SUMITOMO MITSUI TRUST HOLDINGS

SuMi TRUST
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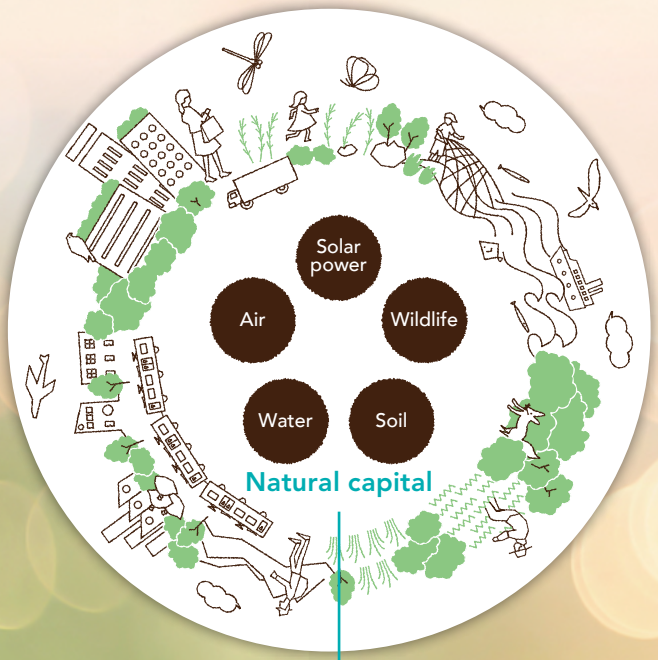
Natural Capital

SUSTAINABILITY REPORT 2020/2021

Natural Capital Initiatives and Policies of the SuMi TRUST Group

The air, water, soil, animals, plants and other wildlife that support our daily lives are called natural capital. How this natural capital is protected, regenerated and used wisely by future generations is the key to ensuring sustainable social and economic development. The SuMi TRUST Group was one of the first financial institutions to address the issue of natural capital, signing the leadership declaration under the Business and Biodiversity Initiative "Biodiversity in Good Company" at the ninth meeting of the Conference of the Parties (COP 9) to the Convention on Biological Diversity held in 2008 in Germany, as well as the Natural Capital Declaration proposed by the United Nations Environment Programme Financial Initiative (UNEP FI) in 2012. Against this backdrop, natural capital is increasingly being viewed as the foundation of society and economy and used for community building. In the corporate sector as well, we must learn from such leading examples and promote sustainable national and community building for the next 50 to 100 years.



Important Natural Capital

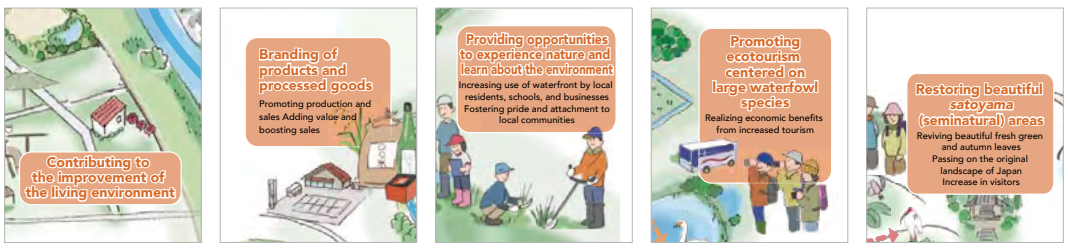
The diverse wildlife and the water, soil, and air that nourish it are called natural capital. Our lives depend on this natural capital and the blessings it provides (ecosystem services), such as clean water, food, medicine, and energy. Natural capital, as the foundation of our existence, takes precedence over everything else and must be protected.

Blessings of Nature (Ecosystem Services)

Ecological Network Creation

Community Revitalization

We aim to protect and enrich biodiversity and revitalize communities by making the most of their nature.



Initiatives and Policies of the SuMi TRUST Group

Sustainable Development Goals for Natural Capital Initiatives

The COVID-19 pandemic has shown that a dysfunctional society can inflict immense damage on the economy. On the other hand, global environmental problems undermine the very foundation of society's existence. An economy cannot function without a healthy society, and that society must stay within the limits of the environment. Natural capital is, quite literally, the source of everything for humans — a form of capital. However, natural capital is not inexhaustible. Supplies may be exhausted sooner or later unless we accurately track and manage our dependence and impacts on natural capital.

This is closely interlinked with humans' day-to-day activities. For this reason, all SDGs are connected with natural capital. Primarily from the perspective of corporate activities, the Group focuses on natural capital in Japan, the site of our business foundation, as well as natural capital outside Japan, which we rely on for the procurement of much of our raw materials and parts, and we have therefore selected goals that contribute to proper dependence on and management of such natural capital.

Challenges for Achieving the Goals

- Deepening understanding of the importance of natural capital
- Establishing approaches for tracking companies' dependence and impact on natural capital
- Visualization of natural capital risks that lead to damaging corporate value
- Expanding financial transactions that contribute to solving companies' challenges related to natural capital

Initiatives for Solving the Challenges

- Promote the importance of natural capital through various opportunities, such as proposals and seminars for clients and education programs for schools.
- Contribute to establishing methodologies for appropriately managing dependence and impacts on natural capital, such as the Natural Capital Protocol.
- Identify natural capital risks that have serious impacts on the continuation of overseas procurement, businesses, and projects, and incorporate them into investment and loan processes from the ESG perspective.
- Taking into account that land is the foundation of natural capital in terrestrial ecosystems, strive to restore ecosystems that are suitable for various areas, ranging from mountainous regions to cities, and contribute to the formation of ecological networks.
- Promote related businesses, such as investments, loans, and trusts related to natural capital.

KPIs for Solving the Challenges

2019/2020	Target	Result	2020/2021	Target
Promotion of activities through proposals and seminars for clients	At least 20 times a year	21 times	Promotion of activities through proposals and seminars for clients and educational programs for schools	At least 20 times a year
Examination of green infrastructure finance	Submission of proposals to clients	Proposed SDG bonds	Enhancement of information disclosure	Publish TNFD Report
Promotion of forestry trust	Expansion of forestry trust business assessments	Engaged in discussions with corporations, financial institutions, and local governments	Promotion of forestry trust	Expansion of contracted forestry trust projects

Business and Biodiversity Initiative: Our Initiatives as a Leadership Declaration Signatory

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

Declaration	Initiatives in 2019-2020
1. Analyzing corporate activities with regard to their impacts on biological diversity	We provided environmental rating loans with natural capital evaluation and Positive Impact Finance (PIF) solutions that comprehensively analyzes economic, social, and environmental impact of corporate activities, and also analyzed investee initiatives during our asset management company engagements.
2. Including the protection of biological diversity within their environmental management system	In our Sustainability promotion system, we draw up a plan for each fiscal year on efforts related to natural capital and review their performance semiannually.
3. Appointing a person in the company responsible for steering all activities in the biodiversity sector and reporting to the Management Board	The head of the Sustainability Management Department steers all activities and reports to the Executive Committee.
4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years	We set targets based on the challenges for achieving SDG goals (see page 2)
5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report	We published the Natural Capital Report (this report)
6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step	We continue to pay attention to procurement of copier paper and office supplies linked to illegal logging in tropical rain forests, which has large detrimental impacts on biodiversity. In the asset management business, we also engaged as an investor in tropical rainforests. In the PIF solutions business, we continued to set and monitor nature-related KPIs with our borrowers.
7. Exploring the potential for cooperation with scientific institutions, nongovernmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-a-vis the biodiversity domain	We became a signatory to the Principles for Positive Impact Finance of the United Nations Environment Programme Finance Initiative (UNEP FI) and actively participated in initiatives aimed at establishing and enhancing methods for evaluating natural capital impacts.

