashi sales department in Tokyo joined the Preservation

Society for the Famed Nihonbashi Bridge, and 28 people, including employees and their family members, participated in the annual Nihonbashi Bridge clean-up. This event started in 1971 with a view to passing on Nihonbashi Bridge, a symbol of prosperity in the Edo Era, to future generations and the hope that the nearby areas would achieve development. After the Nihonbashi Fire Station and fire brigade sprinkled water on the ground, about 1,500 participants, comprised mainly of people from neighborhood associations and employees of local companies, used deck brushes to scrub off dirt that had accumulated on the bridge over the past year and threw water-purification balls into the Nihonbashi River.



Active Participation in Clean-Up Activities of Local Communities



The Group actively participates in clean-up campaigns to contribute to local communities, and it is working to clean the shopping districts and sidewalks near branches and also to tidy up tourist attractions. Specifically, the

Group has participated in the clean-up of the Kamo River, a symbol of Kyoto, and the spectacular Tottori Sand Dunes. In addition, the Fujisawa branch in Kanagawa Prefecture became the main sponsor of the Fujisawa Beach Cleaning Project organized by the local French school Soleil Provence, thus continuing to participate in clean-up efforts for Kugenuma Kaigan. Meanwhile, the employees of the Ueno branch in Tokyo served as members of the Oedo Clean-up Team. They wore happi coats, truly feeling like part of the local community. The Yamaguchi branch engaged in a clean-up campaign while climbing a mountain with local residents.



Participation in Local Events



The Group cooperates with the local residents in holding various events. The Tokorozawa branch in Saitama Prefecture cooperated in a children's art exhibition held by the MOA Museum of Art and awarded the Sumitomo Mitsui Trust Group Prize. Meanwhile, the Kanazawa branch in Ishikawa Prefecture exhibited in its storefront window original works from the Kanazawa Institute of Technology, which use the stone walls of Kanazawa Castle as a motif. In addition, the Takatsuki branch in Osaka Prefecture participated in "Waku-Waku Street," in which various art events are held throughout the city. The branch displayed pictures drawn by local residents and awarded prizes.

Support for Next-Generation Educational, Financial, and Economic Research

In light of the fact that certain social contributions can only be delivered by a financial institution, the Group supports research in the fields of finance and economics. The assistance is aimed at the next generation, who will be tomorrow's leaders. Activities include setting up lecture courses in universities through donations in Japan and overseas. The Group also supports educational institutions in China, having invited eight outstanding students and professors from Renmin University of China to Japan in November 2011. In addition, the Group held the Japan-China Research Exchange Forum at Fudan University in Shanghai in December of the same year to consider the future of finance and trust schemes in advanced fields such as environmental conservation.

• Courses Funded through Donations and Research Projects Sponsored by the Group

Aoyama Gakuin University	Sumitomo Mitsui Trust Course on Advanced Finance and Trusts
Fudan University, China	—Fudan University, China Joint Research Project— Japan-China Research Exchange Forum
Osaka Electro-Communication University	Introduction to Asset Succession Theory, Advanced Theory of Real Estate Investment
Renmin University of China, China	Chuo Mitsui Trust and Banking Course on Economics
Tsinghua University, China	Chuo Mitsui Trust and Banking—Tsinghua University China Center for Economic Research, Research Project

Support for Training to Foster Japan's Next Generation of Leaders



The J-Leader Program (headed by Nippon Keidanren Chairman Hiromasa Yonekura) seeks to foster the next generation of leaders who will play important roles in Japan's future and make a difference in the world. The

Group backs this objective and has been co-sponsoring the training since its first year, and has also dispatched employees to serve as "class teachers" every year. In 2011, the eighth year of the program, about 160 senior high-school students selected from across Japan participated in a two-week training camp in Munakata City, Fukuoka Prefecture. Prominent lecturers in various fields taught them about philosophy, critical thinking, liberal arts and other subjects that the next-generation of leaders need to know. Some of the Group's employees, who were dispatched as "class teachers," also served as good advisers to the students.

Invitation to Students of Nongmingong (Peasant Worker) School to the Shanghai Expo



The Shanghai branch held an event that brought together 30 students and five teachers from the Nongmingong (peasant worker) school in a suburb of Shanghai, where many children of migrant workers from all over China live, and 44 branch employees. The group did a tour of the environment-related pavilions at the Shanghai Expo. Afterward, the students were asked to submit written descriptions of their impressions. The branch presented a stationary set to the student with the best description. The branch concluded that this event raised the students' awareness of environmental issues. The branch will continue proactively providing educational support to the Nongmingong school, as well as undertaking activities to raise their environmental awareness, while heightening employees' awareness.

