

May 21, 2014

To whom it may concern

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

## **Announcement of Midterm Management Plan**

Sumitomo Mitsui Trust Holdings, Inc. (President: Kunitaro Kitamura ) hereby announces that it has launched a new midterm management plan for the three years from fiscal year 2014 to 2016 to revise the existing midterm management plan published in 2011.

“Sumitomo Mitsui Trust Group” (the “Group”) has made every endeavor to create a unique business model and show its added value as Japan’s only independent trust bank group specialized in trust businesses since the establishment of the Group in April 2011. The Group has strived to enhance the earning power and steadily materialized the growth especially in strategic business areas.

The Group decided to launch a new midterm management plan starting from this fiscal year in order to accelerate its effort for sustainable growth when the Group will complete the integration process on the completion of banking IT system integration at Sumitomo Mitsui Trust Bank, Limited, the core company of the Group.

The Group regards the three years of this midterm management plan as the period to further ensure the establishment of its unique and distinctive business model as “The Trust Bank”, and start further growth with continuous “challenge” and “creation”. The new targets and strategic measures are as follows.

Note: This document contains information that constitutes forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors including changes in managerial circumstances.

## 1. Strategic measures of the midterm management plan

### (1) Midterm business strategy

The Group further enhances the strength of unique business model as a dedicated trust bank group with high fee income to gross business profit ratio, and pursues the maximization of revenue through the expansion of income from both banking business including the overseas credit and fee related businesses predominantly through Retail financial services and Real estate.

#### (i) Enhancement of existing businesses

The Group will make every effort to improve the quality of products and services as well as to enhance the client base, sales and consulting capabilities in both quality and quantity by utilizing the business model to offer banking business, trust business and real estate business through one integrated trust bank group.

#### (ii) Expansion of coordination across business segments

The Group will cultivate the potential client demand and explores new developing business areas by enhancing the capabilities to offer solutions through the expansion of coordination across business segments.

#### (iii) Growth in global businesses

The Group accelerates its global business distinctive of a trust bank group through the enhancement of capabilities to offer total solutions with asset management and asset administration services, etc. in addition to the expansion of the banking business by utilizing the new business network in Asia, etc.

### (2) Optimal use of management resource

#### (i) Branch network strategy

The Group pursues the optimal and efficient branch network strategy by promoting the integration and streamlining of existing branch network and development of branch network through the sophisticated marketing and enhancement of the non-OTC channels.

#### (ii) Human resource strategy

The Group promotes reallocation of personnel effectively to the strategic business areas which enable it to provide new value added services as well as to the existing business areas which contribute to enhance the fee related business and basic earning power through the “expansion for retail clients”, “expansion of global business” and “enhancement of capabilities to offer total solutions”.

(3) Financial and capital policies

The Group aims to maximize shareholder interests through the basic approach of ensuring adequate capital in terms of both quality and quantity, enhancing its sound financial base and pursuing enhanced capital efficiency.

Capital policies:	The Group sets an initial target for Common Equity Tier 1 capital ratio of approximately 10%.
Policy on reduction of cross shareholdings:	The Group aims to reduce approximately 50 to 100 billion yen of cross shareholdings in 3 years period.
Basic policy on returns for shareholders:	The Group's basic policy is to share profits with shareholders in accordance with profit level of each fiscal year.  Dividend policy for common shares is to target approximately 30% as consolidated dividend payout ratio.

2. Targets of midterm management plan

The following revenue and financial targets are set to establish a dominant position as a requisite financial institution for clients and society.

<Consolidated> (Billions of yen)		FY2013 Actual	FY2016 Target
Net business profit before credit costs		285.8	355.0
Net income		137.6	180.0
Return on shareholders' equity (ROE)		7.84%	8.5% to 9.0%

<Non-consolidated>		
Net business profit before credit costs	211.8	270.0
Overhead Ratio (OHR)	54.1%	45% to 50%

<Long-term target / Consolidated>	
Return on shareholders' equity (ROE)	Approx. 10%

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

End.

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Note: This document contains information that constitutes forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors including changes in managerial circumstances.

