

June 8, 2012

To whom it may concern,

Sumitomo Mitsui Trust Holdings, Inc.
(Code: 8309 TSE, OSE and NSE)
Sumitomo Mitsui Trust Bank, Limited

**Report of the Third Party Committee Regarding
Recommendation by the Securities and Exchange Surveillance Commission**

On March 21 and May 29, 2012, the Securities and Exchange Surveillance Commission has made recommendations for the Prime Minister and the Commissioner of the Financial Services Agency to issue orders for the payment of an administrative monetary penalty, due to violations by the former Chuo Mitsui Asset Trust and Banking Company, Limited, acting as an investment manager of a fund, of the Financial Instruments and Exchange Act (insider trading). In response to these, the special investigation committee of Sumitomo Mitsui Trust Holdings, Inc., which included outside experts, conducted extensive investigations and analyses, and examined measures to prevent recurrence. Then, the Third Party Committee (Chairperson: Mr. Kunio Hamada, former Justice of the Supreme Court) evaluated and verified the results of such investigations and analyses. We hereby announce that we recently received a report by the Third Party Committee.

A summary of the Third Party Committee report is as set forth in Exhibit 1. The entire text of the report (in Japanese only) is published on our website.

We also hereby announce that, based on the Third Party Committee report, we have determined measures to prevent recurrence, and other measures as set forth in Exhibit 2.

We will endeavor to strengthen our compliance management system with the utmost effort, by strictly enforcing measures to prevent reoccurrence, and make strenuous efforts to recover your trust.

(Attachment)

Exhibit 1	“Summary of the Third Party Committee Investigation Report” Attachment “Summary of Special Investigation Committee Report”
Exhibit 2	“Measures to Prevent Recurrence”

End.

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June 8, 2012

Summary of the Third Party Committee Investigation Report

I. Overview of the Third Party Committee Investigation Report (this “Report”)

(1) Basic Policy of the Investigation

The basic policy of the investigation of this third party committee (the “Committee”) is as follows:

1. In light of the Committee’s role and time and physical constraints, the Committee shall only examine the appropriateness of the Special Investigation Committee’s investigation methods and details from a general standpoint.
2. The Committee shall mainly examine the suitability of the recurrence prevention measures proposed by the Special Investigation Committee, and independently conduct the following:
 - a) observe and investigate the effectiveness of the relevant recurrence prevention measures;
 - b) investigate management practices of domestic and Western investment management companies and investment advisory companies; and
 - c) interview the chairperson of the Special Investigation Committee, et al. to inspect the status of the Special Investigation Committee’s investigations
3. The Committee shall propose recurrence prevention measures.

(2) Inspection Results of the Special Investigation Committee Report

According to the Committee’s investigation and inspection, the scope, methods, and processes of the Special Investigation Committee’s investigations and inspections were not deemed unreasonable. Further, the recurrence prevention measures proposed by the Special Investigation Committee are considered to be fundamentally effective and practical.

(3) Proposal by the Committee

In order for Sumitomo Mitsui Trust Holdings, Inc. (“SMTH”) to further build trust in society and realize business practices which promote customers’ interests, the Committee additionally proposes the following six items to SMTH:

- (i) As a financial institution with a company name containing the word, “Trust”, reconfirm that its corporate philosophy is to respond to its customers’ trust and entrustment and use its utmost efforts for its customers’ interests;
- (ii) Prepare internal rules that are easy to understand and refer to;
- (iii) Ensure that monitoring of internal rules is effective;
- (iv) Establish a peer-review system for all persons in charge of managing deposited assets;
- (v) Maintain balance between the incentive system and the compliance system; and
- (vi) Check the compliance systems of securities companies.

II. Outline of the Committee

(1) Circumstances of establishing the Committee

After the Securities and Exchange Surveillance Commission (“**SESC**”) conducted an on-site inspection of Chuo Mitsui Asset Trust and Banking Company, Limited (“**CMAB**”) in 2011, CMAB fully cooperated with the investigation conducted by the applicable authorities while using the utmost care and attention to information management. Simultaneously, SMTH, a holding company of CMAB, established the Special Investigation Committee on March 14, 2012.

Thereafter, on March 21, 2012, a recommendation for the issuance of an order to pay administrative monetary penalty was made with respect to the following incident. An employee of CMAB (“**Employee A**”), who managed the asset(s) of the fund(s) pursuant to a discretionary investment agreement, received insider information from a securities company employee about a capital increase by Inpex Corporation by a public offering, and sold shares of Inpex Corporation on the account of the above fund(s) before a public announcement was made regarding such fact (“**Fact No. 1**”). On April 9, 2012, in response to this, SMTH established an independent committee consisting of outside experts to further evaluate and confirm the scope, methods and processes of the Special Investigation Committee’s investigation. The Committee was comprised of the following members:

Chairperson:	Kunio Hamada (Attorney-at-law; former Justice of the Supreme Court)
Committee member:	Tetsuo Ito (Attorney-at-law; former Deputy Prosecutor-General, Supreme Public Prosecutors Office)
Committee member:	Masao Kishida (Professor, Graduate School of Finance, Accounting and Law, Waseda University)

Even though the Committee initially planned to compile this Report by approximately early to mid-May 2012, the Committee decided to compile this Report by approximately the end of June 2012 in response to the extension of the investigation period of the Special Investigation Committee. Thereafter, on May 29, 2012, a recommendation for the issuance of an order to pay administrative monetary penalty was made with respect to the following incident. An employee of CMAB (“**Employee B**”), who managed the customers’ assets under three discretionary investment agreements, received insider information from a securities company employee about a capital increase by Mizuho Financial Group, Inc. by a public offering, and sold the shares of Mizuho Financial Group, Inc. on the account of each customer who were counterparties to the aforementioned discretionary investment agreements before a public announcement was made regarding such fact (“**Fact No. 2**”).

In total, eight Committee meetings were held between April 9, 2012 and June 5, 2012, amounting to over 13 hours and 50 minutes of meeting time.

III. Observation of the Special Investigation Committee Report

1. Investigation of Fact No. 1 and Fact No.2

(1) Summary of the Investigation by the Special Investigation Committee

According to the Special Investigation Committee Report, no facts were discovered which contradict SESC’s findings or raise suspicion regarding Fact No. 1 and Fact No. 2 after close

examinations of relevant materials and several comprehensive interviews were conducted regarding: Employee A, who is a perpetrator of Fact No. 1, and Employee B, who is a perpetrator of Fact No. 2.

