

August 29, 2019

To whom it may concern

Sumitomo Mitsui Trust Holdings, Inc.  
Director, President: Tetsuo Ohkubo  
(Securities Code: 8309 TSE, NSE)

**Notice regarding Introduction of a Performance-Based Stock Compensation System for Directors, etc.**

Sumitomo Mitsui Trust Holdings, Inc. (Director, President: Tetsuo Ohkubo, hereinafter “SuMi TRUST Holdings”) hereby announces that, at the meeting of the Compensation Committee held today, it resolved to newly introduce a Performance-Based Stock Compensation System (“the System”) that utilizes a trust, and which will apply to its directors (excluding (i) directors who are Audit Committee members and (ii) external directors) and executive officers (as defined in the Companies Act and as defined in our internal policies), and the directors (excluding (i) directors who are Audit and Supervisory Committee members and (ii) external directors) and executive officers (as defined in internal policies) of Sumitomo Mitsui Trust Bank, Limited (“SuMi TRUST Bank”) and Sumitomo Mitsui Trust Asset Management Co., Ltd. (“SuMi TRUST AM”), which are core companies of the Sumitomo Mitsui Trust Group (“the SuMi TRUST Group”) (the above individuals at SuMi TRUST Holdings, SuMi TRUST Bank and SuMi TRUST AM are collectively referred to as “the Directors, etc.”).

**1. Introduction of the System**

The compensation for the Directors, etc. of SuMi TRUST Holdings, SuMi TRUST Bank and SuMi TRUST AM (“the Companies”) has consisted of “monthly compensation”, “officers’ bonuses”, and “stock compensation-type stock options”. Going forward, the Companies will discontinue new grant of “stock compensation-type stock options” and newly introduce a stock compensation system for the Directors, etc.

The System aims to enhance the motivation for improvement of medium- and long-term business performance and for increasing the corporate value of the SuMi TRUST Group, by making the linkage between the compensation of the Directors, etc. and the business performance of the SuMi TRUST Group even clearer and having the Directors, etc. share with the shareholders the benefits and risks of share price fluctuations, which, in turn, is done by linking part of the compensation for the Directors, etc. to performance targets, etc. set out in SuMi TRUST Holdings’ current Midterm Management Plan and those set out in the midterm management plans to be adopted every three fiscal years from next fiscal year and providing for payment in shares.

## **2. Overview**

### **(1) Structure of the System**

The System is a stock compensation system whereby a trust (“the Trust”), which SuMi TRUST Holdings will establish through contribution of money, will acquire shares of SuMi TRUST Holdings, and shares of SuMi TRUST Holdings that correspond in number to the number of points granted to the Directors, etc. by the Companies will be delivered to the Directors, etc. via the Trust.

Under the System, the shares of SuMi TRUST Holdings will be delivered to the Directors, etc. in office during the four fiscal years from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2023 (“the Period”). In principle, the Directors, etc. will receive delivery of the shares of SuMi TRUST Holdings when they retire from office.

### **(2) Establishment of the Trust**

SuMi TRUST Holdings will establish the Trust by contributing the funds necessary for the Trust to acquire, in advance, the number of shares of SuMi TRUST Holdings reasonably expected to be required for delivery during a certain period in accordance with (6) below, “Calculation Method and Upper Limit of Shares of SuMi TRUST Holdings to be Delivered to the Directors, etc.” As set out in (5) below, “Method of Acquisition, etc. by the Trust of Shares of SuMi TRUST Holdings”, the Trust will acquire shares of SuMi TRUST Holdings using the funds contributed by SuMi TRUST Holdings as its funding source.

### **(3) Trust Period**

The trust period will be for around four years, from September 17, 2019 (scheduled) to September 30, 2023 (scheduled); provided, however, that the trust period may be extended, as set out in (4) below, “Upper Limit on the Amount of Trust Money to be Contributed to the Trust as Funds for the Acquisition of Shares”.

### **(4) Upper Limit on the Amount of Trust Money to be Contributed to the Trust as Funds for the Acquisition of Shares**

During the Period, SuMi TRUST Holdings will contribute money up to a limit of one thousand four hundred and seventy million yen (JPY1,470,000,000) as compensation for the Directors, etc. in office during the Period, to fund acquisition of the shares of SuMi TRUST Holdings to be delivered to the Directors, etc. under the System, thereby establishing the Trust, whose beneficiaries will be the Directors, etc. who meet certain requirements. The Trust will use the money entrusted by SuMi TRUST Holdings as its source of funds to acquire shares of SuMi TRUST Holdings by means of disposition of treasury stock from SuMi TRUST Holdings or by means of acquisition from the stock market (including after-hours trading).