Stakeholder Comments

As an excellent company in the Business and Biodiversity Initiative "Biodiversity in Good Company"

Dr. Katrin Reuter
CEO 'Biodiversity in Good Company' Initiative, Germany

As a founding member of the Business and Biodiversity Initiative "Biodiversity in Good Company," Sumitomo Mitsui Trust Holdings, Inc. has been an early advocate of the importance of biodiversity in the economy. Especially recently, the importance of nature is becoming more recognized by the financial sector. When the Action Guidelines for the Conservation of Biodiversity were formulated in 2011, Sumitomo Mitsui Trust Holdings, Inc. was one of the first financial institutions in Japan to incorporate biodiversity into its business activities. Since then, they have continued to work tirelessly to develop products and services that help conserve biodiversity and business activities that are linked to the Sustainable Development Goals (SDGs). This kind of integrated thinking is essential for sustainable economic transformation and tangible improvements in the financial sector. We are proud that Sumitomo Mitsui Trust Holdings, Inc. is a member of the Business and Biodiversity Initiative "Biodiversity in Good Company."

Various Challenges that Japan Faces

In order to protect the natural capital over the medium-to-long term, it is necessary to consider the situation that Japan is in.

In this section, we have chosen to focus on three of the many issues related to natural capital.

The Rising Threat of Nature

In recent years, torrential rains have caused enormous human casualties and housing damage in Japan nearly every year.

These threats from nature are expected to increase in the future, according to predictions by the Japanese government.

For example, the frequency of torrential rains with over 50 mm of hourly rainfall has already risen approximately 1.4 times compared to 30 years ago, and is expected to more than double in the future, with major torrential rains that previously occurred only once every 300 years happening once every century. The main cause is global warming.

Going forward, manmade structures such as dams and levees may not be strong enough to protect our lives and properties. As such, we will need to take disaster prevention measures such as moving to a safer place.

Torrential rain in the Kanto and Tohoku regions in September 2015

East Japan Typhoon (Typhoon No. 19) in 2019

Torrential rain in northern Kyushu in July 2017

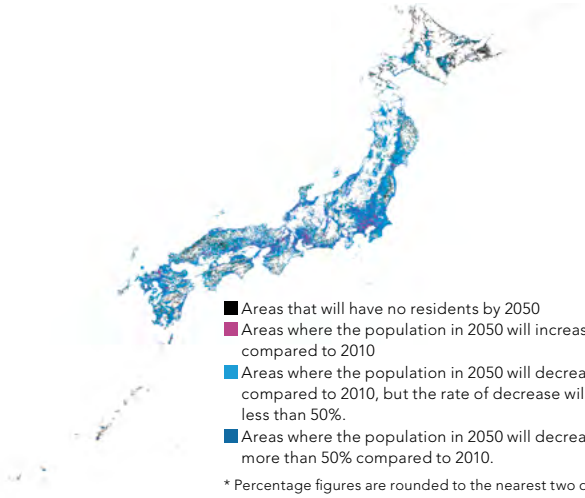
Torrential rain in July 2020

Declining and Aging Population

Japan's population will decrease from approximately 127.09 million in 2015 to approximately 100 million in 2050. The population of 558 municipalities, or approximately 30% of all municipalities, is expected to halve between 2015 and 2050. In addition, the Japanese population is aging rapidly, with the elderly (aged 65 and over) already accounting for more than 28% of the total population. It is predicted that by 2050, the elderly will account for 4 out of 10 people in Japan.

Moreover, by 2050, the population will decline by over 50% in approximately half of the residential areas in Japan, and about 20% of the residential areas will no longer have any residents. As the population declines and ages, there will be an increase in the number of vacant houses, vacant lots, and abandoned land, which will lead to a major change in land use.

Source: Interim Report on Long-term National Land Development, Special Committee on Long-Term National Land Development and Planning (2020) and Promotion Committee of the National Land Development Council of Japan



* Percentage figures are rounded to the nearest two decimal places.

Source: Based on the Future Population Meshblock and Digital National Land Information by the Ministry of Land, Infrastructure, Transport and Tourism

Conservation of Biodiversity

Today, the loss of natural capital and biodiversity, which are the foundation of our economy and society, is a growing concern around the world. In September, the United Nations concluded that none of the 20 Aichi Biodiversity Targets set to be achieved by 2020 had been fully met. We have not been able to reduce the rate of forest loss by half either.

Nature is disappearing in various parts of Japan, along with the wildlife. The woods and grasslands, which were preserved as a part of our daily life, are being used less, and the wildlife in seminatural areas are on the verge of extinction. Meanwhile, deer and wild boar, which used to live in the backwoods, have expanded their habitat, causing damage to agriculture and forestry and affecting the ecosystem. Currently, many companies are working on initiatives to address climate change. However, with the United Nations and the European Union leading the way, we believe that biodiversity will become an increasingly important issue in Japan as well.

Destruction of Nature and Infectious Diseases

A UN report indicated that more infectious diseases similar to the novel coronavirus will emerge if we continue to destroy the natural environment. Zoonotic diseases, which are transmitted between animals and humans, include the Ebola hemorrhagic fever, MERS, and HIV. According to the report, 60 percent of infectious diseases identified to date are zoonotic. It spreads from animals to humans as humans enter previously unexplored wildlife habitats and destroy the ecosystem. The COVID-19 pandemic has given us an opportunity to rethink our relationship with nature. To prevent future pandemics, the United Nations has urged countries to consciously protect the natural environment.

Building a Sustainable Nation by 2050

According to the drafts of Agenda 2030 and Vision 2050, the UN's global objective for biodiversity is to achieve no net loss of biodiversity by 2030, and a net gain of at least 20% by 2050.

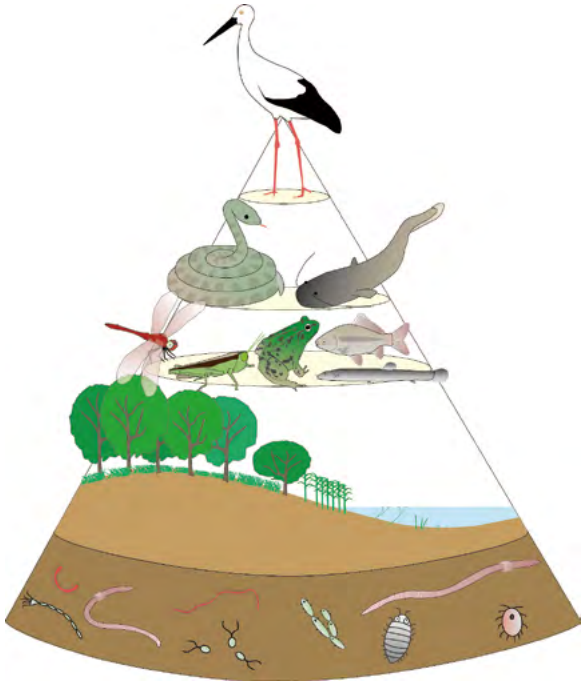
In Japan, where we have lost so much of our nature, what steps do we need to take to not only restore it, but further enrich it? An effective way to achieve this is to preserve the rich natural environment we have, improve the quality of the natural environment such as in urban green areas, and expand the natural environment throughout the country. In this way, we can create nature hubs in various areas, restoring green areas and wetlands and connecting them with rivers, forests on slope, and other paths of nature to create an ecological network where wildlife can come and go.