# Midterm Management Plan

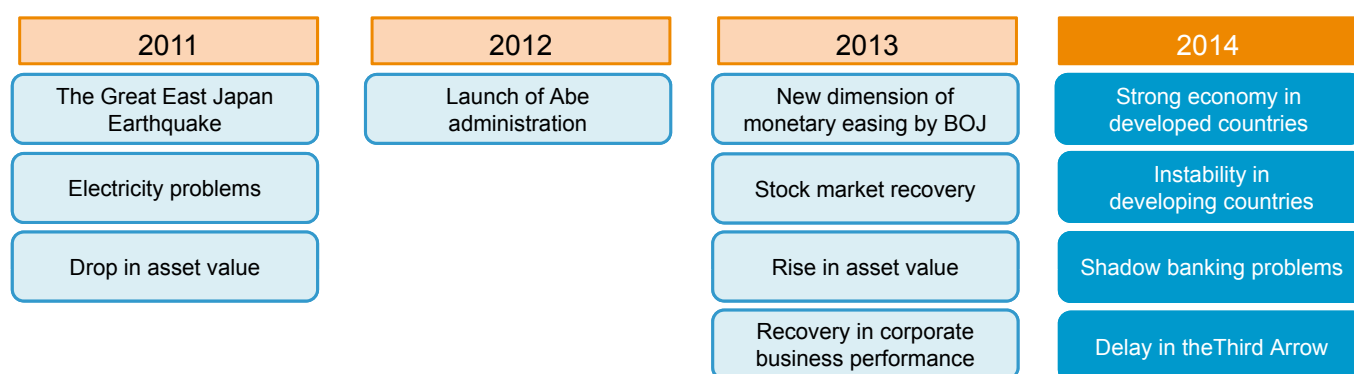
## “Challenge & Creation” for a lasting trust relationship

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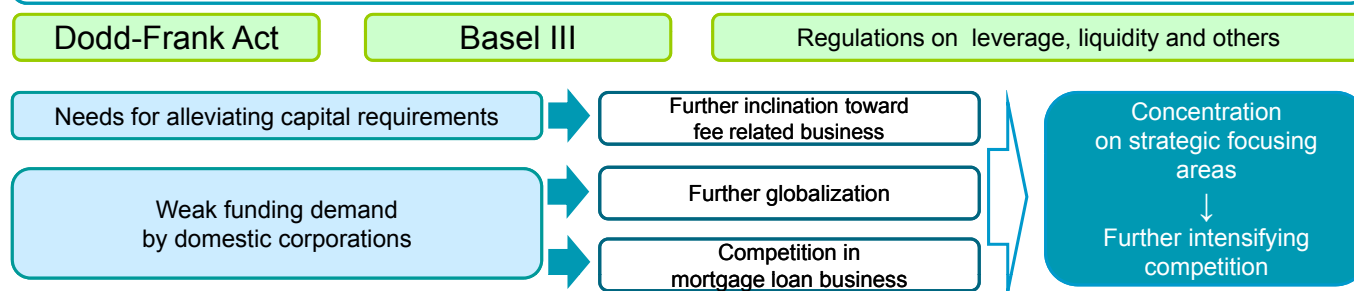


### Environment recognition

Uncertainty in macro economy due to the instability in developing countries, while developed countries have strong economy



Severe competition among banks due to the concentration on strategic focusing areas



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# Summary of existing Midterm Management Plan and objectives of the new Midterm Management Plan