According to the Special Investigation Committee Report, the Special Investigation Committee fully cooperated with SESC's investigations, and from time to time, reported to SESC on the investigation status regarding Employee B and the information obtained by the Special Investigation Committee's investigation. Further, as a result of the independent investigation conducted by the Special Investigation Committee, as of mid-May, 2012, there was an impression that Employee B was strongly suspected of conducting a trade in violation of insider trading regulations with respect to Fact No. 2. The Special Investigation Committee reported to SESC to this effect before SESC issued its recommendation. Further, according to the Special Investigation Committee Report, Employee B made a statement during an interview conducted by the Special Investigation Committee; Employee B admitted that Fact No. 2 was a trade in violation of the insider trading regulations. This took place immediately before SESC issued its recommendation and Employee B's statement was submitted to the SESC. In light of these facts, the Committee believes that the results of the Special Investigation Committee's investigation contributed to SESC's recommendation regarding Fact No. 2 to a certain degree.

(2) The Opinion of the Committee

The Special Investigation Committee has conducted a thorough investigation of Employee A and Employee B and obtained relevant materials to the extent practicable. Such investigation was mainly conducted by outside legal counsel, who are believed to be in an objectively neutral position. The Committee believes that the Special Investigation Committee has conducted a reasonable investigation to the extent practicable.

2. Rationality of Analyses regarding Causes for Facts No. 1 and No. 2

(1) Summary of the Investigation by the Special Investigation Committee

The Special Investigation Committee Report lists the following as individual factors (personal factors) related to the alleged insider-information transfer regarding both Employee A and Employee B:

- a) forming excessively close relationship(s) with person(s) in charge of sales at securities company(ies), who became sources of communication of insider information, was a factor which led to Employee A and Employee B respectively receiving information without being alarmed about the possibility of receiving information which possibly constituted insider information; and
- b) Employee A's and Employee B's lack of awareness about insider information control.

Also, the Special Investigation Committee Report lists the following as systematic factors: (i) the system of evaluating securities companies at CMAB; (ii) an organization which is too "flat" and insufficient systems to manage individual conduct; and (iii) a dysfunctional internal reporting system.

(2) The Opinion of the Committee

With respect to individual factors, the Special Investigation Committee's analyses are deemed to be reasonable for both Employee A and Employee B.

Further, with respect to systematic factors, "(i) the system of evaluating securities companies at CMAB" and "(ii) an organization which is too "flat" and insufficient systems to

manage individual conduct,” are both deemed to be reasonable as analyses of causes. On the other hand, we believe that a persuasive explanation has not been provided with respect to “(iii) a dysfunctional internal reporting system.”

3. Investigation of Other Cases

(1) Summary of the Investigation by the Special Investigation Committee

The Special Investigation Committee has collated sales and purchase data (total of 973,034 cases) and data regarding capital increases by a public offering (total of 300 cases) for the past five years. After considering this data, the Special Investigation Committee acknowledged that there was no other trading activity that was suspected of violating the insider trading regulations and that there was no specific fact which raises such suspicion regarding Employee A.

During the interview, Employee B stated the possibility that he heard insider information during other trading. The Special Investigation Committee, however, noted that Employee B did not identify specific names and/or particular capital increases by a public offering.

Also, the Special Investigation Committee noted that aside from Employee A and Employee B, there was no other fund manager who belonged to the CMAB who was deemed to have violated the insider trading regulations. The Special Investigation Committee’s conclusion results from the following:

- (i) an investigation on whether such fund managers conducted trades with information obtained from Employee A or Employee B;
- (ii) an interview regarding such fund manager’s frame-of-mind at the time when individual sales/purchase transactions were conducted and advisory services were provided within three months before the public announcement date of a capital increase by a public offering;
- (iii) an interview regarding the existence of inappropriate relationship(s) with person(s) in charge of sales at securities company(ies) (including investigation of entertainment-related expense reports and personal planners, etc.); and
- (iv) issuing an anonymous questionnaire twice.

(2) The Opinion of the Committee

The Committee believes that: investigations conducted by the Special Investigation Committee are not unreasonable; and the Special Investigation Committee’s conclusion that there were no facts which constitute violation of insider trading regulations by CMAB, other than Fact No. 1 and Fact No. 2, cannot be deemed to be unreasonable.

4. Investigation of the Management System

(1) Summary of the Investigation by the Special Investigation Committee

According to the Special Investigation Committee Report, an investigation was conducted on CMAB with respect to its respective management systems, particularly: the information management system; the management system regarding entertainment; management system for sale and purchase of shares; and personnel evaluation and behavioral management systems. There was finding that, although various management systems were prepared generally, there were weaknesses regarding the proliferation and through adaptation of various

rules, acknowledgement of risks about insider information and behavioral management of employees.

(2) The Opinion of the Committee

The Committee believes there are no unreasonable aspects in the investigation method of the Special Investigation Committee, which conducted observation of both aspects in terms of the organization and operation of various management systems.

5. Evaluation and Observation of Recurrence Prevention Measures

(1) Observation and analysis of publicly announced recurrence prevention measures and recurrence prevention measures proposed by the Special Investigation Committee

SMTH has already made a public announcement that it will implement various recurrence prevention measures to prevent insider trading. This is principally composed of: (a) enforcing and reviewing organizational systems; and (b) stricter business operations.

Further, according to the Special Investigation Committee Report, Sumitomo Mitsui Trust Bank, Limited (“**SMTB**”) has already responded to the following six items with respect to issues in management systems by:

- (A) not voting on an individual person in charge of sales, when evaluating securities companies;
- (B) requiring: all employees to prepare a business diary regarding personnel and behavioral conduct; requiring all employees to describe the destination and time of return to the company on the whiteboards or scheduler when they leave the office or are absent from their desks for a long period of time; and an employee to communicate with other employees as a matter of basic behavior;
- (C) developing a thorough understanding of laws, regulations and internal rules that are necessary depending on intrinsic risks for the entrustment industry, and enhancing training;
- (D) prohibiting staff, who belong to departments/sections in charge of placing orders to securities companies within the entrustment business, from entertaining and providing gifts, and imposing other related entertainment and gift-giving restrictions that go above and beyond the general rules of the company;
- (E) enhancing the compliance department/section; and
- (F) preparing internal audit systems.

Further, in addition to the recurrence prevention measures publicly announced above, the Special Investigation Committee Report proposes five measures:

- (A) company-wide activities to promote the spread of self-discipline based on the ethos of serving entrustees;
- (B) continued implementation of an investigation by way of a “Questionnaire of Compliance Awareness” for the purpose of cultivating compliance- awareness amongst all officers and employees;
- (C) creation of a “training team” at SMTB’s Compliance Department;

(D) periodic training of officers on the importance of compliance; and

(E) revitalization of the internal reporting system.

