

May 19, 2017

To whom it may concern

Sumitomo Mitsui Trust Holdings, Inc.  
(Securities Code: 8309 TSE, NSE)

**Announcement of New Midterm Management Plan**  
**“Evolution of The Trust Bank” --The Second Foundation--**

Sumitomo Mitsui Trust Holdings, Inc. (President: Tetsuo Ohkubo, hereinafter “SuMi TRUST Holdings”) hereby announces that it has launched a new midterm management plan for the three years from fiscal year 2017 to 2019 to revise the existing management plan and to achieve our goal; “Evolution of The Trust Bank”  
--The Second Foundation--.

“Sumitomo Mitsui Trust Group” (the “Group”), since its inception in 2011, has achieved merger synergies in both profits and costs, also has made every endeavor to create a unique business model and to enhance value of its services through solution proposals which is based on clients needs, and has made steady progress in strategic business areas.

In accordance with client/social needs which change over time and environment, the Group has decided to launch a new midterm management plan which includes business model transformation, aiming for sustainable and stable growth immune to economical and market volatilities as a trust banking group specialized in trust businesses.

Regarding the business environment currently surrounding financial institutions, due to prolonged low interest rate environment and unstable international financing situation, sustainability of profit growth has been called into question. In this age of material environmental change, both individual and corporate clients’ concerns and needs to build, manage and review their assets and to develop a plan for succession and its execution have become increasingly complex, and their needs for dialogue with trustworthy financial institutions are increasing.

To fulfill these needs, we believe that it is necessary for the Group, under a stringent conflict of interest management regime, to initiate reforms for enhancing our comprehensive capabilities merging trust and banking functions and our expertise in trust businesses which are the source of our added value, to elevate our total solution capability to the next level.

Taking advantage of the changes in the current business environment as an opportunity for further progress in the Group’s new midterm management plan, the Group is determined to accomplish our business model transformation and establish its solid position as the “Best partner” for the clients, and pursue “Evolution of The Trust Bank” as our vision.

Specifically, we will pursue profit growth in growth business areas such as asset management and administration in which field we have No.1 position in the industry as well as in stable business areas, by further strengthening fee businesses and thoroughly pursuing B/S efficiency and profitability.

The Group will also contribute to revitalizing local communities by strengthening its network with regional financial institutions, taking advantage of its status as Japan's only independent trust bank group specialized in trust businesses, and by providing a wide range of products and services to various clients.

Responding to a challenging external environment, the Group will uplift profitability through streamlining and improving cost efficiency as a group and through drastic enhancement of cost competitiveness by pursuing economies of scale with external parties such as merging asset administration trust bank subsidiaries. The Group will also continue to pursue capital policy which is consistent with its new business model and optimal balance between capital adequacy and shareholder return.

In addition to these business model transformations, we will strive to enhance fiduciary duty and corporate governance. We will foster effective client-oriented management and speed up the process of business management by complete segregation of responsibility between oversight and execution.

In light of such circumstances, the Group positions the period of the midterm management plan as the stage for acquiring greater trust and support from clients, establishing ourselves as the "Best partner" for our clients, and striving to bring itself to a new growth path as Japan's only independent trust bank group specialized in trust businesses. The new targets and strategic measures are shown in the attachment.

1. The Group goals for the medium to long term

We will achieve sustainable and stable growth through business model transformation that leverages unique strengths of the Group, under a stringent conflict of interest management regime, and pursue to be “Best partner” for our clients by demonstrating its comprehensive capabilities resulting from the fusion of trust and banking functions to provide total solutions from the clients’ point of view.

2. Four Basic Policies and Priority Actions

In consideration of the Group goals, the clients’ and the society's needs that change reflecting the times, and our value proposition to society, we have set the following four basic policies for the new midterm management plan to transform our business model.

(1) Further reinforcement to the strengths of a trust bank group specialized in trust businesses

(i) Continue to strengthen various businesses and functions

As a future growth driver, we intend to strengthen our fee based businesses, including overwhelmingly No.1 ranked asset management and asset administration businesses, and to improve the efficiency and profit stability of our balance sheet business through sophistication of risk control. Also, we will strive to offer products and services of a smaller ticket size, focused on retail business, areas where individual and corporate transactions intermingle and private banking businesses. Regarding corporate transactions, utilizing our broad client base including large corporations and financial institutions to the limit, we will expand not only lending/investment businesses, but also fee businesses including trust, financial administration and real estate transactions, to maintain and enhance our profit level, and diversify our revenue source.

(ii) Establish "Best partner" status by offering comprehensive total solutions

In order to solve various problems of individual and corporate clients, we will work to refine the proposal creation ability of our client representatives, who works together to devise an optimal solution with clients, and at the same time, broaden our products and services offerings indispensable for providing the best solution for our clients to establish our “Best partner” status.