## 【Summary of existing Midterm Management Plan】

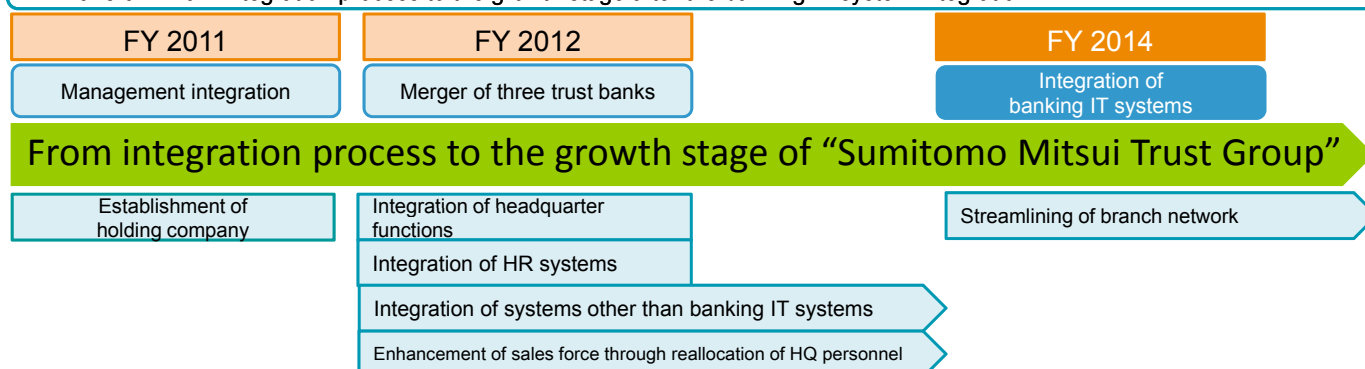
Growth in strategically targeted business areas was materialized, while profit levels stayed at approximately 70% of FY 2015 targets due to the low interest rate environment

	FY2011 Actual	FY2013 Actual	FY2015 Initial Target		FY2013 Actual	FY2015 Initial Target
Investment trust and insurance Sales	¥1.1tr	¥1.9tr	¥1.8tr	Gross business profit before credit cost (Consolidated)	¥285.8bn	¥400.0bn
AUM	¥61.0tr	¥70.0tr	¥63.0tr	Net income (Consolidated)	¥137.6bn	¥200.0bn
Real estate brokerage fee	¥24.0bn	¥38.3bn	¥50.0bn	Return on shareholders' equity (Consolidated)	7.84%	Approx. 9%
Loans to individuals	¥6.4tr	¥7.3tr	¥10.0tr	OHR (Non-consolidated)	54%	43%
Loan balance	¥21.0tr	¥24.0tr	¥28.0tr	Fee income ratio (Consolidated)	53%	50%
Loans to overseas Japanese borrowers	¥1.3tr	¥2.7tr	¥2.0tr	Reduction of cross shareholdings (*)	¥169.1bn	¥190.0bn

(\*) Accumulated reduction amount in three years (FY2011-FY2013)