As the threat of nature continues to rise, the Ministry of Agriculture, Forestry and Fisheries announced plans to shift to basinwide comprehensive flood disaster prevention in July 2020. This indicates that we will be taking a basinwide approach to flood prevention, including by reviewing the way we use our land. The plan involves promoting green infrastructure, which leverages nature's ability to restore water sources and prevent disasters.

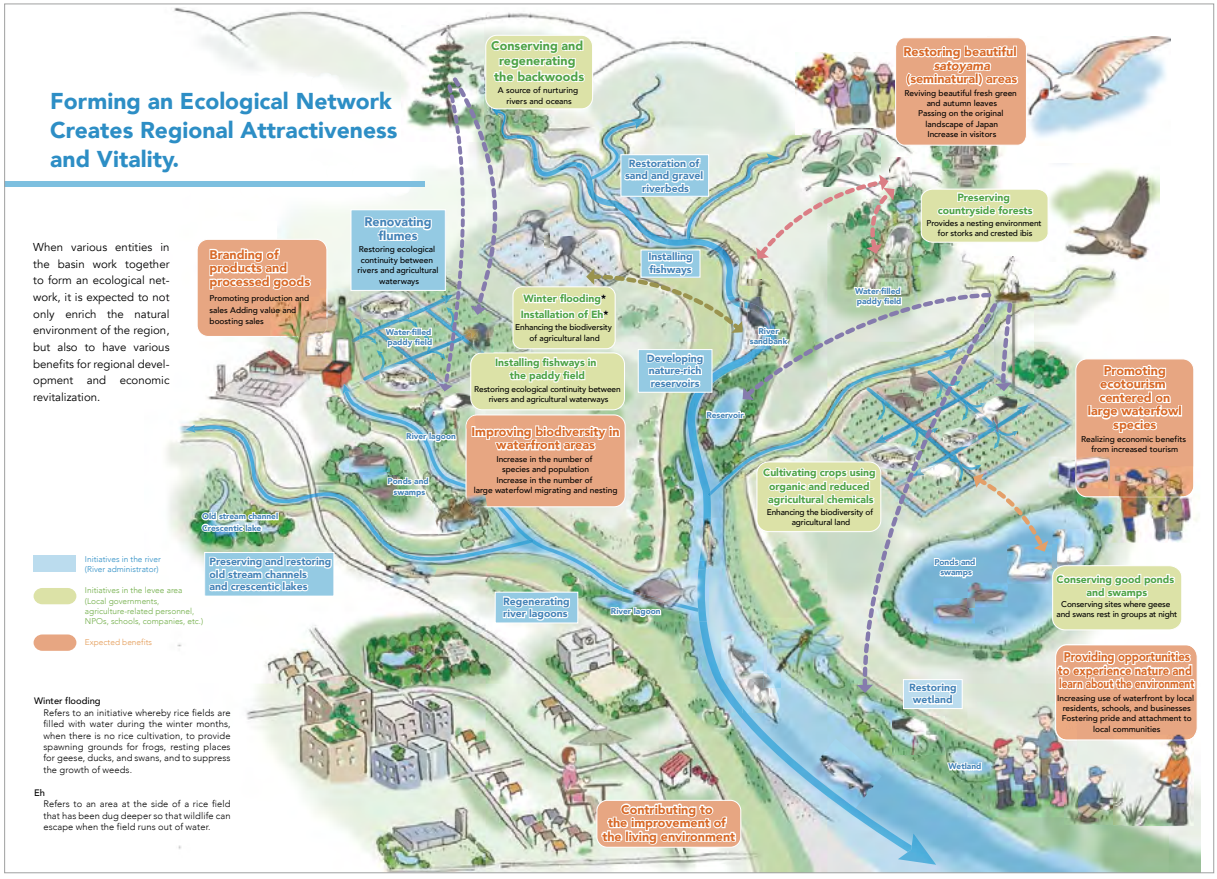
Additionally, in a society with a declining population, the maintenance and management of existing concrete infrastructure is expected to become an enormous burden, and green infrastructure is attracting attention for this reason as well. Green infrastructures also have many other functions including providing opportunities for children to interact with wildlife and for city residents to visit and relax while also creating beautiful scenery and preventing global warming by absorbing CO_2.

By 2050, the population of many municipalities will be halved. There will be more land available going forward, and by maximizing the use of this land as green infrastructure and getting creative in terms of land use, we can expand the amount of nature we have.

In recent years, model initiatives for ecological networks centered on rivers have been carried out across Japan. As we move towards 2050, these initiatives will need to spread throughout the country, and each region will need to protect and enrich its own biodiversity. It is also important that various groups, such as businesses, governments, and residents, cooperate and collaborate to build concrete examples of regional revitalization by leveraging their respective strengths. The Group will also play a part in this effort by collaborating with the Ecosystem Conservation Society-Japan and the Association of National Trusts in Japan in various capacities.



The presence of tertiary consumers, such as storks, indicates that the ecosystem is healthy. Additionally, birds that migrate over a wide area can serve as an indicator of the connectedness of an ecological network.



Source: Community building that starts with the river (pamphlet), River Environment Division, Water Management and National Land Conservation Bureau, Ministry of Land, Infrastructure, Transport and Tourism.

Amami Island
Amami Rabbit Trust

Acquiring and Preserving Forests with the Help of Residents and Corporations

Corporate Involvement: Donations, PR Support

Amami-Oshima Island, which is slated to be registered as a World Heritage site, has forests that are home to rare wildlife, including the Amami Rabbit and the Lidth's Jay, both of which are special nationally protected species. Forests account for approximately 80% of the island, but only 6% of it is state-owned and most of it is privately owned. Since privately owned forests can be bought, sold, and used freely, they can be cut down or developed depending on the owner's wishes.

Under these circumstances, the Association of National Trusts in Japan has been working since 2013 to purchase privately owned forests to protect the habitats of many wildlife species. Thus far, the association has acquired forest land at Koshi (approximately 100 ha) and Katoku (approximately 4.7 ha) in the town of Setouchi, and at Kuba (approximately 1.7 ha) in the town of Tatsugo, where it is preserving rich forests with the Amami Rabbit as a symbol. Once the land is turned over to the trust, in principle, it will be maintained as a forest without being altered or transferred.

The main source of funding for these acquisitions is donations from individuals and companies. For example, the 20 million yen that was needed for the first acquisition (Koshi) came from donations by six companies and over 400 individuals. It is difficult for companies to directly buy and preserve land, but by participating in and making donations to projects carried out by trust organizations, companies can ensure that the rich natural environment is preserved and passed on to future generations.