Providing Work Experience Opportunities and Support for Career Design



The Group is using donations it made to Eton College, a prestigious British private school, through the London branch to launch a Japanese language course. In the course, the Group's employees provide the students with opportunities for valuable work experience, teaching them the basics of the banking business. The New York branch has also provided support for 20 years to Bank Street College, which is internationally acclaimed for its activities aimed at improving teacher education and public education. In 2011, the branch supported the career design of local high school students through the special extracurricular activity "Liberty Program."

The Group's Initiatives for the Great East Japan Earthquake

Donations and Setting up Bank Accounts

As a way to support relief for victims of the Great East Japan Earthquake and to help rebuild disaster areas, the Group donated 100 million yen to the Japanese Red Cross Society and the Central Community Chest of Japan.

The Group also opened bank accounts to receive donations for its directors and employees, as well as for the public, including individual clients, and solicited donations from the public. In addition, the Group handles such loans as the "Special Interest Rate Housing Loan" and "Loans to Support Disaster Recovery," which make available loans at preferential interest rates to individuals and corporate clients affected by the earthquake. The purpose of the financing is to help them recover from the damage caused by the earthquake and tsunami.

Donations through the "Bridge to Tomorrow," a Social Contribution Donation Trust

The Group started handling a new product, a social contribution donation trust (also referred to as "Bridge to Tomorrow") in April 2011 (see page 28). This product is a money trust product for individuals and is aimed at making donations to organizations that engage in activities that contribute to society. This product donates one-fifth of the initial amount of trust principal by designating one or more organizations from among nine organizations. The Central Community Chest of Japan may be chosen for the purpose of supporting reconstruction following the Great East Japan Earthquake.

Providing Management Fees from "Home Land Journey 2020" as Financial Support for Recovery

Nikko Asset Management Co., Ltd. (hereinafter "Nikko AM") made donations of about 25 million yen through programs such as the "Nikko AM Employee Charity Program" to support reconstruction following the Great East Japan Earthquake. In addition, with donations consisting of all management fees Nikko AM received on its investment trust, "Japan Public Bond Fund 2020" (also referred to as Home Land Journey 2020), plus 50% of management fees from some of its other Japanese equity

investment trusts, Nikko AM launched the project "Walk Together with the Children of East Japan." With the advice of specialists in such fields as education, medicine and health, and cooperation from NPOs and NGOs with proven track records in assisting children, the project is carrying out activities that encourage and support those who have suffered from the disaster.

Volunteer Activities in Disaster Areas



In the project "Walk Together with the Children of East Japan," employees have visited Minamisanriku-cho, Motoyoshi-gun, Miyagi Prefecture, three times and conducted volun-

teer activities that are driven by employee participation. On each visit, 15-20 employees participated in the volunteer activities. They held town-planning events at elementary schools, in which the children used building blocks. The events were aimed at children whose lives were disrupted by the earthquake. In addition, participants removed debris and made sandbags. To enable its employees to actively conduct volunteer activities, Nikko AM has continually employed a system that offers employees two additional special volunteer holidays every year, in addition to their standard paid holidays.

Support for Supplies to Earthquake Victims

Employees of the Group's Tachikawa branch in Tokyo were told by a client from Miyagi Prefecture that earthquake victims were suffering from a shortage of clothes. The employees responded by gathering six cardboard boxes of clothes, which they gave to the victims. This client took the clothes to an inn where people evacuated from Minamisanriku-cho were being accommodated. When providing supplies a second time, the branch received the cooperation of stores in the vicinity of the Tachikawa branch, and was able to gather a greater amount of clothes, as well as bowls, pans and other goods.



Comments on 2011 CSR Report

Yoshihiro Fujii
Professor,
Graduate School of Global Environmental Studies,
Sophia University

This is the first CSR report by Sumitomo Mitsui Trust Holdings after its management integration. The central pillar of this report consists of the promotion of strategic CSR and the "Creating Shared Value" (CSV) based on that. The well-known concept advocated by Professor Michael E. Porter of Harvard Business School constitutes the cornerstone of the new organization.