Note: The money that SuMi TRUST Holdings will actually entrust to the Trust will be the sum of the above-mentioned funds for acquiring shares of SuMi TRUST Holdings and the expected amount of costs necessary for trust fees, trust administrator fees, etc.

Also, the Companies may, by each adopting the relevant resolution, extend the Period every three fiscal years and, with this, extend the period of the Trust (this includes in substance extensions of the trust period by transfer of the trust assets of the Trust from the Trust to a trust that SuMi TRUST Holdings establishes that has the same purpose; the same applies below), and thereby have the System continue. In such case, during the extended Period, SuMi TRUST Holdings will make additional contribution of money to the Trust up to the amount obtained by multiplying the number of fiscal years of the extended Period by three hundred and seventy million yen (JPY370,000,000), to fund acquisition of additional shares of SuMi TRUST Holdings to be delivered to the Directors, etc. under the System, and will continue to grant points and deliver shares of SuMi TRUST Holdings as set forth in (6) below, “Calculation Method and Upper Limit of Shares of SuMi TRUST Holdings to be Delivered to the Directors, etc.”.

In addition, even if the Period is not extended as set out above and the System is thus discontinued, if, at the time of expiration of the trust period, there are Directors, etc. who have already been granted points but have not yet retired from office, the trust period may be extended until such Directors, etc. retire from office and delivery of the shares of SuMi TRUST Holdings is completed.

**(5) Methods of Acquisition, etc. by the Trust of Shares of SuMi TRUST Holdings**

It is planned that initial acquisition of shares of SuMi TRUST Holdings by the Trust will be acquisition from the disposition of treasury stock of SuMi TRUST Holdings or from the stock market, within the upper limit of the funds for acquisition of shares stipulated in (4) above, “Upper Limit on the Amount of Trust Money to be Contributed to the Trust as Funds for the Acquisition of Shares”; however, further details about methods of acquisition are to be separately disclosed.

Further, if, during the trust period, due to an increase in the number of the Directors, etc. or other cause, the possibility arises that the number of shares of SuMi TRUST Holdings in the Trust will fall short of the number of shares for the number of points to be granted to the Directors, etc. during the trust period, SuMi TRUST Holdings may entrust additional money to the Trust, within the scope of the upper limit on the trust money as stated in (4) above, “Upper Limit on the Amount of Trust Money to be Contributed to the Trust as Funds for the Acquisition of Shares”, for additional acquisition by the Trust of shares of SuMi TRUST Holdings.

**(6) Calculation Method and Upper Limit of Shares of SuMi TRUST Holdings to be Delivered to the Directors, etc.**

(i) Method of granting points to the Directors, etc.

The Companies will, on a points-granting date during the period of the trust stipulated in the Share Delivery Rules, grant points to each of the Directors, etc. according to their job ranks and the degree of attainment of performance targets, etc., based on the Share Delivery Rules established by each Company.

However, the aggregate number of points that the Companies may grant to the Director's etc. will have an upper limit of 200,000 points per fiscal year.

The method of calculation of points to be granted shall be as follows:

- a. Among the performance targets, etc. set out in the midterm management plan of SuMi TRUST Holdings, the following items ① to ⑦ will be used to calculate the points to be granted: ① consolidated net business profit before credit costs, ② consolidated net income attributable to owners of the parent, ③ consolidated return on shareholder equity, ④ consolidated CET 1 ratio (common equity tier 1 ratio), ⑤ consolidated OHR (overhead ratio), ⑥ in relation to ESG, status of activities and scores from evaluation bodies, etc. and ⑦ status of fiduciary duties and customer satisfaction (CS) activities.
- b. Specifically, first, a prescribed evaluation weight for the achievement rates with respect to the quantitative targets in the above items ① and ② will be set each fiscal year, and 'Achievement Rate I' will be calculated.
- c. Next, with respect to the achievement status and progress status of the targets relating to items ③ to ⑦ above, and based also on comparison with other financial institutions, etc., the Compensation Committee will conduct qualitative evaluation, the results of which will be added to the 'Achievement Rate I', and the finally applicable 'Achievement Rate II' will be calculated, and points will be determined based on 'Achievement Rate II'. With respect to this qualitative evaluation, the Compensation Committee sets the evaluation criteria for each item, and said qualitative evaluation will be a mechanism that adjusts the 'Achievement Rate I' within a prescribed range according to the criteria.
- d. 'Achievement Rate II' will be determined within a range having an upper limit 130% and the lower limit 0%, and it will be a mechanism to provide appropriate incentives.