## 【Objectives of the new Midterm Management Plan】

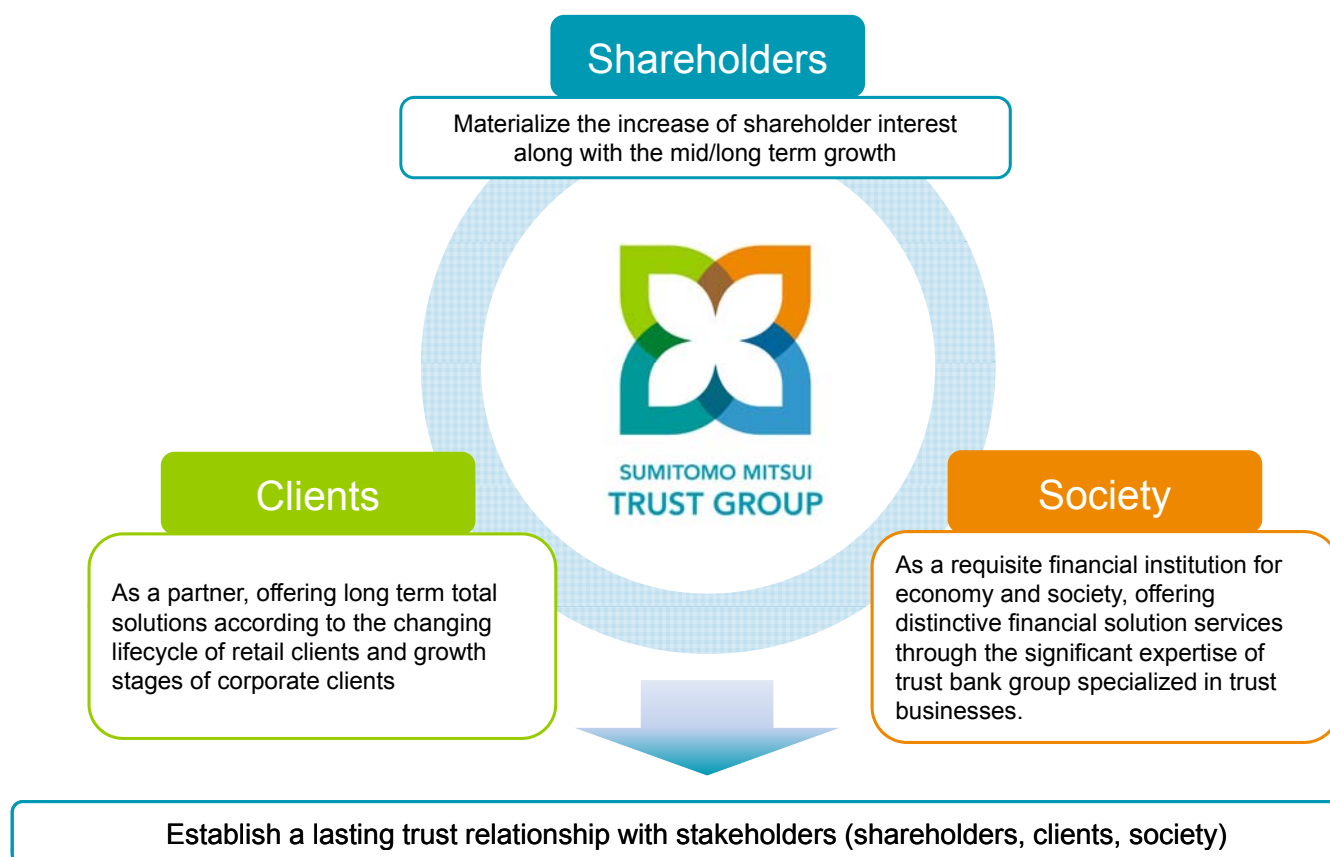
Transform from integration process to the growth stage after the banking IT system integration



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## Vision of Sumitomo Mitsui Trust Group



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## Midterm revenue and financial targets

Establish the foundation of sustainable growth by promoting the business model with stable and sustainable revenues through the expansion of the fee business and global business for a lasting trust relationship with clients

<Consolidated>		FY2013	FY2016		CAGR
(Billions of yen)		Actual	Target	Change	
Net business profit before credit costs		285.8	355.0	69.1	7.4%
Net income		137.6	180.0	42.3	9.3%
Fee income to gross business profit ratio		53%	50% or above		
Return on shareholders' equity		7.8%	8.5~9.0%		
<Non-consolidated>					
Net business profit before credit costs		211.8	270.0	58.1	8.4%
Net income		116.0	145.0	28.9	7.7%
Overhead Ratio (OHR)		54.1%	45~50%		
<Assumption>		Mar. 2014	Mar. 2017		
		Actual	Assumption		
3M Tibor		0.21%	0.25%		
10 year JGB		0.64%	1.15%		
Nikkei 225 (yen)		14,827	16,000		
		Long-term target			
Return on shareholders' equity		Approx. 10%			

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## [Reference] Midterm revenue target (details))

Pursuit of the growth of gross business profit through the revenue expansion in Retail financial services, Wholesale financial services and Real estate

<Consolidated>		FY2013	FY2016		CAGR
(Billions of yen)		Actual	Target	Change from FY2013	
Net business profit before credit cost		285.8	355.0	69.1	7.4%
Total credit costs		9.1	(40.0)	(49.1)	
Net income		137.6	180.0	42.3	9.3%
<Non-consolidated>					
Net business profit before credit cost		211.8	270.0	58.1	8.4%
Gross business profit		461.5	510.0	48.4	3.3%
Retail financial services		144.0	165.0	20.9	4.6%
Wholesale financial services		121.0	130.0	8.9	2.4%
Stock transfer agency services		29.4	(*) 30.0	0.5	0.6%
Real estate		28.5	45.0	16.4	16.3%
Fiduciary services		91.3	(*) 93.0	1.6	0.5%
Global markets		85.0	90.0	4.9	1.8%
General and administrative expenses		(249.7)	(240.0)	9.7	(1.3%)
Total credit costs		7.6	(35.0)	(42.6)	
Net income		116.0	145.0	28.9	7.7%