The former Sumitomo Trust has classified CSR into "5 Paths," and has steadily promoted each path for many years. Meanwhile, the former Chuo Mitsui Trust Holdings, Inc. also engaged in CSR as a corporate citizen. Among financial businesses, the trust function, in particular, is highly public by nature and allows companies to demonstrate their social responsibility. In other words, the provision of trust services to customers itself constitutes the shared value of companies and society in the sense that it enhances the security and safety of society. Maybe they also need shared value to encourage the integration of Sumitomo Trust and Chuo Mitsui Trust.

The newly formulated Basic Policy on the Social Responsibility of Sumitomo Mitsui Trust Group (the Sustainability Policy) declares that the Group will respect dialogue with stakeholders, as well as endeavor to solve social and environmental problems "through its core businesses." I made comments on Sumitomo Trust's CSR Report last year as a third party. At that time, I wrote, "I hope that the new group will continue to be a leader in CSR activities." I am grateful that the Group has made a commitment to promote strategic CSR in its new organization under a structure that meets that expectation.

Up to now, both Sumitomo Trust and Chuo Mitsui Trust have repeatedly undertaken activities to resolve environmental and social concerns by leveraging the functions of their core businesses. Sumitomo Trust has promoted "Eco-Trustution" through initiatives that use its trust function in its environmentally friendly property business, which aims to make offices more eco-friendly, preferential interest-rate loans for environmentally friendly housing, environment-related project finance that develops renewable energies consisting of solar power and wind power, and other such businesses. That framework has been passed on to the post-integration organization in its original form.

Meanwhile, Chuo Mitsui Trust has put efforts into developing products such as life insurance trusts, reverse mortgages and charitable trusts to deal with social issues, such as the aging society and urban planning. This initiative is already being implemented in the new organization in the form of expansion of scale for all products. Furthermore, both companies have proven track records in the provision of Socially Responsible Investment (SRI)

funds, and they share awareness over problems concerning biodiversity. It would not be an exaggeration to say that the materials and framework for creating shared value are almost ready.

If I were to offer my own recommendation for improvement, it would concern performance. This report introduces various products and services that contribute to realizing shared value in the two fields of the environment and society. Even so, the level of data disclosure, including such items as figures and chronological trends of achievements, is not always sufficient.

Furthermore, I would like to add that the expectations for strategic CSR activities of the financial sector are not limited to an increase in the economic value of the core businesses and the general social value. Through financial activities, strategic CSR activities are also expected to encourage CSR activities of client companies and individuals and increase the environmental and social value of clients. An example would be to evaluate and screen the reduction of CO₂ emissions and the improvement of labor problems relating to the supply chain by client companies in financial activities. Some other financial institutions measure and disclose the impact on the CSR activities of client companies. I hope Sumitomo Mitsui Trust will do likewise.

Another point is the so-called "systematization" of strategic CSR. Strategic CSR of the financial sector does not consist only of providing individual products and services that address ESG (Environmental, Social, and Governance) issues. Ultimately, the purpose of strategic CSR is to incorporate the ESG perspective into the fundamental framework of the investment and lending activities of the entire organization, and to turn ESG into a natural state of affairs. From that viewpoint, the diverse lineup of ESG products and services is only one step in the process. In the next step of augmenting the results and spreading the effect of this initiative to the entire organization, the term ESG may no longer exist.

Strategic CSR places emphasis on activities conducted through the core businesses. On the other hand, this does not mean that pure social contribution activities are neglected. Major corporations with a social presence are called on to respond to social contribution activities needed by society, even though such activities may not have a direct connection with their core businesses. Actually, such activities that are transferred from society to corporations would enhance corporate value through the cultivation of clients' trust and employee satisfaction. Strategic CSR is profound and far-reaching.

I hope that Sumitomo Mitsui Trust will aim higher in seeking to become a leader in CSR activities.

CSR of Sumitomo Mitsui Trust Group:

Structure for Promoting CSR Activities

The Group has established a CSR Committee chaired by the President of Sumitomo Mitsui Trust Holdings, Inc. as a cross-company management organization to ensure that the entire group maintains a unified direction in the promotion of CSR. Individual CSR promotion systems have also been established at the Group companies (the promoting entities), through which CSR activities are conducted. In particular, the business offices of subsidiary trust banks across Japan appoint CSR officers and coordinators to conduct their own activities that are specific to the local community.