In Japan, there are many people who are not aware of the National Trust, and its purpose and activities are not widely understood. To address this, we've leveraged our corporate communications capabilities to support the Trust's PR activities, for example by distributing flyers in the lobbies of our offices and posting articles on our corporate blog.

National Trust Expanding Nationwide

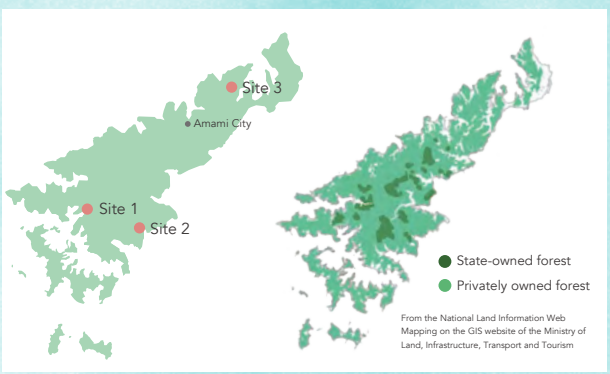
The National Trust originated in the UK over 100 years ago. Its activities mainly involve collecting donations from the public to purchase natural environments and historical buildings that are important to the public, thereby preventing over-development and preserving them forever. Following the UK's example, Japan's first Trust was established in 1964 in Kamakura, Kanagawa Prefecture. Later, Trust activities expanded to other regions, including Shiretoko, Tenjinsaki, and Kakinagawa, and today a wide range of initiatives are underway in more than 50 regions.

The Association of National Trusts in Japan is a nationwide organization consisting of Trust organizations from various communities. The Association promotes and propose trust activities throughout Japan while also owning land and carrying out trust activities directly.

The Amami Rabbit can only be found on Amami Oshima and Tokunoshima.

Lidth's Jay, a bird with beautiful colors, can only be found on Amami Oshima and Tokunoshima.

Amami Oshima is attracting worldwide attention for its many endemic species which have evolved in unique ways.



Location of the Amami Rabbit Trust

Percentage of state-owned forests: 6%

Part of the cape owned by the Trust. The forest has stood guard over Katoku Beach continuously from the Jomon period, when maritime trade flourished, to the present day, when surfers crowd the beach.

Signboard erected at Site 1 (Koshi). SuMi TRUST Bank also donated funds to purchase the equivalent of approximately 0.8 ha of the forest, and the Sumitomo Mitsui Trust Forest is listed on the signboard.

For the campaign launched in February 2020, we are aiming to raise 5 million yen for the purchase of Site 2 (Katoku).

Materials for the Amami Rabbit Trust donation campaign placed in the lobby of the Senri Chuo Office

Forestry Trust

SuMi TRUST Bank developed a forestry trust scheme as a means to solve social problems in forestry management and maintenance—such as the lack of personnel, inheritance issues, abandonment, and forests with unknown owners—and was entrusted to manage an individually owned forest in Okayama Prefecture's Nishiawakura Village as the first commercial trust in Japan in August 2020. We will entrust management activities to forestry entities on behalf of the owner, manage revenues, and distribute dividends from earnings gained through the periodic thinning of forests and other sources.

The forestry trust is an SDG initiative unique to trust banks that promotes the restoration of forestry and the revitalization of local communities.

Initiatives in Okayama Prefecture's Nishiawakura Village

The 100-year Vision of Forest Initiative

Approximately 95% of Nishiawakura Village is forest, of which 85% is planted cedar and cypress. Based on the understanding that revitalization of the forestry industry is necessary for the creation of a sustainable village, Nishiawakura Village launched the 100-year Vision of Forest initiative to pass on the trees planted by predecessors 50 years ago to future generations 100 years from now.

100-year Forest of Nishiawakura

Today's forest → 50 years from now

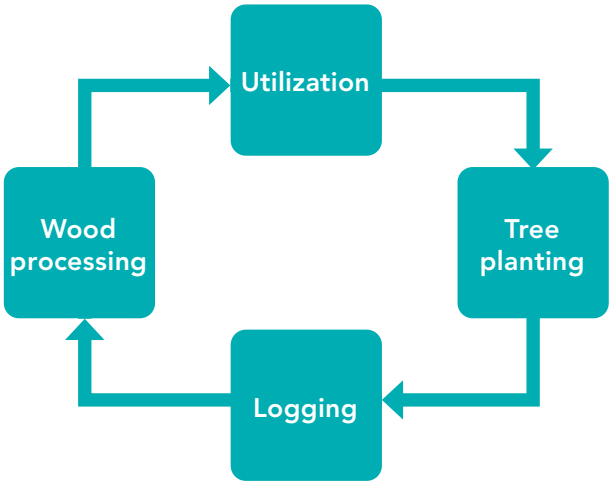
Year 1	25 years	50 years	75 years	100 years
In the region that once thrived on the forestry industry, saplings were planted for the future generation roughly 50 years ago.	The dense concentration of planted saplings grew quickly to become towering tall trees.	The density of the forest will be thinned out to some degree so that more sunlight can reach the forest floor.	Owing to the thick tree trunks and well-extended roots, the forest will retain moisture to allow undergrowth to thrive. Slowly but surely, birds will begin to make their home in the forest.	In the wellestablished hillside forest, creeks will form naturally and flow through the trees. Wildlife will also make its home here.

Source: 100-year Vision of Forest, Nishiawakura village office website

Building a Supply Chain for Wood

We have established a system whereby the village takes custody of the forest from the owner and carries out thinning and work road maintenance. With the help of local ventures, we are building a supply chain spanning production to sales by creating an environment where thinned wood can be processed and turned into products.

In addition, we are promoting the introduction of renewable energy that utilizes forest resources, such as biomass boilers and small hydroelectric power generators, to encourage the circulation of local resources and the economy.

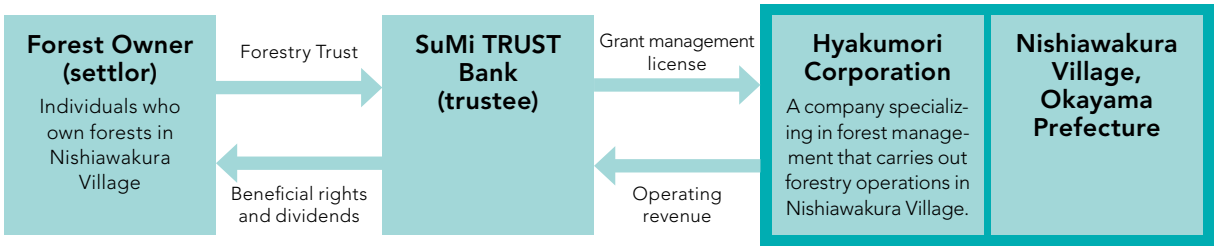


Forestry Trust Business

To address the presence of landowners who live in urban areas but own forests in Nishiawakura Village, as well as forests whose owners are unknown, we have developed a forestry trust scheme that consolidates and enhances the efficiency of forestry operations.

Under the forestry trust, the forest owner (settlor) entrusts SuMi TRUST Bank (trustee) with all aspects of forest business management and administration, including forest planning and operation, management of business revenue, and distribution of dividends to the forest owner.