(iii) Expansion of alliance strategies leveraging our neutral position

By utilizing our positioning of not belonging to any specific corporate group, we will establish a win-win relationship with alliance partners with our outstanding strengths in various fields to provide a wider range of products and services to a broader client base.

(2) Drastic enhancement of our cost competitiveness

(i) Achieve group wide cost efficiency

We will reduce costs and enhance efficiency through conducting Group-wide assessment of operational efficiency and return on investment and review and verify effectiveness of IT investments and other expenses to be spearheaded by SuMi TRUST Holdings.

(ii) Pursuit of economies of scale

We will continue to pursue economies of scale, including merger of asset administration trust bank subsidiaries.

(3) Execution of capital policy conforming to our business model

(i) Maintain the balance of capital adequacy / efficiency and investment for future growth

We will strive to enhance the quality, quantity and efficiency of capital with regulatory environment in mind, and study strategic options to utilize capital for sustainable growth.

(ii) 2 Strengthen shareholder return over the medium to long term

Cognizant of the balance between investment opportunities and shareholder equity return, enhance shareholder return in the medium to long term by paying dividends according to business performance.

(4) Strengthen effectiveness of governance and refinement of fiduciary duty

(i) Advancement of better corporate governance

We will strive to improve our corporate governance structure including the change to become a company with three committees in order to strongly advance our goal to transform our business model.

(ii) Enhancing fiduciary duty and conflict of interest management

As a foremost industry leader, we shall establish a comprehensive structure from top management to working level, to gain trust and provide comfort to our clients, and as "Best partner for our clients", to offer a total solution with high added value.

3. Financial Targets

As a trust bank group specialized in trust businesses, we will set the following numerical targets as medium-term goals for achieving our business model transformation to further contribute to our clients and society.

	medium to long term direction
Fee income ratio	To be raised to approx. 60%
OHR (Overhead ratio)	To be reduced to mid 50% level
Shareholders' equity ROE	8% or more (With a view to achieving 10% in the future)
Common Equity Tier 1 capital ratio	Maintain approx. 10% comfortably

For details, please see the presentation material, "Midterm Management Plan", as attached.

End.

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# New Midterm Management Plan Evolution of The Trust Bank --The Second Foundation--

May 19, 2017

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SUMITOMO MITSUI TRUST HOLDINGS

## Changes to the external environment surrounding trust banks

Due to prolonged low interest rate environment and unstable international financing situation, lending business is facing increasingly stronger headwinds

However, in a mature economy, increasing demand in areas such as diverse investment requirements, safe and trustworthy asset transfer between generations, means that there are growth opportunities in areas that trust banks could deploy its business functionalities

NIRP  
Interest margin compression

Increase in foreign currency funding cost  
Decrease in profitability of overseas assets

Increase in USD interest rate  
Cautious market business management

Lending/investment businesses (including bond investments in Global Markets) facing headwind

Trust related businesses, fee businesses have room for growth

To utilize asset management/administration functions

To utilize asset transformation functions

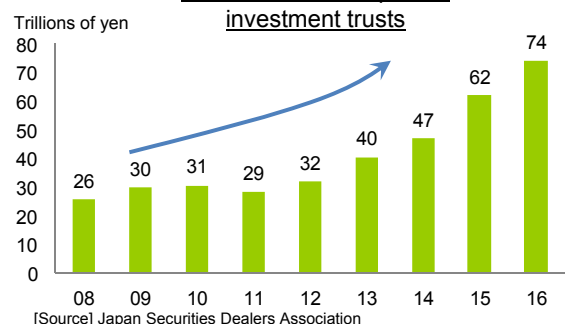
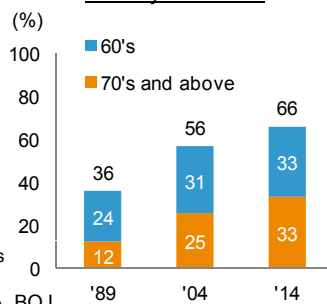
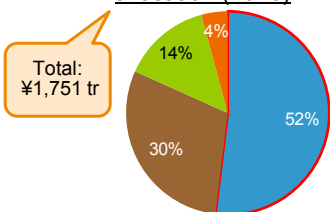
Increase in opportunities to assist asset formation and inter-generational asset transfer

Increase in opportunities to meet various risks/investment expectations

Household financial asset allocation (2016)