(2) Proposal by the Committee

As a result of the Committee's independent investigation of Japanese and Western countries' best practices, the Committee believes that responses in 5.(1) above are appropriate and suitable in comparison thereto.

In addition, in order for SMTH to build further trust in society and realize business practices which promotes customers' interests, the Committee additionally proposes the following measures included in the six items set forth in I.(3) above.

Lastly, SMTH group's management foundation is based on the entrustment business and the fiduciary duties owed to its customers. As such, it is expected to cultivate the basic principle of using best efforts in the interest of its customers and prepare systems which may win further trust from society. It is also expected to fine-tune its business practices in light of proposals made by the Special Investigation Committee and/or the Committee. Further, to prevent failure of these implemented measures, operational developments are expected to be made to achieve sufficiently both internal and external proliferation.

End.

Summary of Special Investigation Committee Report

I. Outline of Investigation

1. Background of Establishment of Special Investigation Committee

On August 31, 2011, the Securities and Exchange Surveillance Commission (the “SESC”) conducted an on-site inspection of the former Chuo Mitsui Asset Trust and Banking Company, Limited (“CMAB”) and instructed CMAB to thoroughly control information relating to the contents of the investigation. Since then, CMAB has thoroughly controlled information and refrained from conducting its own internal investigation. CMAB was aware that, in March of this year, the SESC would likely recommend that an order be issued for the payment of an administrative monetary penalty with respect to the employee A case as described below and reported this situation to Sumitomo Mitsui Trust Holdings, Inc. (“SMTH”), a holding company. SMTH obtained consent from the SESC to commence an internal investigation and established a special investigation committee (the “Committee”) on March 14. The purpose of the Committee is to understand and confirm the facts, to analyze causes, and to consider and verify measures to prevent a recurrence.

The members of the Committee are as follows: SMTH Chairman Tsunekage as the chairperson; SMTH Director, Managing Executive Officer Ohkubo as the chief of the secretariat; SMTH outside corporate auditors; outside expert (attorney at law); and concerned officers and general managers of SMTH and Sumitomo Mitsui Trust Bank, Limited (“SMTB”). The Committee has a secretariat consisting of five full-time employees and was supported by 13 outside attorneys at law.

2. Method of Investigation

The Committee reviewed data concerning all sale and purchase transactions made within three months prior to the date of the announcement of public offerings for the last five years, various related internal rules, internal reports, internal requests for approval, minutes of meeting and other materials. Then the Committee, mainly outside attorneys at law, conducted interviews with 48 people, including officers of the former Chuo Mitsui Trust Holdings, Inc. (“CMTH”), officers of CMAB, the General Manager of the Equity Department and 18 fund managers (99 interviews in total and approximately 140 hours in total). With respect to the existence or non-existence of other violations, the method of investigation is described in detail in “4. Investigation of Existence or Non-existence of Similar Cases” below.

3. Facts of the Employee A Case and the Employee B Case

(1) The Employee A Case

With respect to the shares of INPEX Corporation for which a public offering was announced on July 8, 2010, a sales person of the securities company acting as lead manager (“Securities Company X”) communicated an undisclosed material fact (implementation of a public offering) to employee A. Employee A conducted sales and other transactions of INPEX shares, on July 1 and 7, 2010, for a fund which CMAB managed in accordance with a discretionary investment contract.

Employee A had not received especially many gifts from or been especially frequently entertained by Securities Company X, however he developed close personal relationship with a sales person of Securities Company X and the sales person of Securities Company X frequently asked the employee A’s advise regarding personal matters other than the normal business activities.

(2) The Employee B Case

With respect to the shares of Mizuho Financial Group (“Mizuho FG”) for which a public offering was announced on June 25, 2010, sales persons of Securities Company X communicated an undisclosed material fact (implementation of a public offering) to employee B. Employee B

conducted sales transactions of Mizuho FG shares, on June 24, 2010, for three funds which CMAB managed in accordance with a discretionary investment contract.

Employee B sold Mizuho FG shares on the same date for the purpose of investment under a trust contract.

Employee B was entertained and received gifts without reporting to the company in violation of the internal rules. In less than a year from April 2010 to January 2011, employee B was entertained at least 39 times totaling approximately 890,000 yen and received gifts at least 43 times totaling 320,000 yen.

(3) Circumstances of Investigation against Employee B and Report to the SESC

Because the SESC continued interviewing employee B and employee B had received excessive entertainment and gifts from Securities Company X, the Committee conducted interviews with employee B 16 times in total from April 6, 2012. Furthermore, the Committee thoroughly investigated, covering all four funds which employee B was in charge of, whether insider trading occurred in connection with public offerings for the last five years for which sales transactions were conducted within three months prior to the announcement of a public offering. Concurrent with this, the Committee met with the SESC to report the status of the investigation and submit related materials eight times in total from April 9, 2012.

In the course of the interview, the Committee asked employee B about his investment decisions concerning sales and purchases of publicly offered shares and requested supporting evidence. His explanation about trading Mizuho FG shares was not well supported and he was suspected of having insider information. Therefore, the Committee reported the contents of the interview with the SESC. On May 28 and 29, 2012, immediately before the SESC issued a recommendation concerning the employee B case, employee B admitted that the sales persons of Securities Company X communicated insider information concerning a public offering of Mizuho FG to him at the interview.

In addition, although employee B did not have any specific memory and could not identify information regarding which securities were involved, he stated that it may have been likely that he received insider information regarding public offerings other than the Mizuho FG offering from the sales persons of Securities Company X before the offerings were publicly announced¹. With respect to employee B's investment decisions concerning trading shares other than Mizuho FG shares, we found certain reasons and supporting evidence. However, considering the fact that employee B had a close relationship with the sales persons of Securities Company X on a daily basis through excessive entertainment and gifts, the Committee reported to the SESC that employee B had likely had access to insider information concerning public offerings other than Mizuho FG.

4. Investigation of Existence or Non-existence of Similar Cases

(1) Substance and Method of Investigation

The Committee conducted thoroughly the following investigation regarding the existence or non-existence of similar cases other than the Employee A Case and the Employee B Case.

(i) Substance of Investigation of Other Violations of Insider Regulations

The Committee conducted the following investigation concerning whether other violations of insider regulations existed.