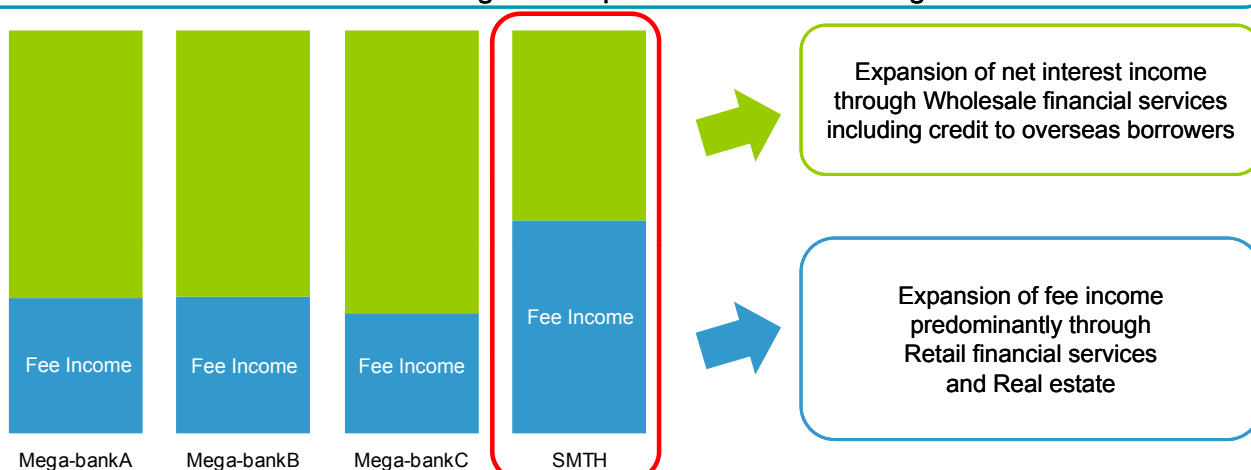
(\*)Before deducting fees paid for outsourcing (Stock transfer agency services: 10.0bn yen, Fiduciary services: 28.0bn yen).

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## Overview of midterm business strategy

- ▶ Further enhancement of the strength of unique business model as a dedicated trust bank group with high fee income to gross business profit ratio
- ▶ Pursuit of maximization of revenue through the expansion of both banking and fee income



### Pillars for enhancement

1st pillar	Strengthen existing businesses
2nd pillar	Expand coordination across business sections
3rd pillar	Growth through global business developments

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## Midterm business strategy -Enhancement of existing businesses-

Enhance client base	<ul style="list-style-type: none"> <li>◆ Deepen / revitalize businesses with existing clients, cultivate new clients</li> <li>◆ Establish a unique and distinctive marketing model as the trust bank group through the coordination across business sections</li> </ul>	<ul style="list-style-type: none"> <li>○ Expansion of sales channels</li> <li>○ Expansion of DC subscribers</li> <li>○ Retail client base of Real estate business</li> </ul> <p>etc.</p>
Enhance sales/consulting capabilities	<ul style="list-style-type: none"> <li>◆ Upgrade frontline sales efforts both in quality and quantity ⇒ Further allocation of personnel to frontline sales ⇒ Enhancement of top sales opportunities</li> <li>◆ Upgrade the quality of consulting services according to growth stage / lifecycle of each company and each individual client</li> </ul>	<ul style="list-style-type: none"> <li>○ Reallocation of personnel through the system integration</li> <li>○ Increase the financial consultants</li> <li>○ Enhancement of comprehensive capabilities to provide real estate related product and services</li> </ul> <p>etc.</p>
Enhance product line-up	<ul style="list-style-type: none"> <li>◆ Further brush-up of existing product line-up</li> <li>◆ Offer package services with the combination of related products</li> <li>◆ Expand product line-up through the introduction of new products</li> </ul>	<ul style="list-style-type: none"> <li>○ Enhancement of Wrap type products</li> <li>○ Expansion of inheritance / asset succession product line-up</li> <li>○ Expansion of coverage areas in financing</li> </ul> <p>etc.</p>