Ratio of household wealth held by over 60's

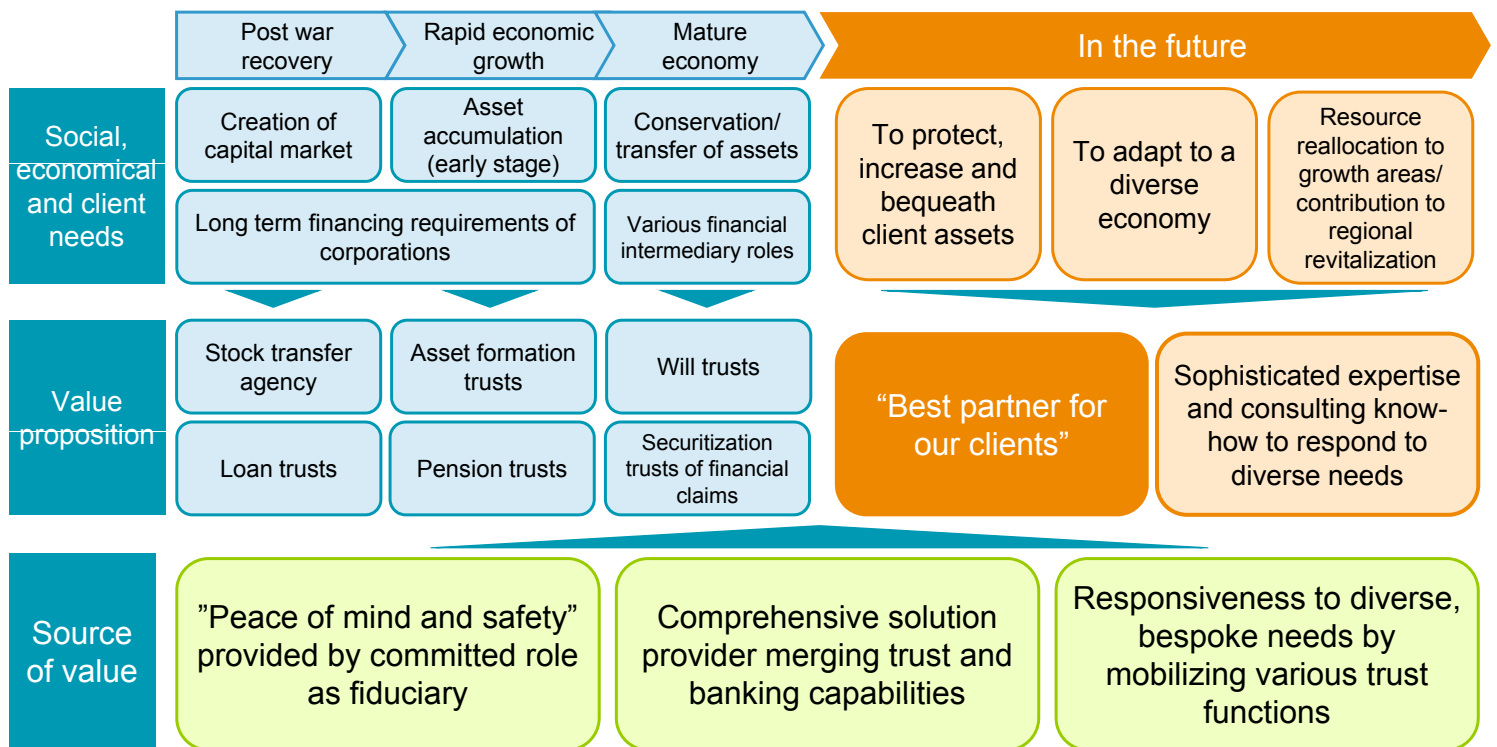
Net asset value of private investment trusts



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# Trust Banks: To contribute to fulfilling society's needs while adapting to the times

- ▶ Trust banks have always left its mark in society by continuously adapting to changing social/economical environment and client base
- ▶ To evolve and grow further to cope with diverse client needs