Forestry Trust Scheme

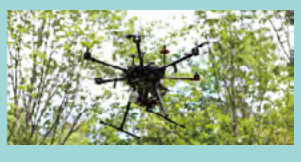


Smart Precision Forestry Initiatives

To further improve the productivity of the forestry industry, SuMi TRUST Bank is supporting the realization of smart precision forestry utilizing drones and ICT* in collaboration with Shinshu University and other organizations. In addition, to revitalize the forestry industry, we are working with related parties to improve the entire supply chain in order to boost efficiency and add value not only upstream, but also midstream and downstream.

*Information and Communication Technology

Upstream	Midstream	Downstream
Consolidation and expansion of raw wood production • New forest management system • Maintenance of forest land register • Financial support • High performance machine implementation • Priority road network development • Increase shipment lot size	**Improvement in processing productivity** • Scale and streamline lumber and plywood mills • Implementation support for high performance processing machines • Implementation support for facilities that improve distribution efficiency	**Expand demand for and promote the use of wood** • Improve environment to encourage the use of wood • Capture demand for imported materials • Promote biomass utilization • Capture demand for alternative materials • Implement measures to promote mid- and high-rise wooden buildings • Promote exports



ICT-driven Smart Precision Forestry

Japan Habitat Evaluation and Certification Program

Evaluation and Certification of Initiatives to Reduce Loss and Increase the Value of Biodiversity

Corporate Involvement: Implementation of development projects that contribute to biodiversity, preservation, regeneration, and maintenance of nature

The term "net zero" is often mentioned when talking about global warming prevention and energy saving. For example, a house that produces more energy than it consumes is called a net-zero energy house. This is accomplished by increasing the energy efficiency of the house, reducing energy consumption as much as possible, and using the energy generated by the solar power generation system installed on the house to cover all the energy consumed.

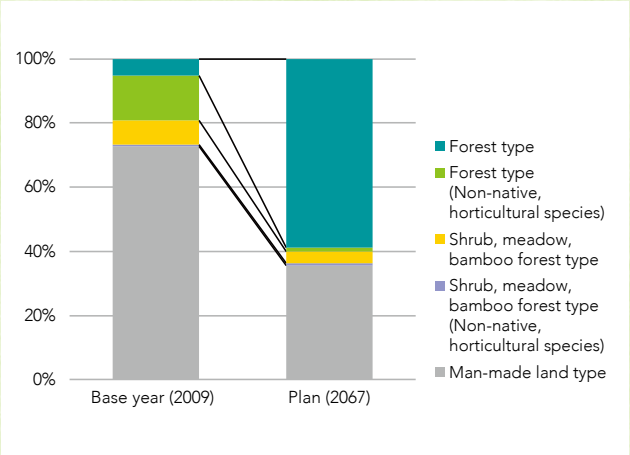
For biodiversity preservation initiatives, there is a similar concept called "No Net Loss." The idea is to minimize the value of biodiversity lost as a result of development, and to offset the loss by planting and creating new biodiversity.

For highly valuable natural areas where the biodiversity is difficult to replace, such as those introduced in the section covering National Trusts (p. 8-9), a "No Loss" approach involving land purchases is effective. On the other hand, in urban areas, where non-native or horticultural greens are cut down in construction projects, a "net gain" (qualitative improvement in biodiversity value) can be achieved by regenerating the greenspace with an appropriate mix of native species.

The Japan Habitat Evaluation and Certification Program (JHEP) operates a program that objectively evaluates and certifies No Net Loss and Net Gain developments by quantitatively calculating the gains and losses of biodiversity value. Even when No Net Loss cannot be achieved due to the lack of green space, such as in the case of office buildings in city centers, by using the JHEP's value transfer mechanism, companies can achieve No Net Loss by transferring the increased biodiversity value from initiatives in other areas (e.g., nature regeneration in suburban areas) to areas that have not yet reached the certification level.

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

At SuMi TRUST Bank, we have been actively promoting the introduction of such certification programs, initiatives to expand the real estate market, and construction consulting services.



Ark Hills Sengokuyama Mori Tower was the first building in Japan to receive an AAA rating from JHEP. Originally, the area consisted of private residences and mainly horticultural greenery (27% greenery ratio), but after redevelopment, the greenery ratio more than doubled to 65%, and is expected to nearly quadruple in the future when taking into account the quality of biodiversity.

The Ohashi Green Park is a revitalized urban park that sits on top of the ventilation station of the Metropolitan Expressway's Ohashi Junction. It previously had almost no greenery, but now includes paddy fields, and is maintained as a seminatural environment with a greenery ratio of over 80%. As for the JHEP-calculated biodiversity value, it is 30 times higher than before. The urban seminatural areas that have been regenerated are also being used extensively by nearby elementary schools as a place for experience-based learning (picture is from when the park was open to the public; normally, public access is restricted).

Companies are also carrying out initiatives using the JHEP program in the suburbs. There are vast woodlands in Saitama Prefecture's Miyoshi-cho, many of them undeveloped, but the wildlife that used to live in the area is diminishing. Ishizaka Industries, a local industrial waste management company, is working on a project to restore the beautiful seminatural areas of Musashino by leasing the degraded woodlands around the factory and conducting regular maintenance to improve biodiversity.

Chonan-cho, Chiba Prefecture
Mori-no-boen (forest cemetery)

Regenerating Nature with a New Cemetery Concept

Corporate Involvement: Training, PR Support

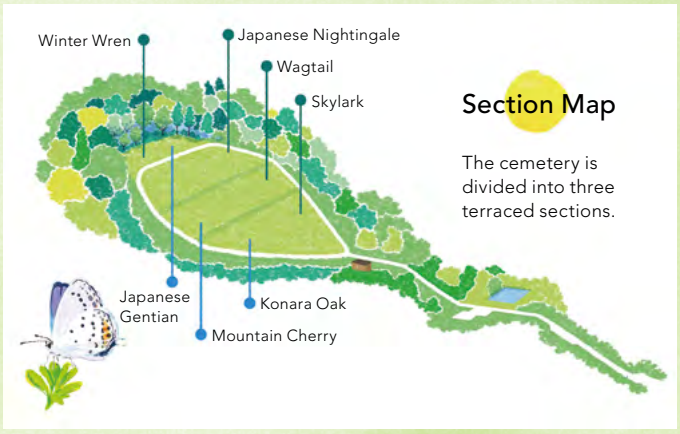
The Mori-no-boen on the Boso Peninsula was opened in 2016 by the Ecological Society of Japan with the aim of regenerating lost biodiversity. It was built on an old sand mine, and is the only cemetery in Japan aimed at regenerating nature that was lost. Though based on the traditional *jumokuso* (natural burial under a tree), this is a completely new concept in terms of nature regeneration.

To date, a vast amount of nature has been destroyed for the development of cemeteries. With the number of deaths projected to peak in 2040, the demand for graves is expected to rise, and further destruction of the natural environment is a growing concern. On the other hand, the population of Japan is expected to decline, and the amount of unused land is expected to increase. Against this backdrop, there will likely be more opportunities to actively return unused land to nature, or to return it to nature while making good use of it, and Mori-no-boen is considered to be a pioneering initiative in this sense.