¹ In this respect, employee B considered information received from the sales persons of Securities Company X as just a market topic because insider information was blocked within Securities Company X. He stated that he was not aware of having insider information.

- a. Whether employees A and B violated the insider regulations in any other transactions.
- b. Whether any other fund managers violated the insider regulations in any other transactions.
- c. Whether any other fund managers conducted sales and purchases by receiving information from employees A or B.

(ii) Method of Investigating other violations of Insider Regulations

The Committee conducted its investigation as thoroughly as it could through the following stages. In this process, interviews were conducted 54 times in total, totaling 58 hours.

- A. Extracting data (973,034 transactions) concerning sales and purchases of Japanese shares in connection with discretionary investment, trust and investment advisory businesses for the last five years. Such data was checked with public offerings conducted during the same period (300 transactions by 251 companies). Furthermore, all data (2,097 transactions) concerning sales and purchases within three months prior to the date of the announcement of the relevant public offering were extracted.
- B. Conducting interviews with the relevant fund managers concerning each transaction mentioned above. The Committee asked them to explain their investment decisions and requested documents or materials which supported their investment decisions resulting in the subject transaction and assessed the reasonableness of their decisions.
- C. With respect to the existence or non-existence of facts mentioned in item (i) c. above, comparing data concerning transactions made, before an announcement, by other fund managers who applied for public offerings of securities traded by employees A and B subject to the SESC's recommendation against those of employees A and B in order to verify whether their transactions showed a similar trend.
- D. Collecting a questionnaire, under the name of the author in principle, from 84 analysts and traders in order to obtain information about whether any other fund managers were to be suspected of violating insider regulations and verifying the results. (Collection rate: 85%)
- E. Collecting an anonymous questionnaire from all 137 employees of the Fund Management Division of CMAB in order to obtain information similar to D. (Collection rate: 84%)
- F. The anonymous questionnaire mentioned in E above revealed that a fund manager (other than employees A and B) may have been violating insider regulations. Therefore, 10 people were randomly chosen from the people who had belonged to the Equity Department during September 2011 in such a way that those subject to interviews could not be identified. Only attorneys at law conducted the interviews of the 10 people about the suspected fund manager.
- G. The Committee verified again whether the suspected fund manager obtained insider information and whether the investment decisions were reasonable.

(iii) Method of Investigating whether there was an inappropriate relationship with the Securities Companies

In the case of employee B, Securities Company X's excessive entertainment and gifts in connection with public offering sales activities was the background factor behind employee B acquiring insider information. Therefore, the Committee investigated other fund managers who applied for transactions in which Securities Company X acted as lead manager to determine whether they had an inappropriate relationship with the securities company. The investigation was conducted in the following way. The procedures

mentioned in item C and subsequent items were conducted as a part of the questionnaire mentioned in (ii) above, and proceeded in a manner similar to (ii) above.

- A. Interviewing five fund managers
- B. Reviewing materials such as personal planners and schedule books
- C. Collecting questionnaires, under the name of the author in principle, and verifying the results
- D. Collecting an anonymous questionnaire and verifying the results
- E. Conducting interviews based on the results of the anonymous questionnaire in such a way that those subject to interviews could not be identified
- F. Conducting interviews based on the results of the anonymous questionnaire and interviews conducted in E

(2) Results of Investigation

(i) Existence or Non-existence of Violations of Insider Regulations

As a result of the investigation mentioned in (1) above, with respect to (a) transactions by employee A other than those by employee A subject to the SESC's recommendation, or (b) any transactions by fund managers other than employees A and B, we did not find any questionable circumstances regarding the reasonableness of their investment decisions. Also, we did not find any evidence showing that sales and purchases were made based on information obtained from employee A or B. No transactions were considered to constitute violations of the insider regulations.

In the case of the fund manager suspected of violating insider regulations during the course of the investigation, we finally concluded that the reasonableness of the fund manager's investment decisions was not questionable, and therefore, the fund manager did not violate the insider regulations.

(ii) Existence or Non-Existence of an inappropriate relationship with the Securities Company

We did not find any inappropriate relationships between each fund manager and the securities company.

(iii) In light of the results of our investigation, we concluded that only employees A and B, who established unacceptable relationships with a sales person of the securities company, violated the insider regulations.

II. Analysis of Causes of the Cases

1. Analysis of Direct Causes of the employee A Case and the employee B Case

(1) Poor Recognition Regarding Insider Information

Regarding the information provided by a sales person of Securities Company X to employee A, employee A made the following statements: the content of such information was often heard as a rumor in the market, and employee A did not recognize that such information fell under the category of insider information because a Chinese wall had been established within Securities Company X; therefore, employee A recognized that conducting sales and purchases transactions using such information as a ground for decision-making would not constitute insider trading. Employee B also stated that employee B had received the relevant information without particularly thinking about it and used such information, together with other factors, as a ground for decision-making. Judging from the above, there is a common feature between employee A and employee B in that they both received the relevant information without giving it careful consideration and without a sense of caution against the possibility that it fell under the category of insider information.

(2) Relationship with the Sales Person of Securities Company X

With respect to employee A, it is speculated that a close personal relationship that the sales person of Securities Company frequently asked the employee A's advise regarding personal matters out of normal business activities. With respect to employee B, a sales person of Securities Company X and such sales person's superior provided employee B with various benefits on a daily basis, including entertainment, gifts and data compiling work, which were against the internal rules of CMAB. Employee B communicated with them almost everyday and, during such close contact, had access to the relevant information.

(3) Evaluation of the Sales Persons of Securities Companies

In the evaluation of securities companies performed at CMAB, although this accounted for a limited ratio in the overall evaluation, an evaluation of individual sales persons was performed in the form of a vote. From the standpoint of sales persons of securities companies who were subject to the evaluation, this evaluation system may have given rise to the risk of excessive sales activities by such sales persons for the purpose of improving their evaluation. This issue is common to the employee A case and the employee B case.

(4) Sales Activities for Public Offering, and Entertainment

It is speculated that sales persons of a securities company acting as the lead manager in a public offering are motivated to conduct sales activities more intensely with fund managers of investment companies, such as CMAB, and institutional investors, with the aim of acquiring a large volume of subscriptions. It is believed that this led to the excessive entertainment and gifts provided to employee B by the sales person of Securities Company X, which then resulted in the communication of insider information.

2. Problems in CMAB's Management Systems

Based on the analysis of the causes of the employee A case and the employee B case, an investigation was conducted into whether problems that gave rise to both cases subsisted in the then management systems or culture of CMAB, and what kind of systems were desirable.