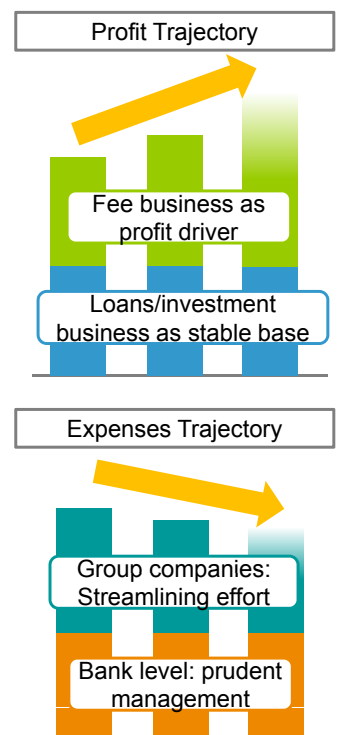


## SuMi TRUST's mid to long term goal

To achieve sustainable and stable growth through business model transformation

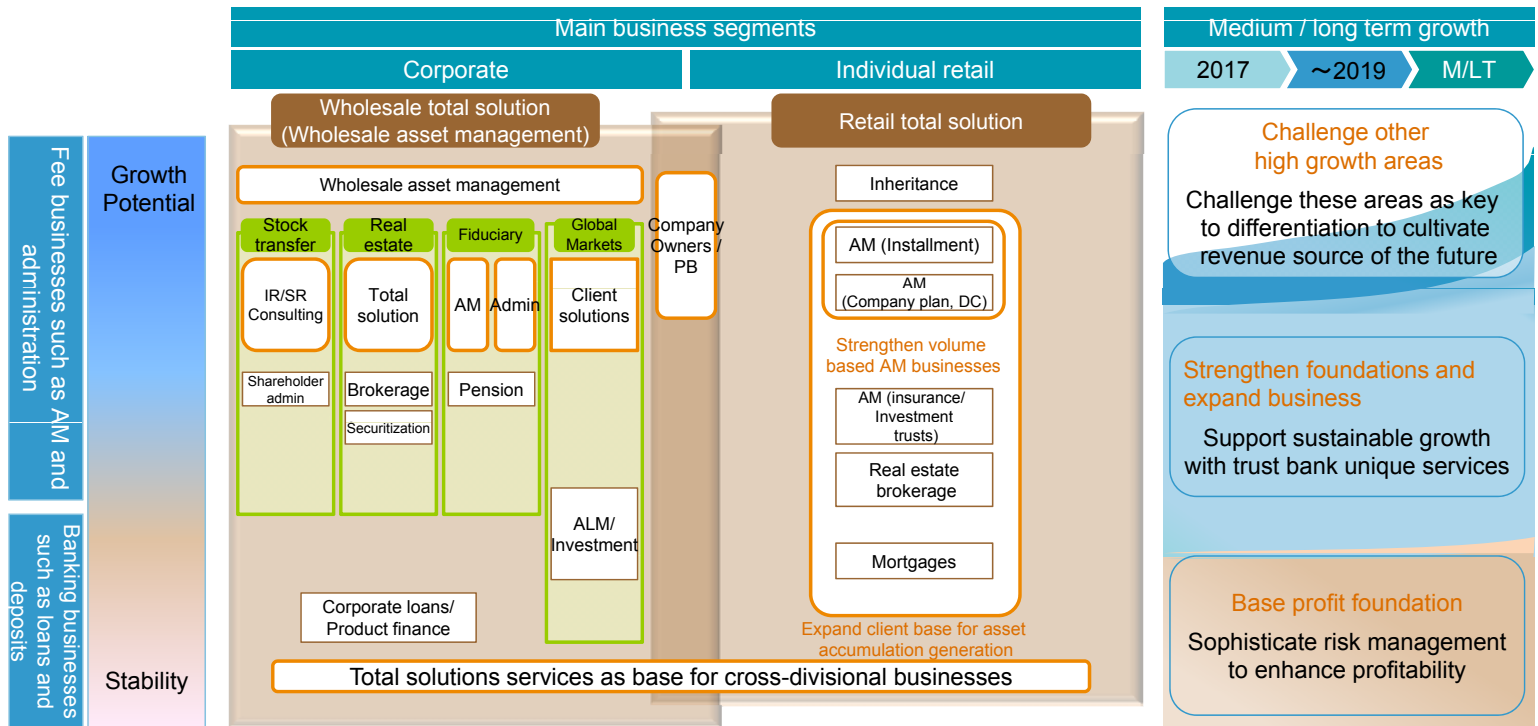
### Our goals and initiatives

- Pursue growth through strengthening our edge as the sole specialized trust bank group**
  - ▶ Further strengthen fee businesses  
Accelerate growth to become undisputed No.1 in asset management / administration business
  - ▶ Pursue B/S efficiency and profitability
  - ▶ To become client's best partner overwhelming our competition with our total solution proposal capability
  - ▶ Expand business base through alliance strategies leveraging the group's independent status
- Strengthening of cost competitiveness**
  - ▶ Pursue cost efficiency at all group companies
  - ▶ Pursue economies of scale through alliance strategies
- Capital policy conforming to our business model**
  - ▶ Cognizant of the balance between investment opportunities and shareholder equity return, enhance shareholder return in the medium term
- Strengthen effectiveness of governance and enhance fiduciary duty**
  - ▶ Segregation of oversight and management execution
  - ▶ Firm progress on business model reform
  - ▶ Enhance Fiduciary Duty awareness and conflict of interest management



# Business model transformation: Overall picture of individual business strategy

► To grow both in areas where we can leverage the strengths and uniqueness of trust banks, and in areas that will serve as a stable earnings base to support the reformation period