CSR of Sumitomo Mitsui Trust Group:

Measures to Promote CSR Activities

At the Group, the CSR Promotion Office, under the Corporate Planning Department of Sumitomo Mitsui Trust Holdings, is responsible for overseeing CSR activities. The office performs the role of promoting CSR activities of group companies through a semiannual rotation of the PDCA cycle in accordance with the promotion policy determined by the CSR Committee.

Furthermore, the CSR Promotion Office examines social and environmental issues and is also involved in the development of financial instruments and services that contribute to solving such problems. Specifically, with regard to the various pressing issues facing Japan, such as energy-related issues and the rapidly aging society, the CSR Promotion Office is looking to the field of finance for answers. To that end, it is pursuing product development through collaboration with those departments in the Group with the necessary functions.

At the same time, the promotion of CSR activities ("With You" activities) at business offices across Japan is also an important function of the CSR Promotion Office. At present, the CSR Promotion Office is conducting workshops all over Japan that bring together branch employees of The Chuo Mitsui Trust and Banking Company, Limited and Sumitomo Trust and Banking Co., Ltd. Everyone is considering what is needed for the Group to promote CSR activities that are specific to local communities, and they are making preparations to go ahead with initiatives.



The management integration of corporate groups with different corporate cultures usually gives rise to a divergence in viewpoints. But at the Group, all parties have been unanimous toward promoting CSR as its management strategy. If society is not sustainable, companies will lose their business foundation. I think many directors and employees share a sense of urgency and felt that it was necessary to take action. On the other hand, as a result of the management integration, expectations toward the Group and the responsibilities to be fulfilled are growing. I am braced for the challenge of having to meet such expectations.

CSR of Sumitomo Mitsui Trust Group:

Accession to International Guidelines for Corporate Conduct, etc., and Related Activities

The Group has signed on to various international guidelines and principles involving corporate conduct. It has actively involved itself in the formulation of international standards in cooperation with international organizations, foreign companies, and NGOs, while it implements such activities.

Accession to the United Environment Programme Finance Initiative (UNEP FI)



The UNEP FI is an international network that encourages financial institutions to take action to preserve the environment and to make development sustainable. The Group has proactively supported UNEP FI ever since it became the first Japanese trust bank to sign on to it in October 2003.

Participation in the UNEP FI Property Working Group (UNEP FI PWG)

The UNEP FI PWG is one of the working groups formed by signatory institutions of the UNEP FI to promote property finance that facilitates sustainable development, namely Responsible Property Investment (RPI). In addition to joining the working group in June 2007, the Group became a member of the media team that promotes RPI and conducts activities as one of its leading members.

Signing of a Leadership Declaration under the Business and Biodiversity Initiative "Biodiversity in Good Company"



At the ninth meeting of the Conference of the Parties to the Convention on Biological Diversity held in May 2008 in Bonn, Germany, the Group, together with 33 other companies from around the world, signed a leadership declaration under the Business and Biodiversity Initiative "Biodiversity in Good Company," which was led by the German government. Since that time, we have been playing a role as a leading company in this field and making proactive efforts to address this issue.

Signing the United Nations Global Compact (UN Global Compact)



The UN Global Compact, proposed by former UN Secretary-General Kofi Annan, is a code of conduct regarding human rights, labor, the environment, and anti-corruption. Signatory companies are called on to take measures to implement the compact. In July 2005, the Group signed the compact, becoming the first Japanese bank to do so, and declared its resolve to act as a good corporate citizen by complying with and promoting the code of conduct. The Group also became a member of the Global Compact Japan Network (GC-JN), in which signatory companies of the UN Global Compact participate.

Accession to the Carbon Disclosure Project (CDP)

CARBON DISCLOSURE PROJECT

Under the CDP, institutional investors and financial institutions around the world cooperate in urging companies to disclose information regarding their greenhouse gas emissions. The Group joined the CDP in January 2007.

Accession to the Principles for Responsible Investment



The Group companies became a signatory of the Principles for Responsible Investment, which were jointly established by the U.N. Global Compact and the UNEP FI. These principles require institutional investors and fund management institutions to give consideration to ESG (Environmental, Social, and Governance) factors when making investment decisions.