As a result, in light of the fact that these two cases occurred, not only the problems on an individual basis but also the following risk management-related problems were found in the organization, systems, and culture of some divisions, including the fund management division.

(1) Management System for Sales and Purchases of Shares

There was the system that fund managers were not allowed to be involved in the selection of securities companies with which sales and purchases orders were placed. However, in evaluating securities companies, each fund manager was entitled to vote to evaluate individual sales persons, which could give an incentive for securities companies to deepen the relationship with fund managers beyond normal business necessity.

In the monitoring of sales and purchases, frequent sales and purchases in any one month were monitored. However, certain standards for extraction were established regarding the sales amount; therefore, although extreme reverse trades, including intermittent reverse trades and those where one type of securities among the securities held was entirely sold and then repurchased, were monitored, one-shot reverse trades and partial reverse trades of one type of securities were not always monitored.

(2) Personnel Management, Behavior Management

Management to prevent incidents involving persons who stay in the same division for a long time, such as employee B, was implemented, and it is inevitable to some extent that personnel will stay in the same division for a long time in light of the characteristics of CMAB's business. However, countermeasures, including changing duties after a certain period and dissolving long and continuous relationships with the same sales person of a securities company, should have been understood and ordered by not only divisions in the field but also the Personnel Department to ensure effective incident prevention.

In addition, it is believed that creating a culture where employees use, in a timely and proper manner, the compliance hotline and notify persons in managerial posts such as general managers of any inappropriate conduct, relationships, or the like, employees education and ancillary means, a system where the Personnel Department can directly obtain information regarding individual employees' challenges in the performance of their duties and workplace conditions should have been adopted.

With respect to managing the conduct of individual employees, in addition to the lack of a system for CMAB to manage the content of daily business conducted by individual employees, there were no systems to manage the conduct of individual employees in the Equity Department.

(3) Internal Training

Although internal training sessions regarding compliance were held periodically, individual employees' recognition regarding the internal rules was not always sufficient, and the degree of understanding of the internal rules varied among employees. In the cases in question, it is believed that regardless of the fact that employee A and employee B were fund managers of Japanese shares, who were experts in equity investments, their recognition was poor regarding the restrictions on insider trading, in particular the risks of acquiring insider information from outside parties, such as sales persons of securities companies. In light of this, it is speculated that the rules were not sufficiently made known in a manner that takes into account the content of business. In this sense, it is believed that more in-depth training sessions that take into account the content of specific business should have been held.

(4) Management of Entertainment and Gifts

In the Asset Management Division of CMAB, when accepting entertainment or gifts, a "Notification Regarding Provision and Acceptance of Entertainment or Gifts," in which various matters were stated in more detail than required by the relevant company-wide rules, was prepared. However, accepting entertainment or gifts was not managed in a form where all cases were listed. Therefore, although it was possible to understand the details of each individual entertainment and gifts, it was difficult to obtain a panoramic view of the frequency of each employee's accepting entertainment and the degree of concentration of entertainment provided by certain securities companies. In the Asset Management Division, although there were rules and a certain management framework regarding entertainment, acceptance of entertainment was not prohibited or restricted as long as it was within "the scope of social courtesy in general societal terms." In addition, standards were vague, and no clear boundaries were provided. Therefore, under the rules, recognition readily varied from one fund manager to another.

(5) Structure of the Compliance Department

The Compliance Department of CMAB was established in April 2007, and served as the division that took charge of internal management in general. However, in terms of the structure, the number of members who work full-time for the department was small. In addition, the department was also in charge of risk management. Thus, it is believed that, for an organization responsible for compliance, the number of members was not sufficient to ensure the required amount and quality of the business.

(6) Internal Audit System

From the viewpoint of whether CMAB conduct more in-depth risk analysis, including identifying risks in light of the characteristics of CMAB as a bank specializing in trust business, recognition regarding risks in light of the characteristics of a bank specializing in trust business was not sufficient.

(7) Culture, etc.

It is believed that the following factors contributed to the employee B case: in the Equity Department of CMAB, (i) the organization was flat, and it was difficult for persons in senior positions to supervise a large number of subordinates; (ii) a culture emerged where mutual checks among staff members did not readily function due to a combination of (a) declining interest in co-workers due to the highly-technical and self-contained nature of the fund manager business, and (b) stabilization of members because they tended to remain in the same department for a long time. In addition, if the whistle-blowing system had functioned properly, some suspicious signs might have been detected and the problems in question might have been prevented. However, that system did not necessarily function.

3. Management Systems of Other Banking Subsidiaries and Holding Company in the Group

No particular problems were found in the management systems of the former The Sumitomo Trust and Banking Co., Ltd. ("STB") and the former The Chuo Mitsui Trust and Banking Company, Limited. It is believed that the holding company basically conducted proper guidance and management regarding risk management and compliance management of the group companies, including banking subsidiaries. However, it is believed that the holding company had issues that should have been tackled in relation to the guidance of banking subsidiaries regarding the system of rules according to the characteristics of their respective business. On the other hand, in terms of the system after April this year, a system to manage the group companies through the banking subsidiaries' business control departments has been adopted; thus, a system where the holding company provides guidance regarding the development of systems according to the business characteristics and actual circumstances of the group companies has been adopted.

III. Review of the Measures to Prevent Recurrence

Based on the analysis of the causes and awareness of the problem as mentioned above, in order to prevent any violation of law as found in both cases from recurring and to restore customers', investors', and the markets' trust, we plan to (i) validate the measures to prevent a recurrence published on March 21, 2012, (ii) validate SMTB's responses to the issues existing within the management systems, and (iii) propose countermeasures be added from a viewpoint of enhancing compliance awareness and building a corporate culture of compliance.

1. Validation of the Measures to Prevent Recurrence Published on March 21, 2012

The published measures to prevent a recurrence focus on minimizing the chances to obtain insider information from sales persons of securities companies and establishing systems to strictly manage such information just in case where such information is received. Regarding the measures to prevent a recurrence, the Committee collected and examined various self-imposed rules and materials related to the advanced instances, and validated them from the following viewpoints, returning to the basic philosophy of preventing insider trading:

- Whether the content of the measures to prevent a recurrence is sufficient to prevent a recurrence given the actual facts of the case in question (sufficiency);
- Whether the content of the measures to prevent a recurrence is specific, effective, and practicable (effectiveness and practicability);
- Whether the content is globally available from a viewpoint of preventing insider trading (global perspective).