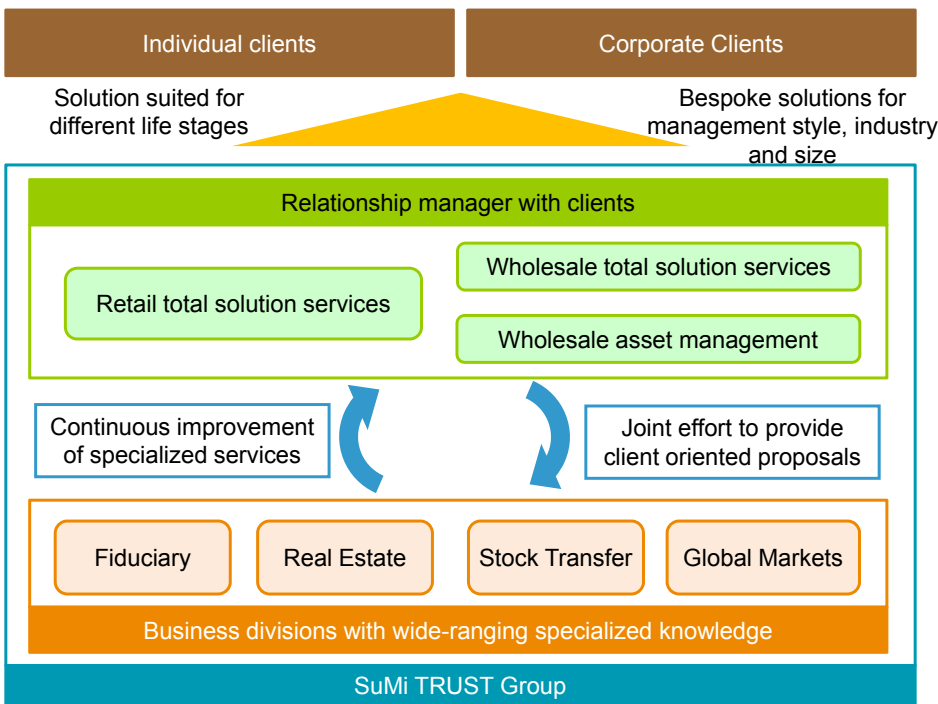
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## Total solution model

**Goal**

- Brush up the ability of marketing officers to devise an ideal solution to the client's problems and needs in conjunction with the client
- Be the best partner working closely with the client to solve their problems by making use of expertise and diversified functions



**“Best Partner” for our clients**



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# Alliance strategy ~ To expand our business base leveraging our neutrality ~

## Goal

- ▶ Leveraging our neutral status, expand our client base and product lineup through alliances to achieve efficient and speedy growth

Alliances with domestic financial institutions to expand client base

Complement our product lineup/services with specialized know-how of overseas financial institutions

Win-Win relationship with alliance partners

Provide AM Products

Man Group  
Standard Life Investments etc.

Joint development of insurance products

BNP Paribas Cardif

Strengthen product financing

Midwest Railcar Corporation  
BIDV Financial Leasing  
Novus Aviation Capital  
GreensLedge etc.

Provide services to a broad client base

Joint investment in AM firm

Japan Post Bank/Japan Post  
Nomura Holdings

Bank of Yokohama	Bank of Kyoto
Gunma Bank	TokyoTY Financial Group, Inc.

Broad alliances  
(Real estate, inheritance, AM)

Regional Financial Institutions



Expertise

Largest AM/Fund Administrator

Services for wide-ranging assets

Know-how for total solution

Client base

Affluent retail clientele

Broad large corporate / pension clients

## Expense plan

- ▶ Streamline and improve efficiency as a group, and pursue economies of scale with external parties to overhaul our cost structure
- ▶ At the same time, we shall aim to reduce our OHR (overhead ratio) to 55% to 59% range, restraining total expenses by implementing an expense strategy that prioritizes growth areas

### Policies to restrain overall expenses

Cost control and reduction at group level

- ▶ Group-wide assessment of efficiency and return on investment of IT investments etc. to improve efficiency of these investments
- ▶ SuMi TRUST Holdings will lead a group-wide effort to review other expense items in all areas

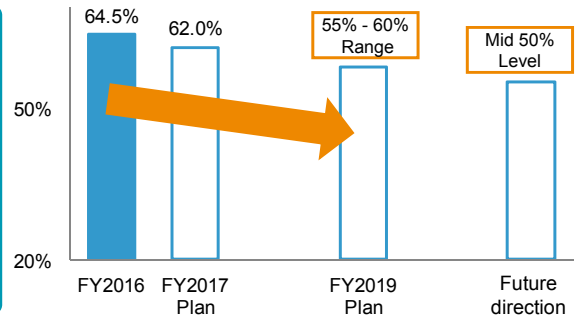
Pursue economies of scale with external parties

- ▶ Plan to merge asset administration bank
- ▶ Continue to investigate possibilities that could achieve economies of scale in other areas

Expenses planning with defined priorities

- ▶ Implement an expenses strategy that prioritizes growth areas to make effective use of resources