Membership in Business for Social Responsibility (BSR)



BSR, based in the United States, is an organization that promotes CSR, and it is engaged in the development of sustainable business strategies through collaboration with more than 250 member companies all over the world. In January 2010, the Group became a member of BSR and is receiving various forms of support in promoting CSR that is specific to its business, such as the provision of research information on China Stock SRI funds and the dispatch of lecturers to training programs for managers.

UN Global Compact

(Human Rights)

- Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2 make sure that they are not complicit in human rights abuses.

(Labor)

- Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4 the elimination of all forms of forced and compulsory labor;
- Principle 5 the effective abolition of child labor; and
- Principle 6 the elimination of discrimination in respect of employment and occupation.

(Environment)

- Principle 7 Businesses should support a precautionary approach to environmental challenges;
- Principle 8 undertake initiatives to promote greater environmental responsibility; and
- Principle 9 encourage the development and diffusion of environmentally friendly technologies

(Anti-corruption)

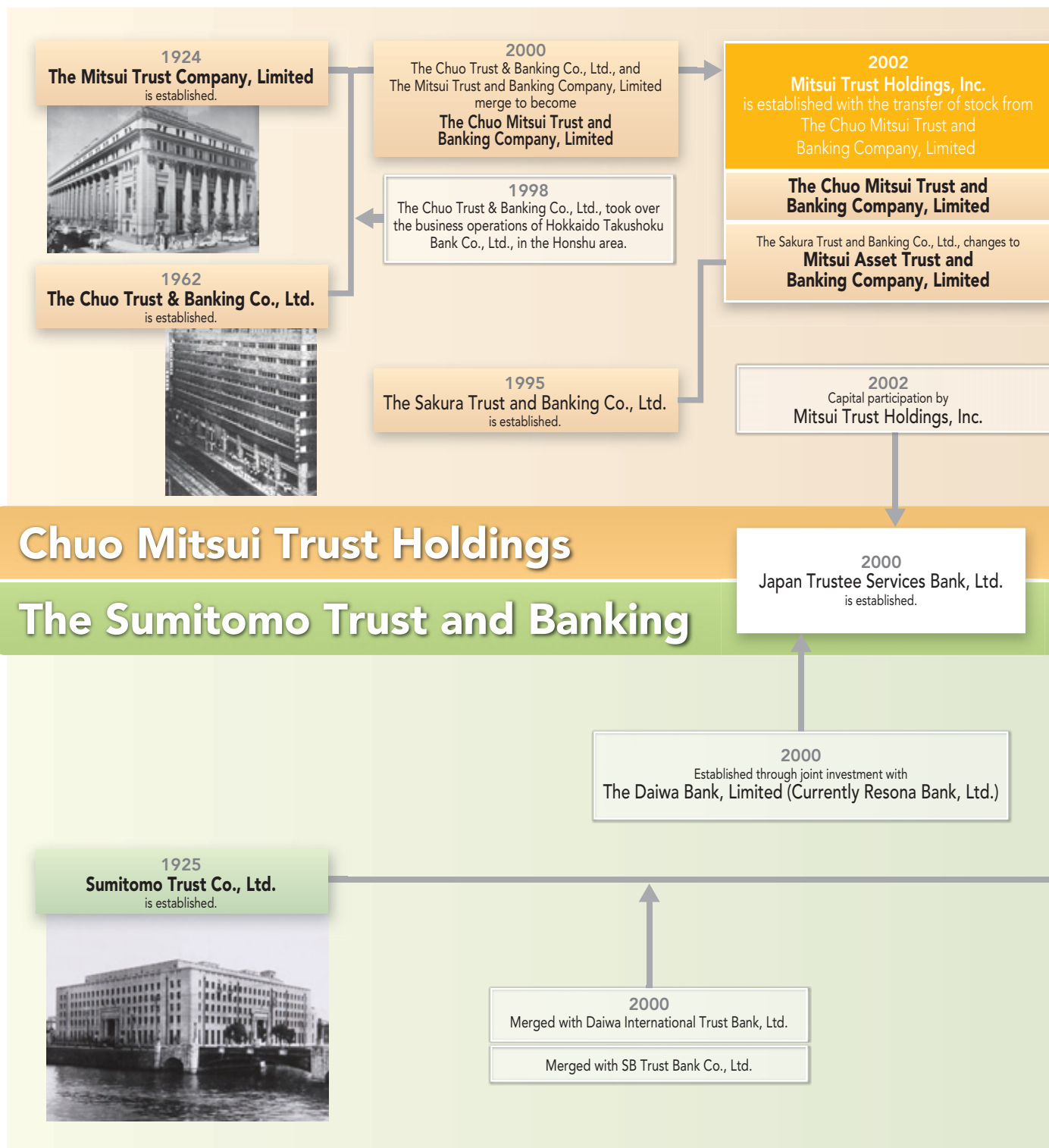
- Principle 10 Business should work against corruption in all its forms, including extortion and bribery.