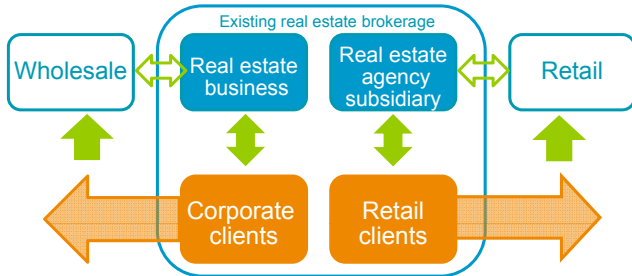
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## Midterm business strategy –Expansion of coordination across business sections–

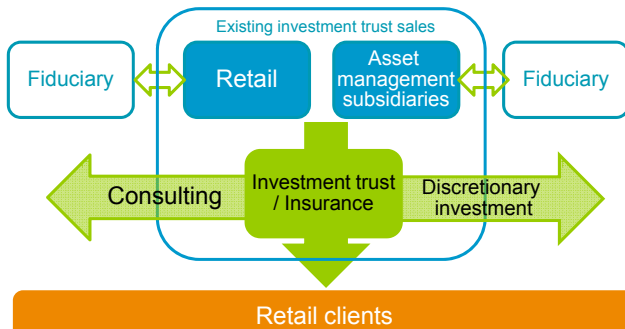
Example of client base expansion through coordination across different business sections

Expand client base through the coordination by RMs in Wholesale and Retail with the brokerage business in Real estate



Example of product / service offerings expansion through coordination across different business sections

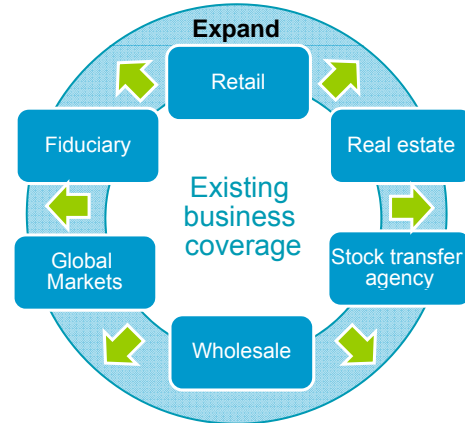
Apply consulting capabilities and portfolio management product from the fiduciary services to investment trust sales



Retail clients

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Further expansion through “organic collaboration” of multiple business sections / know how sharing across groups



Offer unique solutions as the trust bank group specialized in trust banking to meet the diversifying client needs



【Creation of new added value by strengthening / reinforcing coordination across business sections】

- Offer asset management solutions to corporate clients, institutional investors such as pensions.
- Offer optimal solutions to private banking clients to meet their increasing needs surrounding asset succession
- Offer consulting for systems such as pension systems, and for financial management according to the life-styles and others for companies and its employees depending on their growth stage

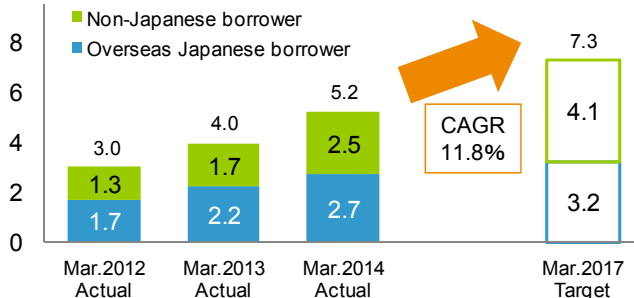
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## Midterm business strategy –Growth in global businesses–

Consolidated gross business profit from international businesses to total gross business profit  
FY2013 : 11% ⇒ FY2016 target :15%