### Expenses Plan Trajectory



OHR (Overhead Ratio)

Expenses trend by category (FY2016 → FY2019)

HR Expense

- ▶ Improve productivity to maintain current level

General Expenses

IT related

- ▶ Rationalize development / maintenance investment but increase in strategic areas

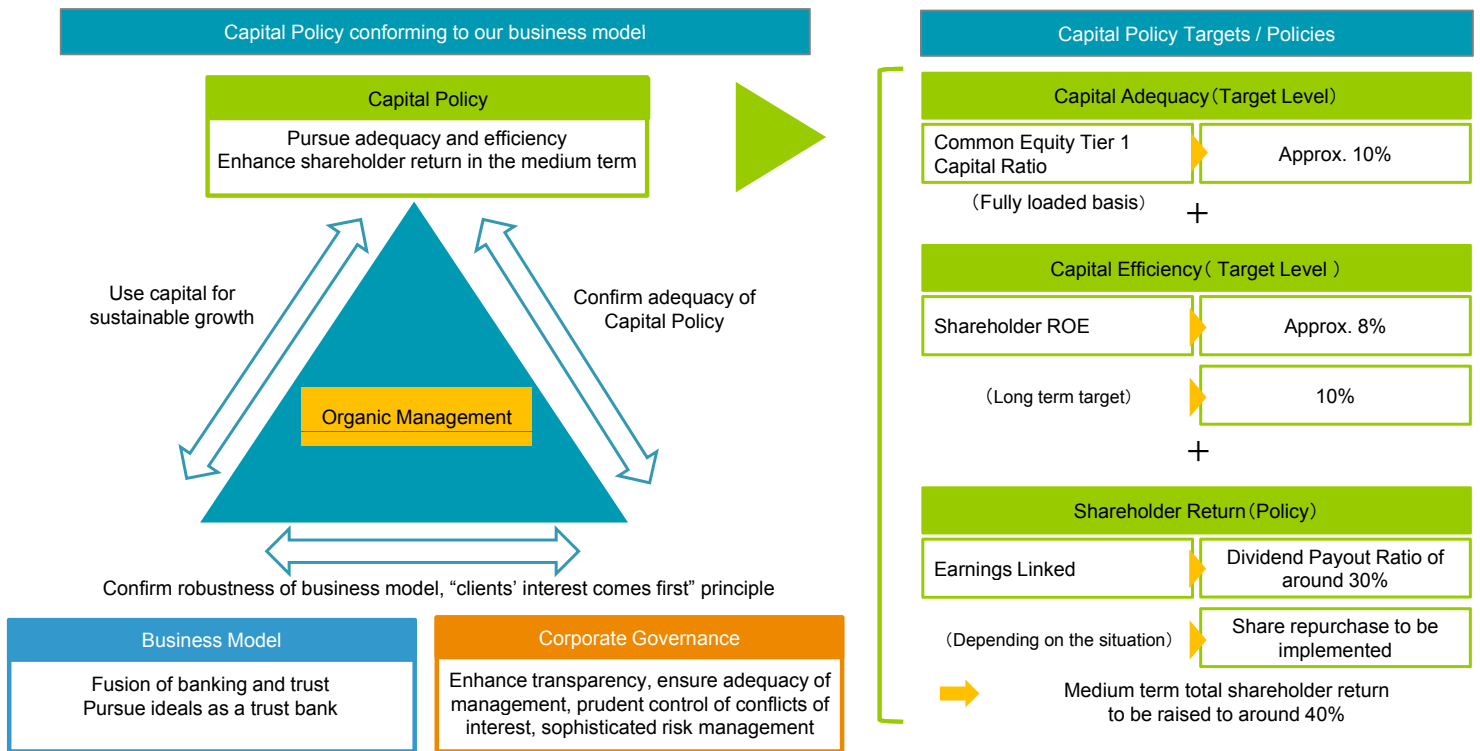
Other

- ▶ Relocation of group office space etc. to restrain cost as a group



# Financial / Capital policy

- ▶ We aim to maximize shareholder interest by pursuing policies to enhance quality and quantity of capital, and to improve capital efficiency
- ▶ Execute capital policy that conforms to our business model combining banking and trust, to organically manage it mindful of good corporate governance
- ▶ We aim to enhance shareholder return in the medium term by payment of dividends and share repurchases commensurate with earnings