The results of the validation from the viewpoints mentioned above are as follows. The published measures to prevent a recurrence have effects on the causes of the violation in the case in question and the issues existing within the management systems from each viewpoint of sufficiency, effectiveness, and practicability. In addition, it has been confirmed that those measures have achieved a certain level compared with the level of a global player.

(1) Enhancement and Revision of Organization

(i) Strengthening of the Checks and Balances Function by the Middle Office in Fund Management Operation

- There are total 102 persons who are involved with compliance management for the fiduciary business, from the Fiduciary Risk Management Department and the Compliance Department, and a substantial enhancement has been achieved.
- SMTB has established a Fiduciary Risk Management Department in charge of monitoring and compliance management for the fund management operations related to the fiduciary business. The Fiduciary Risk Management Department is one of the departments in charge of business management and independent from the fiduciary business, and the checks and balances function has been enhanced.
- The Fiduciary Risk Management Department is under the direct control of the director who is in charge of the Compliance Department, by which compliance management for the fiduciary business has been embodied as a specific reporting line.
- The persons in charge of compliance at the Fiduciary Risk Management Department and the Fiduciary Asset Planning Department (a department supervising the fiduciary business) hold concurrent responsibilities in the Compliance Department, by which a system to specifically ensure practical cooperation has been established.

(ii) Conducting of Internal Audits Specialized in Prevention of Insider Trading

- A specific audit process related to the control level to be conducted mainly by the fund management division has been established, which is sufficient.
- The audit target includes not only the market front departments and divisions, but also the Fiduciary Risk Management Department and the Compliance Department, and the audit covers the overall systems.

(ii) Revision of the Officer Structures to Strengthen the Management Systems of the Fund Management Division

- Regarding the rules to prevent insider trading and the compliance management for the fiduciary business, SMTB has mainly adopted the management systems of STB, and it is considered that an appropriate personnel allocation to instill those rules in the company has been ensured.

(2) Stricter Business Operation

(i) Prohibition Against Contact Between Fund Managers and Sales Persons of Securities Companies

- This rule eliminates any chance of fund managers possibly obtaining insider information, and is effective as a rule to impose restrictions on the process of obtaining insider information.
- This rule aims at preventing excessively close relationships being established between fund managers and sales persons of securities companies, which is sufficient as a measure to prevent a recurrence from the viewpoint of behavior management.

- This rule ensures management systems to conduct inspections without omission at the Fiduciary Risk Management Department, which is sufficient as a measure to prevent a recurrence of any similar violation to that in the case in question.
 - No restriction is imposed on contacts by telephone and e-mail installed in the company which can be checked through the contact records and logs held or indirect contacts at seminars in which persons from several investment institutions participate. Contacts with analysts of securities companies for any purpose other than the improvement of sales results are excluded from the scope of prohibition. Thus, this rule is managed in a manner which does not obstruct information collection necessary in the course of business. In addition, in case it is difficult to meet in our office accompanied by at least one other person of the company, and such contact is necessary in the course of business; for example, an investigation of an overseas company by a person belonging to a market front department inevitably needs a sales person of a securities company accompanying a local guide, the contact is permitted (in this case, the contact record is turned over to the Fiduciary Risk Management Department). This rule is managed in a manner which does not obstruct the normal business activities considering the operation of the market front departments and divisions.
 - Regarding the principle prohibition against any contact between fund managers and sales persons of securities companies, there were reactions that, "this is quite rare," in external interviews. In the interviews with many fund managers of the company, many of them stated, "the restriction on contacts with sales persons of securities companies does not particularly obstruct the performance of our duties given the quality of information."
- (ii) Stricter Rules Regarding the Handling of Information Received from Outside the Company
- The compliance division, such as the Fiduciary Risk Management Department and the Compliance Department, makes a clear decision as to whether certain information falls under the definition of insider information, and, if necessary as a result, gives instructions to suspend the execution of the sale and purchase, which minimizes the possibility of a violation of the insider regulations.
 - Through training, the insider information management rule is disseminated and understood, and the improvement of knowledge and awareness of each person contributes to the improvement of the information management level.
- (iii) Monitoring of All Unusual Transactions Including Sales and Purchases Conducted Within a Short Period and High Volume Sales and Purchase Transactions of Securities
- Monitoring of sales and purchases conducted within a short period and monitoring of high volume sales and purchase transactions of securities facilitates the checks and balances function in an exhaustive manner regarding the possibilities of unfair transactions being executed by fund managers. In addition, regarding securities issues which had a capital increase by public offering, subsequent monitoring is conducted for the background of transactions, such as a ground of investment judgments, etc., which leads to the further deterrents regarding fund managers' judgments on subscribing for a capital increase by public offering, and the checks and balances function for the prevention of a recurrence of transactions based on insider information is sufficient.
 - Monitoring of sales and purchases conducted within a short period and monitoring of high volume sales and purchase transactions of securities were previously conducted in STB. Therefore, there is little concern for a substantial increase in operational burden.
- (iv) Recording of Phone Calls of Fund Managers with Outside Third Parties and Enhancement of the Inspection System
- All phone calls during the day are subject to monitoring and recorded. Instilling in fund managers awareness that exhaustive monitoring is conducted regarding all fund managers

all year round facilitates checks and balances against obtaining inappropriate information through phone calls.

(v) Prohibition of Personal Sales and Purchases of Securities by Fund Managers

- Sales and purchases are necessarily checked by the general manager of the branch or department, and a scheme to ensure that checks and balances work has been established.
- Given the facts of the case in question, regarding the fund management operation, it is necessary to formulate rules on the premise that fund managers are in a position to “learn special information in the course of performing their duties,” and the newly-formulated rules are reasonable.

(vi) Enhancement of Compliance Training

- All fund managers are required to submit a pledge that they will comply with various measures to prevent a recurrence, and measures to achieve high-level checks have been implemented. In the case regarding employee B, although there was an internal rule prohibiting such act, he took information from the office. Give such fact, a statement regarding information management should be added to the pledge mentioned above, and thereby the deterrent effect should be strengthened.
- In the divisions to which fund managers belong, compliance training including the management of insider information will be held more often from this year, from semiannually in the past to each quarter. A better system to ensure that the information management rule is disseminated and understood has been established.

2. Validation of SMTB’s responses to the issues existing within CMAB’s management systems

The Committee validates that the following measures to prevent a recurrence have been taken by SMTB for the issues existing within CMAB’s management systems.

(1) Management systems of sale and purchase of shares

- In the evaluation of securities companies, each fund manager is not entitled to vote for individual sales persons, and there are no incentives for securities companies to deepen the relationship with fund managers beyond necessity.