(ii) Delivery of shares of SuMi TRUST Holdings corresponding to the number of points granted

The Directors, etc. will receive delivery of shares of SuMi TRUST Holdings in accordance with the procedure set forth in item (iii) below corresponding to the number of points they have been granted under item (i) above.

One point shall correspond to one share of SuMi TRUST Holdings to be granted. However, if circumstances arise, such as share split or reverse share split, etc. with respect to the shares of SuMi TRUST Holdings, for which it would be considered reasonable to adjust the number of shares of SuMi TRUST Holdings to be delivered, then reasonable adjustment will be made reflecting the stock split ratio or reverse stock split ratio, etc.

(iii) Delivery of shares of SuMi TRUST Holdings to the Directors, etc.

The delivery of shares of SuMi TRUST Holdings as described in item (ii) above will be made from the

Trust by the Directors, etc. carrying out the prescribed beneficiary determination procedures at the time of their retirement.

However, a certain portion of shares of SuMi TRUST Holdings may be sold by the Trust and converted to cash, for the purpose of each Company making deductions at source for tax payments, such as withholding income tax, etc., and this will constitute delivery in cash instead of shares of SuMi TRUST Holdings. Further, if shares of SuMi TRUST Holdings held in the Trust are converted into cash, for example, if a tender offer is accepted and there is settlement of shares of SuMi TRUST Holdings held in the Trust, SuMi TRUST Holdings may make delivery in cash instead of shares of SuMi TRUST Holdings.

**(7) Exercise of Voting Rights**

Based on the instructions of the trust administrator, who will be independent of the SuMi TRUST Group, without exception, the voting rights associated with the shares of SuMi TRUST Holdings held in the Trust will not be exercised. The purpose of this is to ensure the neutrality of SuMi TRUST Holdings' management regarding the exercise of voting rights of the shares of SuMi TRUST Holdings held in the Trust.

**(8) Handling of Dividends**

The dividends on the shares of SuMi TRUST Holdings held in the Trust will be received by the Trust, and will be applied to payments for acquisition of the shares of SuMi TRUST Holdings and trust fees of the Trustee of the Trust, etc.

**(9) Handling of Shares of SuMi TRUST Holdings and Money at the Time of Termination of the Trust**

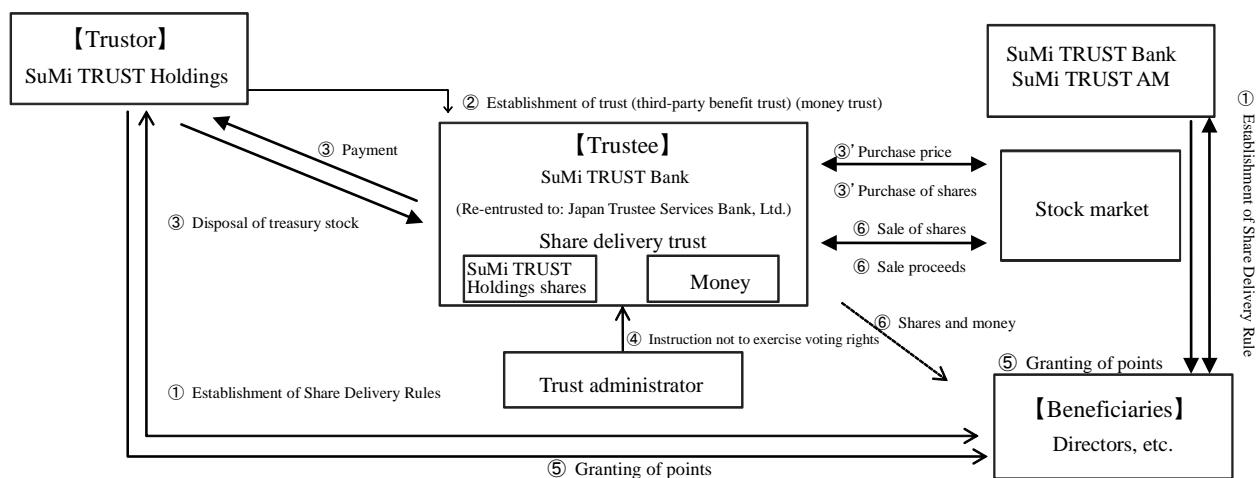
It is planned that, of the assets in the Trust remaining on termination of the Trust, those that are shares of SuMi TRUST Holdings will be acquired free of charge by SuMi TRUST Holdings and cancelled by resolution of the Board of Directors.