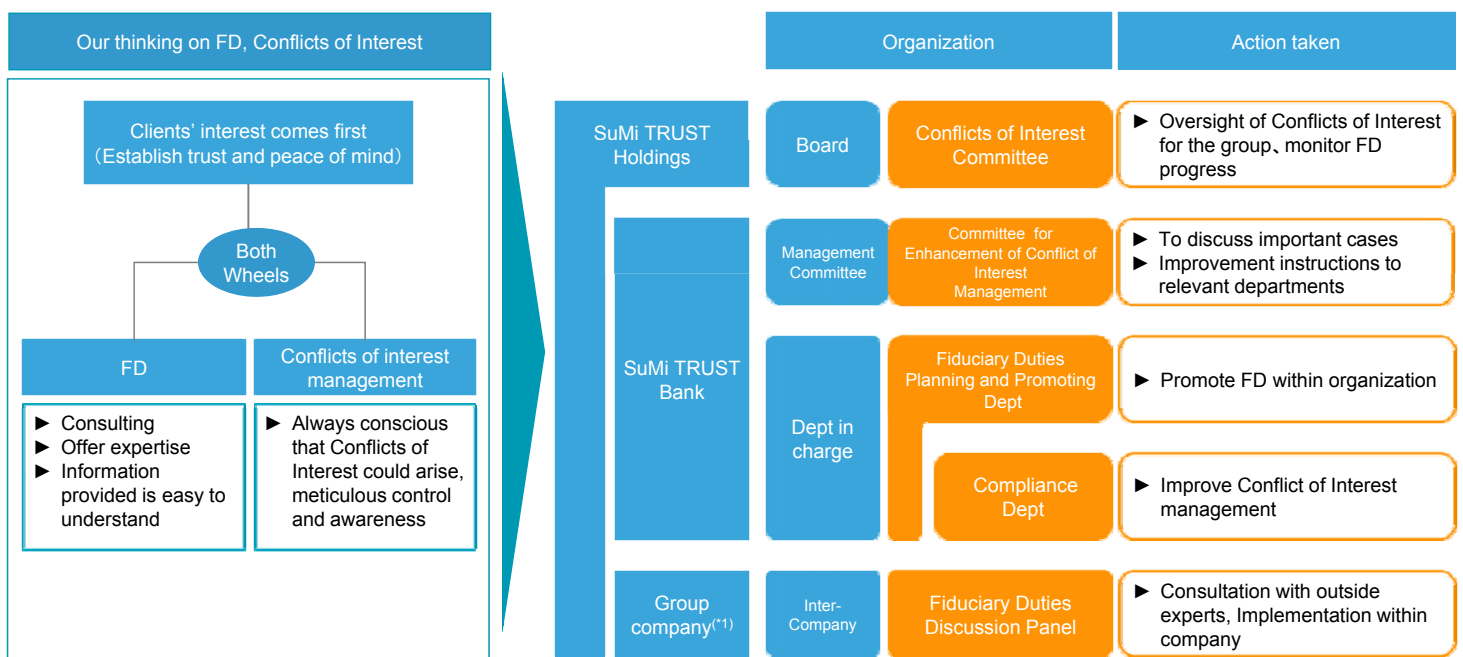


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# Fiduciary duty, Refinement of conflicts of interest (Our thinking and organizational structure)

- ▶ It is essential for establishing trust and peace of mind of clients. It is the foundation of our goal to become "The client's best partner"
- ▶ To actively progress Fiduciary Duty (FD) and Conflict of Interest management to become the industry leader
- ▶ To establish robust organization from top management to working level



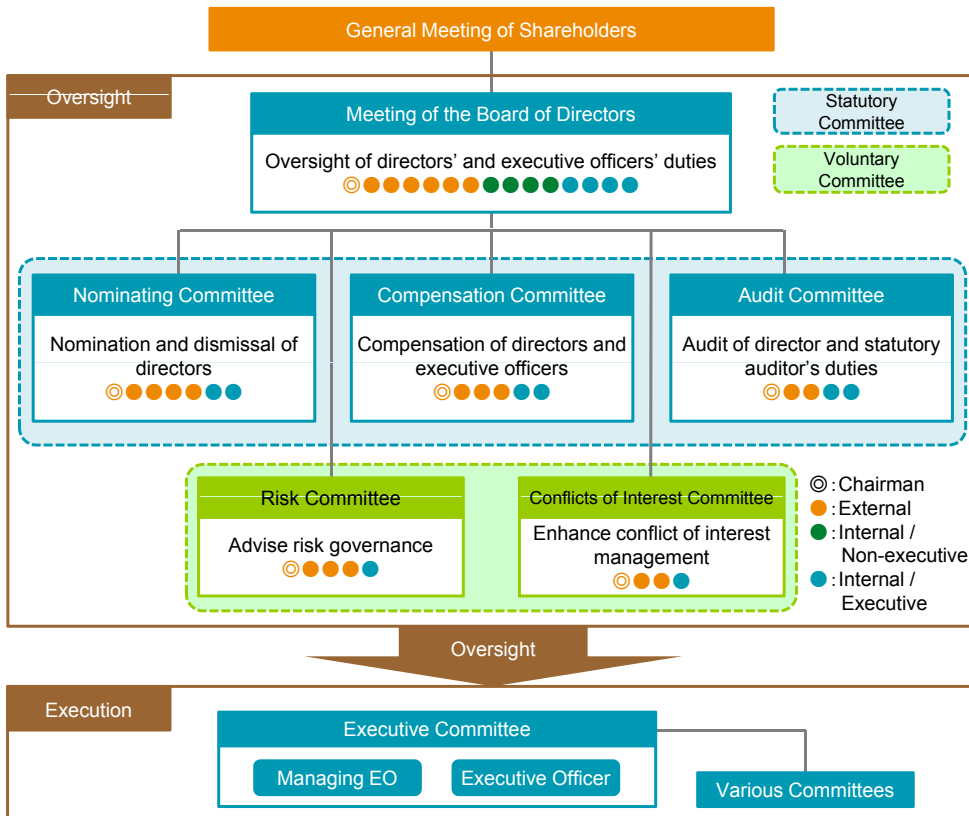
(\*1) Group companies involved in AM: Sumitomo Mitsui Trust Asset Management, Nikko Asset Management, JTSB, Both SuMi TRUST Holdings and SuMi TRUST Bank participate in council meetings