The selection of trees to be planted in place of grave markers include konara oak, chestnut, mountain cherry, and other trees that have existed in the area for a long time. Seedlings will be created from seeds collected in the surrounding areas, and trees will be planted on a contractual basis to create a forest over a period of 50 years. This is a grave that sits on a former sand mine and helps nature grow. In addition, while people tend to focus on trees when talking about forest development, wild grass is also important for cultivating rich soil and biotopes, so we are also working to cultivate grass fields. Eventually, the entire cemetery will be permanently managed as one mountain (conservation area), and will gradually merge with the surrounding mountains to return to its original state as a part of the Bosokyuryo Hill's natural landscape.

Through management activities and events, the cemetery involves many people, including local residents. As the first place in Chiba Prefecture to be recognized as a "venue for experiencing nature" under the Law for the Promotion of Environmental Education, the cemetery is increasingly being used for nature experience activities as a part of corporate training and school environmental education programs.

SuMi TRUST Bank provides PR support by holding lobby exhibitions and study sessions featuring Mori-no-boen at each of its offices. This has helped our employees reaffirm the importance of nature while providing opportunities to gather information on end-of-life needs and applying it to inheritance-related work such as asset inheritance services and asset administration.



Native grass planting experience

Birdhouses crafted by vocational school students. Mallards and tit-mice made their nests this year.

In the cemetery, nature is beginning to return in earnest, with one of the top hawks in the ecosystem, the Grey-faced buzzard, seen flying around, and owls and mandarin ducks making their nests more recently. Nature regeneration and networking are rewarding initiatives, and the more involved we are, the more we can achieve.

Lobby exhibition at a SuMi TRUST Bank office

Golf Courses that Preserve Biodiversity

A New Age German-influenced Golf Resort in Harmony with Wildlife

Corporate Involvement: Survey of flora and fauna at golf courses, environmental improvement, employee training, raising nature awareness among golfers

Golf courses have long been used as a place to socialize and facilitate business, but in Germany, which has a national policy to develop and maintain the ecological network (biotope network), there are biodiversity preservation and restoration initiatives underway, even at golf courses.

For example, in Japan, ponds within the golf course (water hazards) are usually managed as a water-only environment, with no plants, whereas in Germany, they are used to increase the value of biodiversity by adding water plants and providing a nesting habitat for waterfowl.

Additionally, local native species are planted throughout the course, and native wild grasses are planted in the out-of-bounds areas to create vast grasslands that accommodate insects and other wildlife, with timber stacks being used in various parts of the course.

The German golf course operators are proud to preserve and cultivate nature, and in recent years some discussions about biodiversity initiatives in golf courses have emerged in Japan as well.

The starting point in realizing the concept of a golf course that harmonizes with wildlife in Japan is for golf course operators to conduct a survey of the biodiversity on their golf courses, including past conditions, and to develop a policy for preservation and improvement. On top of that, the first step in implementing concrete initiatives would be to carry out environmental improvements in out-of-bounds areas, which are unlikely to affect golf play, while conducting awareness-raising activities such as placing signs and handing out pamphlets to inform players of the importance of protecting biodiversity on golf courses.

In addition, for the healthy development of the golf industry going forward, it may be necessary for those of us in the corporate sector who use golf courses for vacations and corporate entertainment to take an interest in the environmental measures and biodiversity initiatives of golf courses, donate a portion of our playing fees, and participate in discussions with environmental NGOs.

Grassfield biotope within a golf course

Water hazards surrounded by lush vegetation

Decaying wood are also being collected to create a place for insects and other creatures to live.

Beekeeping is also carried out on the golf course (sales of honey from wild flowers are used to train young golfers).

The wild flowers along the course are a source of nectar for bees.

Insect hotel and an informational sign

City residents enjoying a walk

All trees are local native species

Naganuma-cho, Hokkaido
Creating a Town Where Cranes Can Live

A New Form of Regional Development Taking Advantage of Maizuru Reservoir

Corporate Involvement: Participation in the council, participation in events, product development

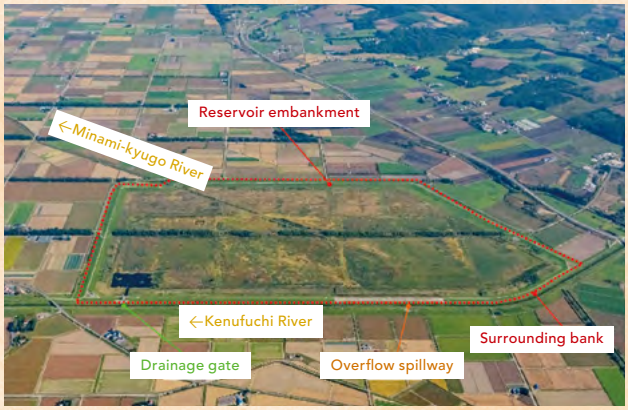
The Japanese crane is usually associated with eastern Hokkaido, such as the Kushiro Marsh area, but in ancient times it was found all over Hokkaido and even on Honshu during the winter, according to ancient texts. In the past, Naganuma-cho in central Hokkaido had a number of marshes and swamps, both large and small, and was a breeding ground for Japanese cranes. There are still areas within the town with names like "Maizuru (flying crane)" and "Hanshoku-kyo (breeding bridge)". Against this backdrop, a study session between the Ecosystem Conservation Society-Japan and local farmers led to the start of a volunteer farmers' campaign to bring back the cranes.

Currently, Japanese cranes live primarily in eastern Hokkaido, and the Ministry of the Environment has announced plans to spread them out in an effort to reduce the risk of extinction. Making Maizuru Reservoir a habitat for Japanese cranes will help with this. As such, Naganuma-cho and the Sapporo Development and Construction Department of the Hokkaido Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism, which manages the reservoir, collaborated to establish the Council for Creating a Town Where Cranes Can Live in 2016 with the participation of various local entities. The project includes educating the public about the symbolic nature of the Japanese crane, developing original local products such as crane-themed soft-serve ice cream and bread, educating children about the environment, creating an environment for nesting cranes in Maizuru Reservoir, and organizing volunteer lookouts to prevent photographers and others from getting too close to the cranes.

These efforts bore fruit in 2020, when a baby crane was born in Maizuru Reservoir. This was the first time this had happened in the Sorachi region in over 100 years. The breeding of cranes in man-made habitats such as flood control reservoirs is a globally rare event.

Although Maizuru Reservoir was designed for flood control, the vast space is also being used as a habitat for cranes, helping to raise awareness among the local community, revitalize the area, and promote environmental education as part of the effort to create a town that lives in harmony with nature, with cranes serving as its symbol. It is a new initiative that combines flood control and community development by adding value to the reservoir as green infrastructure. Companies are supporting these initiatives by developing crane-themed products, participating in events, and joining council meetings.

The birth of the baby crane in Maizuru Reservoir has further stimulated local initiatives and marks an important step in spreading the cranes and advancing initiatives to expand the ecological network of habitats to southern Hokkaido, Tohoku, Kanto and beyond.



Full view of Maizuru Reservoir Courtesy of Chitose River Office

Children learning about the environment

Mother crane raising her child in Maizuru Reservoir
Courtesy of the Council for Creating a Town Where Cranes Can Live

Residents' activities to watch over cranes

Crane-themed products

Crane-themed soft-serve ice cream

Crane-themed bread

Crane-themed cake

Azuki-bean jelly (Two Cranes and Snow)

Crane-themed Japanese sake (Yumemaoi)

Development of crane-themed products
Council: The council started with a small number of local companies that were approached by the Community Building Subcommittee, but gradually expanded to include other companies.