Further, it is planned that, of the assets in the Trust remaining on termination of the Trust, a certain monetary amount will be donated to a special public-interest promotion corporation with which the Directors, etc. have no relationship of interest, per the provisions set forth in advance in the Share Delivery Rules and the trust agreement.

**(Reference) Overview of the Trust**

(1) Name	Trust for Delivery of Shares to Directors, etc.
(2) Trustor	SuMi TRUST Holdings
(3) Trustee	SuMi TRUST Bank (trust account) (Re-entrustment trustee: Japan Trustee Services Bank, Ltd. (trust account))
(4) Beneficiaries	Directors, etc. who satisfy the beneficiary requirements.
(5) Trust Administrator	Plan to select a third party that is independent of the SuMi TRUST Group
(6) Exercise of Voting Rights	Throughout the period of the trust, the voting rights of SuMi TRUST Holdings shares held in the trust will not be exercised.
(7) Type of Trust	Trust of money other than “money trust” ( <i>kinsen-shintaku</i> ) (third-party-benefit trust)
(8) Trust Purpose	To deliver SuMi TRUST Holdings shares to the beneficiaries based on the Share Delivery Rules
(9) Trust Period	September 17, 2019 to end of September, 2023 (scheduled)
(10) Date of Entrustment of Monies	September 17, 2019 (scheduled)
(11) Date of Acquisition of Shares	September 17, 2019 (scheduled)
(12) Class of Shares to be Acquired	Ordinary shares

## (Reference) Structure of the System



- ① For the introduction of the System, the Companies will establish, by a respective decision-making organ of each Company, “Share Delivery Rules” (in the case of SuMi TRUST Holdings, by its Compensation Committee; in the case of SuMi TRUST Bank and SUMI TRUST AM, respectively, their Board of Directors).
- ② SuMi TRUST Holdings will establish a share delivery trust (third-party-benefit trust) (i.e. the Trust) with the Directors, etc. as the beneficiaries. SuMi TRUST Holdings will, based on the resolution in ① above, entrust to the Trustee the amount of money equivalent to the amount of funds for the acquisition of shares. In addition, regarding the monies that will fund the compensation for Directors, etc. of SuMi TRUST Bank and SUMI TRUST AM, SuMi TRUST Holdings and the other Companies will co-operate to carry out the necessary reconciliation of accounts (provided, however, that the amount of money that SuMi TRUST Bank and SUMI TRUST AM are to bear respectively, shall be within the scope of the authorization obtained by the General Meeting of Shareholders of each of those Companies).
- ③ The Trustee will acquire, in a single tranche, the number of shares of SuMi TRUST Holdings sufficient for the expected future delivery of shares (acquisition by means of disposition of treasury stock or acquisition from the stock market (including after-hours trading)).
- ④ SuMi TRUST Holdings will, for the trust period, appoint a trust administrator (who must be independent of the Group) who shall be responsible for protecting the interests of the beneficiaries who are covered by the Share Delivery Rules and supervising the Trustee. The trust administrator will instruct the Trustee not to exercise any voting rights associated with the shares of SuMi TRUST Holdings held in the Trust and, based on these instructions, the Trustee will not exercise voting rights throughout the trust period.
- ⑤ Each of the Companies will grant points to the Directors, etc. in accordance with the Share Delivery Rules.

- ⑥ The Directors, etc. who meet the requirements set out in the Shares Delivery Rules and the trust agreement that pertains to the Trust will, as beneficiaries of the Trust, receive delivery of shares of SuMi TRUST Holdings from the Trustee corresponding to the points that they have been granted. In certain specific cases set forth in advance in the Share Delivery Rules and the trust agreement, SuMi TRUST Holdings may sell on the stock market part of the shares of SuMi TRUST Holdings to be delivered, and deliver money.

It is planned that the assets in the Trust remaining on termination of the Trust that are shares of SuMi TRUST Holdings will be acquired free of charge by SuMi TRUST Holdings and cancelled by resolution of the Board of Directors.

Further, it is planned that, of the assets in the Trust remaining on termination of the Trust, certain monetary amounts will that, per the provisions set forth in advance in the Stock Delivery Rules and the trust agreement, these will be donated to ‘special public-interest promotion corporation(s)’, which shall be a corporation with which the Directors, etc. have no relationship of interest.

SuMi TRUST Bank, which is the Trustee under the System, will delegate (re-entrust) management of the trust property to Japan Trustee Services Bank, Ltd.

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