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# Corporate governance enhancements

## Corporate Governance after transition to a company with three committee



### Governance Enhancements

- ▶ By transitioning to a company with nominating committee, complete segregation of responsibility between oversight and execution has been achieved
- ▶ Meeting of the Board of Directors to concentrate on discussing important business matters pertaining to management of the entire group

### Enhancement to the Meeting of the Board of Directors

- ▶ Chairman of the Board to be an External Director (Planned)
- ▶ External Directors and non-executive Directors to hold majority
- ▶ Established Corporate Secretariat to assist External Directors
- ▶ To promote diversity, plan to nominate female External Director

### Establishment of Conflicts of Interest Committee

- ▶ Oversight function to Conflicts of Interest expected of a trust bank group
- ▶ Chairman planned to be head of METI sponsored corporate governance research outfit

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## Medium term profit target and KPIs

### Medium term profit target

< P/L >	(Billions of yen)	FY2016			FY2017		FY2019	
		Actual	Plan	Change	Plan	Change from FY2017	Plan	Change from FY2017
Net business profit before credit costs		232.3	260.0	27.6	300.0	40.0	300.0	40.0
Gross business profit before credit costs		654.5	685.0	30.4	730.0	45.0	730.0	45.0
Non-consolidated		383.3	415.0	31.6	442.0	27.0	442.0	27.0
Consolidation difference		271.2	270.0	(1.2)	288.0	18.0	288.0	18.0
Substantial G&A expenses		(422.2)	(425.0)	(2.7)	(430.0)	(5.0)	(430.0)	(5.0)
Non-consolidated		(232.7)	(235.0)	(2.2)	(232.0)	3.0	(232.0)	3.0
Consolidation difference		(189.4)	(190.0)	(0.5)	(198.0)	(8.0)	(198.0)	(8.0)
Total credit costs		(28.5)	(20.0)	8.5	(20.0)	-	(20.0)	-
Other net non-recurring profit		(7.4)	(5.0)	2.4	(5.0)	-	(5.0)	-
Ordinary profit		196.3	235.0	38.6	275.0	40.0	275.0	40.0
Non-consolidated		117.3	170.0	52.6	200.0	30.0	200.0	30.0
Net income attributable to owners of the parent		121.4	150.0	28.5	180.0	30.0	180.0	30.0
Non-consolidated		77.6	125.0	47.3	140.0	15.0	140.0	15.0

< Major indicators >	FY2016	FY2019
Fee income ratio	62.3%	55-60%
Overhead ratio	64.5%	55-60%
Return on shareholders' equity	6.07%	Approx. 8%
Common Equity Tier 1 capital ratio	11.19%	Approx. 10%

< Assumptions of the market >	Mar. 2017	Mar. 2018	Mar. 2020
3M Tibor	0.06%	0.06%	0.06%
10 year JGB	0.07%	0.05%	0.40%
Nikkei 225 (yen)	18,909	19,000	19,000
USD/JPY	112	115	118

### Major KPIs

#### Fee income ratio

To be raised to approx. 60%

#### Overhead Ratio

To be reduced to Mid 50% level

#### Common Equity Tier 1 Ratio

Maintain approx. 10% comfortably

#### Shareholder ROE

8% or more  
[ With a view to achieving 10% in the future ]

(\*) "Consolidated net business profit before credit costs", "Substantial consolidated gross business profit" and "Substantial G&A expenses" are based on managerial accounting with taking gross income and expenses from the affiliates into consideration, and "Fee income ratio" and "Overhead ratio" shown on the table above are calculated by these figures.

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