(2) Personnel management, behavior management

- With regard to personnel management and behavior management, all employees are required to write daily business reports. In addition, in the business etiquette handbook that are distributed to all employees, employees are required to write their destination and time of return to the office on a whiteboard or scheduler and to call out to other staff when leaving the office or planning to be away from the desk for a prolonged period as a basic behavior.
- In each branch or department, HR professionals (deputy general manager as a general rule) who are in charge of the branch’s or department’s management of human resources are deployed in addition to the general manager. Where such system is adopted, they can understand behavior of staff in branch or department. Regarding the prevention of incidents involving persons who are in the same division for a long time, SMTB attempts to improve effective incident prevention and management by means of the Personnel Department obtaining information regarding the specific details of duties, such as responsible company, terms of duties and details of transactions by a report from each unit, and by means of each unit reporting risk with business characteristics to the Personnel Department.

(3) Internal training

- With regard to training, SMTB attempts to make knowledge, laws and internal rules that are required depending on the risk that is specific to trustee business known sufficiently by repetition and continuing to conduct training in line with characteristics of business.

Specifically, in addition to company-wide compliance training that is hosted by the Compliance Department and a request to submit a pledge that staff will not conduct insider trading twice a year, compliance training that is made by middle office mainly explaining the details of insider trading regulations in line with the business is held in trustee business four times a year.

(4) Management of entertainment and gifts

- With regard to management of entertainment and gifts, staffs who are in the department in charge of business of placing orders with securities companies are prohibited to accept entertainment and gifts. This rule is stricter than the company-wide rule.

(5) Compliance Department

- The Compliance Department develops the standards and rules regarding basic compliance that are applied commonly throughout the overall corporation, while each department arranges the rules that conform to actual situations by adding rules that suit the nature of each department.
- As a measure to prevent recurrence, the compliance system has been drastically enhanced. For example, the number of members of the Fiduciary Risk Management Department and the Compliance Department has been increased to 102. There are other areas of improvement.

(6) Internal Audit System

- In terms of enhancing the capability of the internal audit system to discover risks that are well concealed, SMTH has investigated the risk factors that need to be taken into consideration in order to develop an internal audit plan.

3. Proposal of additional measures by the Special Investigation Committee.

- In addition to the publicly released measures to prevent recurrence, the Special Investigation Committee proposed the measures below to enhance compliance awareness, to build a corporate culture of compliance and to instill ethics that trust bankers need, which are identified as problems in the CMAB.
- (1) Overall corporate activity in order to instill self-discipline based on the mindset essential for employees responsible for maintaining the bank's fiduciary duty.
 - In "Discussion The Trust Bank"², to continually engage in open discussions and address activities that instill the principal of trust in every department and each individual, to promote compliance awareness, and to enhance the overall teamwork in the corporation.
 - (2) To continually distribute a "questionnaire about compliance awareness" in order to promote compliance awareness of every officer and employee and instill the ethics that trust bankers need.
 - (3) Establishment of a "Training Team" in the Compliance Department
 - To make sure to provide training that suits the external environment and the nature of each department by having the training team interact with each department.
 - (4) Regular training for officers regarding the importance of compliance
 - More than once a year, training should be provided to officers regarding the importance of compliance. Such training should make sure that officers recognize the importance of compliance,

² The "Discussion The Trust Bank" refers to a discussion conducted in every branch, in which employees participate.

and recognize the social function of financial institutions. Such training should also ensure that officers improve the quality of instructions they provide to their employees.

(5) To establish a whistle-blower system

- To establish a system to prevent misconduct in its early stages by disseminating the whistle-blower system and having the employees recognize the effectiveness of it. Details that should be announced include: the fact that the information is kept confidential, the whistle-blower will not be harmed, whistle-blowing can be done anonymously and in the presence of an attorney at law, and to make it possible to whistle-blow to the holding company. The goal is to try our best to establish a whistle-blower system that is easy to use.

End.

Measures to Prevent Recurrence

I. Outline of the Measures to Prevent Recurrence

In addition to the measures to prevent recurrence published on March 21, based on the recommendation given by the Special Investigation Committee and the recommendation given by the Third Party Committee, Sumitomo Mitsui Trust Bank, Limited. (SMTB) have formulated measures to prevent recurrence as follows, and we will make efforts to strictly implement those measures.

1. Enhancement and Revision of Organization

- (1) Strengthening of the Checks and Balances Function by the Middle Office in Fund Management Operation (implemented in April 2012)
 - The Fiduciary Risk Management Department, which is in charge of the monitoring function, became independent from the fiduciary services business and is under the direct control of the director who is in charge of the Compliance Department, by which checks and balances are facilitated by both the Fiduciary Risk Management Department and the Compliance Department regarding compliance within the fund management division. This has enabled multi-level supervision.
 - The persons in charge of compliance at the Fiduciary Risk Management Department and the Fiduciary Asset Planning Department hold concurrent positions in the Compliance Department, which has enhanced the Compliance Department's direct involvement and cooperation.
- (2) Conducting of Internal Audits Specialized in Prevention of Insider Trading (implemented in April 2012)
 - Audits specializing in the prevention of insider trading have been continuously conducted on the fund management division by the Internal Audit Department which is under the direct control of the President. The specific details and procedures of the audits are prescribed in the "Audit Procedures."
- (3) Revision of the Officer Structures to Strengthen the Management Systems of the Fund Management Division (implemented in April 2012)
 - The director who is in charge of compliance and the director who is in charge of the fund management operation of the fiduciary services business have been changed to persons who have full knowledge of the management systems which were adopted by SMTB. In addition, the same measures have been implemented regarding the general manager of the Equity Investment Department, the Fiduciary Risk Management Department, and the Internal Audit Department.

2. Stricter Business Operation

- (1) Prohibition Against Contact Between Fund Managers and Sales Persons of Securities Companies (implemented in April 2012)

A "Guideline Regarding Contacts with Securities Companies, etc." has been established, and the following rules have come into operation.

- As a general rule, any contact between fund managers and sales persons of securities companies is totally prohibited. The exception to this prohibition is only where the general manager determines that it is inevitable in the course of business under the condition that the meeting is held in our office accompanied by at least one other person of the company. In this case, a

record of such meeting shall be reported to and inspected by the Fiduciary Risk Management Department.

- Explanatory documents which indicate the type of targeted persons and targeted contacts have been prepared, in which prohibited contacts have been specified.
- Phone calls and emails which are used for necessary communications in the course of business are permitted only when they are used through company's PCs and company's telephones. The phone call records and emails are stored and monitored.
- It is totally prohibited for the employees belonging to the fund management division to accept any entertainments or gifts from securities companies.