Basic Information of Sumitomo Mitsui Trust Group:

Corporate Histories Leading Up to the Management Integration

Sumitomo Mitsui Trust Holdings, Inc., was established on April 1, 2011.

The following is a summary of corporate histories leading up to the management integration.



April 1, 2011

Establishment of Sumitomo Mitsui Trust Holdings, Inc.



SUMITOMO MITSUI
TRUST HOLDINGS

Symbol Mark

The symbol mark features “Future Bloom” representing the vision of Sumitomo Mitsui Trust Group, which is “to generate new value through the combination of significant expertise and comprehensive capabilities, and to help the future of our clients and society bloom.”



Corporate Color

The corporate color is “Future Blue,” which represents the integration of the sense of value that the symbol mark implies, and evokes the closeness and the future.

“Sumitomo Mitsui Trust Bank, Limited” is planned to be established on April 1, 2012 through the merger of the three subsidiary trust banks under the umbrella of Sumitomo Mitsui Trust Holdings, Inc.: The Chuo Mitsui Trust and Banking Company, Limited; Chuo Mitsui Asset Trust and Banking Company, Limited; and The Sumitomo Trust and Banking Co., Ltd.

2007

Mitsui Trust Holdings, Inc.
changes its registered trade name to
Chuo Mitsui Trust Holdings, Inc.

**The Chuo Mitsui Trust and
Banking Company, Limited**

Mitsui Asset Trust and Banking Company, Limited changes to

**Chuo Mitsui Asset Trust and
Banking Company, Limited**

Chuo Mitsui Asset Management Company, Limited

Chuo Mitsui Capital Company Limited

The Sumitomo Trust and Banking Co., Ltd.

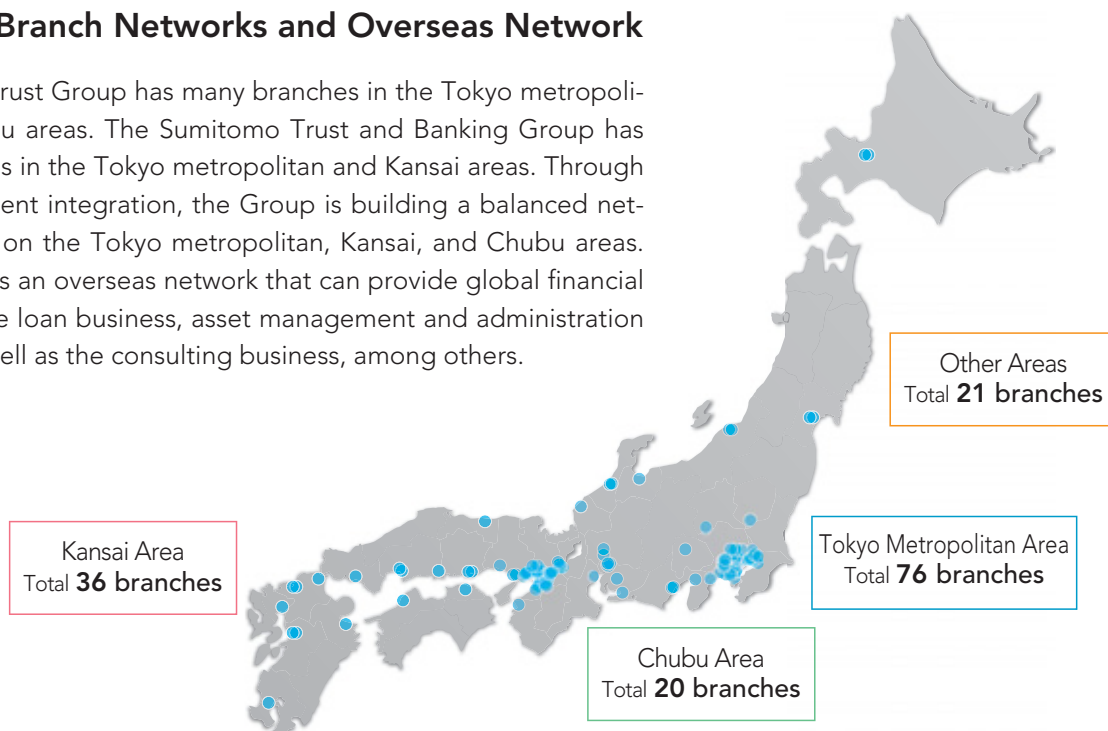
2008

Merged with Barclays Global Investors Japan
Trust & Banking Co., Ltd.