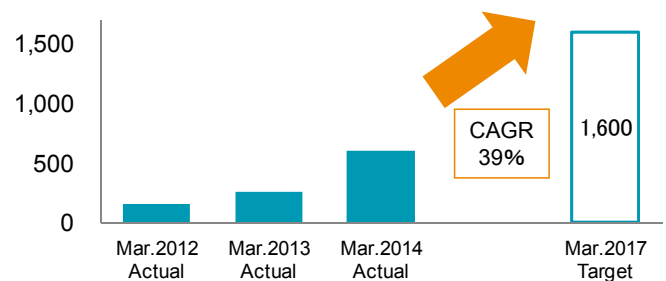
### Expansion of overseas credit

(Trillions of yen)



### Accumulation of global AUM

(Billions of yen)



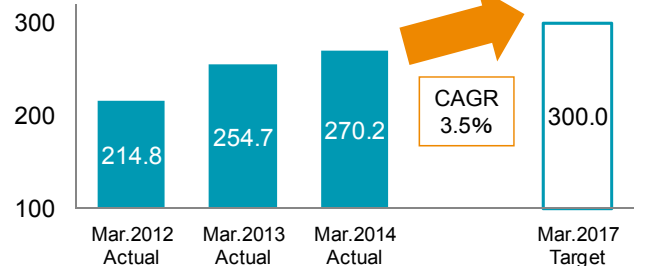
### Enhancement of global real estate business

Supporting investment in domestic real estate by global investors

Supporting investment in global real estate by domestic investors / corporations

### Expansion of global custody business

(Billions of USD)



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## Major KPI

Strategic keywords			Growth indication	
Retail			FY 2013	FY 2016
"Wrap Selection"	Increase administration and management fee revenue through the accumulation of wrap product balance	Balance	¥ 480bn	¥ 1tr
Mortgage loan	Build up quality assets with quality clients	Balance	¥ 6.8tr	¥ 8.4tr
Wholesale				
Credit to Overseas Japanese borrowers	Expand credit to overseas Japanese borrowers to cover the weak domestic funding demand	Balance	¥ 2.7tr	¥ 3.2tr
Credit to non-Japanese borrowers	Proactively accumulating assets with good risk and return profile by promoting sourcing capabilities in coordination with overseas financial institutions	Balance	¥ 2.5tr	¥ 4.1tr
Real estate				
Brokerage fee	Increase revenue by enhancing capability to acquire buy/sell information and improving contract closing ratio through strategic allocation of personnel	Revenue (Consolidated)	¥ 38bn	¥ 55bn
Fiduciary				
Asset management for overseas investors	Enhance asset management business for overseas investors including SWFs	AUM	¥ 0.6tr	¥ 1.6tr
Global custody	Build up AUC through expansion of client base and others	AUC	USD270bn	USD300bn

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## Optimal use of management resource

Promote the expansion of gross business profit with the optimal strategies for branch network and personnel.

### Integration and streamlining of existing branches

Promote the integration and streamlining of branches after the completion of banking IT system integration in 2HFY2014

### Establishing branch network through the sophisticated marketing

Develop optimal branch network including new branch launches through the marketing capturing the change in life style by aging domestic population

### Enhancement of non-OTC channels

Enhance access to the mass retail market that are the future potential senior clients by strengthening the non-OTC channels such as internet banking functions and call center functions

### Creation of human resource

Creation of human resource through the optimization of banking business operations by the completion of banking IT system integration <Approx. 400 to 500 persons>

### Reallocation of human resource

Reallocation of personnel to the business areas for growth strategy such as global business, private banking business and others

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## Financial and capital policies

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### Basic approach to financial and capital policies

We aim to maximize shareholder interests through the basic approach of ensuring adequate capital (in terms of both quality and quantity), enhancing our sound financial base, and pursuing enhanced capital efficiency

### Financial targets

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

### Policy on reduction of cross shareholdings

<Reduction target>  
Approximately 50 to 100 billion yen in 3 years period.

### Basic policy on returns for shareholders

Our basic policy is to share profits with shareholders in accordance with profit level of each fiscal year  
Dividend policy for common shares is to target approximately 30% as consolidated dividend payout ratio