Watarase Reservoir
Building a Community Where Storks and Ibises Fly

An Ecological Network Spreading in the Kanto Region

Corporate Involvement: Providing knowledge to improve economic value

The effort to re-introduce the Oriental white stork to Toyooka City, Hyogo Prefecture, their last natural habitat in Japan before becoming extinct in the wild, is a well -known saga in Japan. Today, the storks have been spotted in all 47 prefectures, and more than 240 of them are flying over various parts of Japan.

Then, in 2020, the stork couple Hikaru (from Noda City, Chiba Prefecture) and Uta (from Naruto City, Tokushima Prefecture) had their first baby in the manmade nesting tower at Watarase Reservoir. This was the first time in Eastern Japan that a stork chick was born through wild breeding since Toyooka City began its initiative to reintroduce storks to the wild in 2005.

Behind this accomplishment were the ongoing initiatives in the basins of the Tone and Arakawa rivers, including Watarase Reservoir. In an effort to attract storks and other large waterfowl to the Kanto region, the Forum of Kanto Municipalities Where Storks and Ibis Fly (since 2010), consisting of 29 municipalities in Ibaraki, Tochigi, Gunma, Saitama, and Chiba prefectures, and the Kanto Ecological Network Promotion Council (since 2014) of the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism, have been working together with government, academia, and civilian groups (SuMi TRUST Bank also participated in council meetings, providing various knowledge from the perspective of finance and real estate value).

The Oriental white stork is a very large eater, consuming up to 500 grams of food a day, including fish and insects. Farmers are cooperating to grow rice with less pesticides and chemical fertilizers, fill up the paddies with water during the winter, and install fishways to ensure that the storks have enough food to eat in the paddies surrounding the reservoir. By using the stork as a symbol, nature is being regenerated in public areas such as the reservoirs and rivers, and the initiative is spreading to the surrounding paddy fields, restoring a healthy ecosystem throughout the area. To sustain and develop this initiative, the challenge is to figure out how to promote regional revitalization while also encouraging corporate participation.

Hikaru and Uta

Watarase Reservoir

Sado Island
Creating a *Satoyama* (Seminatural Area) Where Ibises Can Coexist

Community-wide Initiative to Bring Back the Crested Ibis to the Wild

Corporate Involvement: ESD implementation, PR support

The Japanese crested ibis, a large wading bird, is another symbol of an area's natural abundance. These birds used to be all over Japan, nesting in trees such as red pine, sawtooth oak, and konara oak in undeveloped woodland near populated areas, and feeding on loach and grasshoppers in the fields. In 1981, the last five crested ibises were captured for artificial breeding on Sado Island, their last domestic habitat, and became extinct in the wild.

In 2008, Sado City began releasing raised birds into the wild, and in 2012, for the first time in 36 years, a chick was born in the wild. Today, there are over 400 crested ibises on Sado Island, with an increasing number of sightings across the Sea of Japan in Honshu. The rise in the number of crested ibises is largely due to the initiatives taken on by local farmers. The Sado City Council for the Promotion of Semiaquatic Agriculture offers the Crested Ibis Nurturing Rice Certification for rice grown using farming methods that nurture wildlife, which requires the implementation of one of five initiatives such as cultivation of rice without pesticides or chemical fertilizers, the establishment of biotopes, etc., which are aimed at protecting the paddy fields where crested ibises feed.

Initiatives to revive the environment for crested ibises by reversing factors that once contributed to their extinction, such as the reduction in food sources caused by pesticides and the disappearance of paddy fields in rural areas, as well as crested ibis-themed environmental education and awareness-raising activities for local elementary school students are being carried out by the entire community. These initiatives are attracting attention from around the world, and for the first time in Japan the entire island was recognized as a World Agricultural Heritage site.

Although they have not yet been released into the wild, dispersed breeding of crested ibises is underway in Izumo City in Shimane Prefecture and in Nagaoka City in Niigata Prefecture. In addition, in the Echigo-Tsumari plain in Niigata Prefecture, where many crested ibises fly, the Hokuriku Regional Development Bureau of the Ministry of Land, Infrastructure and Transport is acting as the administrative office and has begun discussion on the overall concept of an ecological network with crested ibises and swans as indicators. As such, preparations are steadily underway throughout the Echigo-Tsumari plain to ensure that crested ibises from Sado Island will be able to live comfortably. In July 2017, SuMi TRUST Bank held an education for sustainable development (ESD) class at Akasaka Junior High School in Niigata City to convey this situation to children in an easy-to-understand manner.

Hii River
The One and Only Mythical Land Where Five Species of Large Waterfowl Live

Exploring ways to make the most of the rich natural environment

Corporate Involvement: Participation in the council, public relations, participation in events, product development

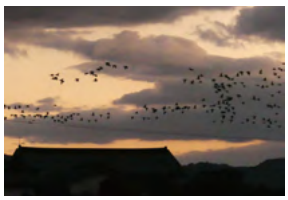
The area between eastern Shimane and western Tottori prefectures consists of the Hii River, which is one of the largest rivers in Japan, as well as the surrounding rich paddy fields. The area is rich in history, mythology, and traditional culture, including the Izumo Shrine, and is home to five rare species of large waterfowl (geese, swans, cranes, storks, and ibis).

Although the value of the scenery was not fully appreciated locally as it was so familiar, a council aimed at creating and utilizing an ecological network was started in 2015 with the cooperation of the local government, the Izumo River Office of the Chugoku Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism, academics, NPOs, the Japan Agricultural Cooperatives, and tourist associations.

In 2017, the Ministry of Land, Infrastructure, Transport and Tourism created an environment for swans and geese to rest around the river gorge of Hii River, and the following year, it was confirmed that swans and geese were using the area as a roosting ground. The Izumo Tourism Association organized a tour to observe the roosting of a group of geese to introduce this wonderful environment to locals. Many families enjoyed the calls of geese and the breathtaking sound of their wings flapping. The rice that is grown in these fields is sold as Kohoku Swan Rice and Loach Fish Rice, and a local confectionery store has developed a biscuit using the grain flour from this rice.

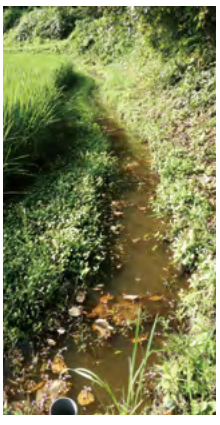
Several years ago, storks began visiting Unnan City, which is located in the upper reaches of the river, and in 2017 they began nesting in the city and raised four chicks, a new record for Japan at the time. Since then, four more chicks have left their nests each year, which shows that there is an abundance of food for the storks to eat.

Izumo City and other NPOs are now starting up a project to improve the environment for the crested ibises, one of the five large waterfowl species that are not yet found in the wild, with the aim of releasing them in the near future. The future development of this mythical land of large waterfowls will be worth following.