Basic Information of Sumitomo Mitsui Trust Group:

Network of Sumitomo Mitsui Trust Group (as of September 30, 2011)**Domestic Branch Networks and Overseas Network**

Chuo Mitsui Trust Group has many branches in the Tokyo metropolitan and Chubu areas. The Sumitomo Trust and Banking Group has many branches in the Tokyo metropolitan and Kansai areas. Through the management integration, the Group is building a balanced network focused on the Tokyo metropolitan, Kansai, and Chubu areas. The Group has an overseas network that can provide global financial services, in the loan business, asset management and administration business, as well as the consulting business, among others.

**Domestic Branch Networks**

(As of September 30, 2011)

	CMTB			STB			Total
		Branches	Consulplaza		Branches	Consulting Offices	
Tokyo Metropolitan Area	52 (56.5%)	33	19	24 (39.4%)	17	7	76 (49.7%)
Kansai Area	15 (16.3%)	10	5	21 (34.4%)	18	3	36 (23.5%)
Chubu Area	14 (15.2%)	13	1	6 (9.8%)	6	—	20 (13.1%)
Other Areas	11 (12.0%)	11	—	10 (16.4%)	10	—	21 (13.7%)
Total	92 (100.0%)	67	25	61 (100.0%)	51	10	153 (100.0%)

Balanced domestic branch networks, focused on the Tokyo metropolitan, Kansai, and Chubu areas

Overseas Network

(As of September 30, 2011)

		CMTB	STB
U.S.	New York	New York Representative Office	New York Branch
	New Jersey		Subsidiary (Asset management business)
Europe	London	Subsidiary (Securities business)	London Branch
	Luxembourg		Subsidiary (Asset management business)
Asia	Singapore		Singapore Branch
	Shanghai		Shanghai Branch
	Beijing	Beijing Representative Office	Subsidiary (Consulting business)
			Beijing Representative Office
	Hong Kong	Subsidiary (Investment advisory business)	Subsidiary (Asset management business)
	Others		Jakarta Representative Office
			Seoul Representative Office
			Bangkok Representative Office

An overseas network that can provide global financial services

Basic Information of Sumitomo Mitsui Trust Group:

Corporate Information (as of September 30, 2011)

Registered Trade Name:	Sumitomo Mitsui Trust Holdings, Inc.
Headquarters Location:	GranTokyo South Tower, 9-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6611, Japan
Date of Establishment:	February 1, 2002 (Change of trade name: April 1, 2011)
Main Business:	<p>With trust banking at its core, Sumitomo Mitsui Trust Holdings, Inc., will focus on the management of business operations, as the holding company of Sumitomo Mitsui Trust Group, and sets the following (1) - (6) as its key functions:</p> <ul style="list-style-type: none"> (1) Formulating group management strategy (2) Allocation of management resources (3) Monitoring administration of business activities (4) Supervising risk management (5) Supervising compliance management (6) Managing internal auditing
Capital:	261,608,725,000 Yen
Stock Exchange Listings:	Tokyo, Osaka and Nagoya Stock Exchanges Tokyo (Primary), Osaka (Primary), Nagoya (Primary)
Securities Code:	8309

Basic Information of Sumitomo Mitsui Trust Group:

Rating Information (as of December 31, 2011)

	S&P		Moody's		Fitch		JCR		R&I	
	Long-term	Short-term	Long-term Deposit	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
The Sumitomo Trust and Banking	A+	A-1	A1	P-1	A	F1	AA-	—	A+	a-1
The Chuo Mitsui Trust and Banking	A+	A-1	A2	P-1	A	F1	AA-	—	—	—
Chuo Mitsui Asset Trust and Banking	—	—	A2	P-1	—	—	AA-	—	—	—

(Note) Sumitomo Mitsui Trust Holdings, Inc., has not obtained any rating.

Issued: March 2012

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