Geese entering roost


A shrine dedicated to swans


The Migrating Bird Biscuit, made from rice grown in paddies where waterfowl can live comfortably


Dirt waterway made inside a paddy field


Storks nesting in the manmade nesting tower installed at a primary school in Unnan City


A flock of sandhill cranes eating in the rice paddies


Searching for wildlife in the biotope with farmers and the Japan Agricultural Cooperatives

Shikoku
Community Building with Storks and Cranes as Indicators

Ecological network covering the entire Shikoku region starting from the Yoshino and the Shimanto River basins

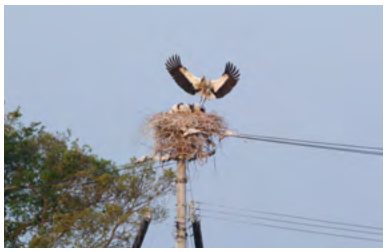
Corporate Involvement: Participation in council meetings, discussion of measures to promote the local economy

In the Shikoku area, while initiatives to improve biodiversity were underway mainly in rivers under national jurisdiction, two storks arrived in Tokushima Prefecture's Naruto City in 2015 and started nesting, and in 2017 three chicks were born, making it one of the pioneering areas in Japan for wild breeding. The storks are also very popular locally, with Naruto City even issuing a special certificate of residence for them.

In addition, hooded cranes and white-necked cranes regularly visit the area, and domestic and international communities are hoping that the area will become a new wintering ground to relieve the concentration in the Izumi Plains in Kagoshima Prefecture. Storks and cranes are large and highly visible, which makes it easier to attract the attention and support of large numbers of people. There is growing interest among local governments, NPOs, and related organizations in various parts of the Shikoku region to create stable habitats and build communities that make the most of these habitats.

Against this backdrop, the Shikoku Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism established the Shikoku Regional Ecological Network Promotion Council in 2018, which includes the Yoshino and Shimanto River basin councils. These councils include academics, governments, and related organizations, as well as local companies such as regional banks and power companies. With storks and cranes as indicators, the councils are discussing how to protect and regenerate the natural environment of the river and surrounding areas, create an ecological network for all of the Shikoku region, and promote the local economy.

A stork looking for food at the lotus root field in Naruto City



A stork breeding in the wild in Naruto City

One of the resulting products, the Stork Welcoming Lotus Root. Thanks to the cooperation of farmers, lotus root cultivated with low agricultural chemicals in fields that serve as feeding grounds for storks has led to the branding of agricultural products that take advantage of safe and healthy farmland.

NPOs creating a habitat for storks

Major Initiatives in the Group's Business to Date

2000: SuMi TRUST Bank is entrusted with the Keidanren Nature Conservation Fund, a charitable trust from the Keidanren Nature Conservation Council

2008: SuMi TRUST Holdings signs the Leadership Declaration of the Business and Biodiversity Initiative

SuMi TRUST Holdings establishes the Basic Policy for Addressing Biodiversity Issues (currently Action Guidelines for Preserving Biodiversity)

SuMi TRUST Bank translates the TEEB (The Economics of Ecosystems and Biodiversity) Interim Report

2010: SuMi TRUST Asset Management develops Ikimonogatari, a Japanese equity investment trust specializing in biodiversity

2012: SuMi TRUST Holdings signs the Natural Capital Declaration (now the Natural Capital Finance Alliance) proposed by UNEP FI at the United Nations Conference on Sustainable Development (Rio+20)

2013: SuMi TRUST Bank develops environmental rating loans with natural capital evaluation; SuMi TRUST Bank forms the the Natural Capital Study Group

2016: SuMi TRUST Bank signs the Equator Principles

2018: SuMi TRUST Asset Management joins Farm Animal Investment Risk & Return, an engagement organization working primarily with the fisheries and livestock industries

2019: SuMi TRUST Bank develops Positive Impact Finance (PIF)

2020: SuMi TRUST Bank establishes financing policies for specific sectors; SuMi TRUST Bank is entrusted with a forestry trust by Okayama Prefecture's Nishiawakura Village; SuMi TRUST Asset Management participates in working group TNFD (Task force for Nature-related Financial Disclosures)

Topic Discussions with the Brazilian government and the Central Bank of Brazil on the development and management of rainforests in the Amazon basin

In June 2020, as part of the activities of the Forest Conservation Engagement Working Group of the PRI (Principles for Responsible Investment), to which SMTAM (asset management company Sumitomo Mitsui Trust Asset Management) is a signatory, and CERES, an environmental NGO, we submitted an open letter to the Brazilian government requesting that it effectively disclose information on the conservation and management of the Amazon forest and its development status, and began engagement activities with the Brazilian government. As an asset manager, SuMi TRUST Asset Management is the only company in Japan that has supported the project from the beginning, and is working as one of the lead managers of the project. In July 2020, we held a total of four meetings with the Vice President of Brazil and the Governor of the Central Bank of Brazil. In addition to the meetings held through the working group, we also had individual discussions with the Governor of the Central Bank of Brazil as well as the Brazilian Ambassador to Japan. At this meeting, SuMi TRUST Asset Management President Hishida conveyed our unique approach, which differs from European companies that have suggested the possibility of suspending investments and loans, and we had a meaningful exchange of opinions based on the history of economic exchange between Japan and Brazil.

The Amazon and Amazon biome, which covers 60% of the country's land area, is a prominent tropical rainforest area, and environmental conservation in this region is required to address climate change and maintain biodiversity. Currently, investors are increasingly concerned about the rapid progress of deforestation due to the administration's policy of promoting liberalization of development in the Amazon basin, specifically advocating liberalization and deregulation of agricultural development. Through this discussion, SuMi TRUST Asset Management argued that increasing the transparency and verifiability of the country's policies will enhance the effectiveness and credibility of its policies, and received a positive response from Brazil. SuMi TRUST Asset Management will continue discussions with the Brazilian government and its ambassador to Japan, and will support and monitor the efforts of the government to balance environmental conservation and economic development in the Amazon basin while carefully considering the government's initiatives. In addition, a new PRI working group will be formed to continue discussions with the Brazilian government, and SuMi TRUST Asset Management will continue its discussions with the Brazilian government as a core member of the group.

About the Group, the Ecosystem Conservation Society-Japan, and the Association of National Trusts in Japan

The Sumitomo Mitsui Trust Group has been working closely with the Ecosystem Conservation Society-Japan and the Association of National Trusts in Japan, and has been involved in various initiatives to create ecological networks in Japan. This report introduces some of these initiatives, but there is more. The Ecosystem Conservation Society-Japan has provided us with advice based on scientific evidence, especially when our group is involved in natural capital-related initiatives in Japan. In addition, we have provided a great deal of financial support to the Association of National Trusts in Japan, including the establishment of a trust-based scheme for the conservation of trust-managed lands. Moreover, since 2007, we have jointly exhibited with the two organizations at the Eco-Products Exhibition held at Tokyo Big Sight every December to promote the significant economic value of natural capital to the business community.

The trust that we have nurtured through these long-term collaborations has become a major asset for the group in driving stakeholder-oriented management.

Left: ESD class taught by Mr. Seki, Secretary General of the Ecosystem Conservation Society-Japan (Akatsuka Junior High School, Niigata City)
Middle: Vending machine that donates a percentage of its sales to the Association of National Trusts in Japan
Right: Eco-products exhibition where the three organizations jointly exhibited

This report was prepared under the supervision of the Ecosystem Conservation Society-Japan.

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