(2) Stricter Rules Regarding the Handling of Information Received from Outside the Company (implemented in April 2012)

- If the fund management division receives insider information or potential insider information, it will report only to the Fiduciary Risk Management Department. The Fiduciary Risk Management Department determines whether information should be managed and suspends the execution of the sale and purchase, by which strict management systems to prevent omissions and prevent unnecessary information diffusion have been built. If it is difficult for the Fiduciary Risk Management Department to determine whether the information should be managed, it will seek advice from the Compliance Department.
- Training regarding the prevention of insider trading was conducted in April. How to determine whether the information should be managed when information is obtained, rules for seeking advice and making inquiries, and the type of insider information that might be obtained by fund managers have been clarified by publishing examples of each.
- Regarding analysts' interview records, the record format includes a column for a checkmark to confirm whether insider information or potential insider information has been obtained, whereby each person and the Fiduciary Risk Management Department will be aware such facts.

(3) Monitoring of All Unusual Transactions Including Sales and Purchases Conducted Within a Short Period and High Volume Sales and Purchase Transactions of Securities. (implemented in April 2012)

A system has been established whereby the "Fiduciary Risk Management Department," independent from the fund management division, verifies all transactions.

- In addition to verifying unusual transactions including sales and purchases conducted within a short period and high volume sales and purchase transactions of securities, a system has been established to verify sale and purchase records for one month before the securities issues subject to fund raising and to confirm the reasons for sales and purchases.
- If fund managers received insider information, they would tend to conduct unusual transactions to record profits from sales and purchases within a short period, or to increase the scale of income from high volume sales and purchases of securities. As the countermeasure to such transaction, the Fiduciary Risk Management Department will conduct exhaustive monitoring of all transactions regarding sales and purchases of the same issue within five business days and high volume sales and purchase transactions of securities. If a suspected transaction is discovered, the appropriateness of executing the transaction will be confirmed by conducting an interview with the relevant fund manager.
- In addition to monitoring the execution of transactions within a short period, regarding securities issues subject to fund raising, the Fiduciary Risk Management Department will extract the records of sale and purchase transactions for one month before the publication of

such securities issues, and verify those records in line with the reports stating the reasons for the transaction submitted by fund managers.

- (4) Recording of all Phone calls of Fund Managers with Outside Third Parties and Enhancement of Inspections System (implemented in April 2012)
 - The Fiduciary Risk Management Department has started sample monitoring to confirm the content of all phone calls of fund managers during the business day. Scheduled monitoring will be conducted to ensure that all fund managers are subject to this monitoring during the year.
 - The effectiveness of monitoring will be regularly verified to ensure that it functions properly.
 - Each fund manager's phone calls will be monitored on the execution date regarding all transactions for securities issues subject to fund raising conducted within 10 business days before such securities issue has published.
- (5) Prohibition of Personal Sales and Purchases of Securities by Fund Managers (implemented in March 2012)
 - The "Rules on Personal Sales and Purchases of Securities" prescribe a principle prohibition against personal sales and purchases of securities within the fund management division.
- (6) Enhancement of Compliance Training, etc. (implemented in April 2012)
 - As a measure to enhance compliance on a company-wide basis, training, including study sessions at each branch and department, will be held more often, from semiannually to each quarter.
 - As an independent effort within the fiduciary services business, e-learning training which is independently conducted within such business section has been enhanced and will be held four times a year from this year. Detailed explanations will be given, including that the management rules independently applicable to the fiduciary services business are disseminated and understood, and the unique measure of such business to obtain information.
 - In order to ensure that the management rules independently applicable to the fiduciary services business are disseminated and understood, an original-form of pledge including the rules on prohibition of contacts with securities companies must be submitted. Those measures have been implemented since this April. Such pledge must be submitted each quarter.
- (7) Verification of Compliance Systems of Transacting Securities Companies (to be implemented following the recommendation given by the Third Party Committee)
 - In order to deter violations, it is considered that when conducting transactions with a securities company related to the trust business, etc., the compliance system of the securities company must be verified through interviews, questionnaires, etc.

3. Responses to the Business Management and Other Management Systems

- (1) Evaluation of Securities Companies (implemented in April 2012)
 - When evaluating securities companies regarding orders for sales and purchases, evaluations of individual sales persons by voting have not been adopted, thereby eliminating any incentive for sales persons in securities companies to build an excessively close relationship with fund managers.

- (2) Personnel management, behavior management (implemented in April 2012)
 - All employees are required to write daily business reports. In addition, in the business etiquette handbook distributed to all employees, employees are required to write their destination and time of return to the office on a whiteboard or scheduler, and to notify other staffs when leaving the office or planning to be away from the desk for a prolonged period as standard office practice.
 - In each branch or department, HR professionals who are in charge of the branch's or department's management of human resources are deployed in addition to the general manager. Where such system is adopted, they will be able to understand the behavior of staffs in branches or departments.
 - Regarding the prevention of incidents involving persons who are in the same division for a long time, we will attempt to improve effective incident prevention and management by having the Personnel Department obtain information regarding the specific details of duties, and by having each business unit report on business risks.
- (3) Management of entertainments and gifts (implemented in April 2012)
 - The employees belonging to the fund management division are completely prohibited from accepting entertainment or gifts from securities companies. Regarding accepting entertainment or gifts from any party other than securities companies, each situation is managed using a management list.
- (4) Enhancement of Compliance Department (implemented in April 2012)
 - Regarding compliance systems, the rules that meet the actual condition have been established, while the rules particular to the nature of each department have been added to the overall corporate rules. The number of members of the Fiduciary Risk Management Department and the Compliance Department, who are in charge of monitoring and compliance for the fiduciary services business, has been increased to 102 in total. A substantial enhancement has been achieved.
- (5) Internal Audit System (implemented in April 2012)
 - Regarding internal audit system, in terms of enhancing the capability to uncover risks that are well concealed, investigations of the risk factors that need to be taken into consideration in order to develop an internal audit plan have been conducted. A system to share those risk factors among Sumitomo Mitsui Trust Holdings, Inc. has been established.

4. Enhancing Compliance Awareness, Building a Corporate Culture of Compliance, and Instilling Ethics

(Planned to be implemented in reaction to proposals made by the Third Party Committee and the Special Investigation Committee.)

- (1) Overall corporate activity in order to instill self-discipline based on the mindset essential for employees responsible for maintaining the bank's fiduciary duty.
 - In "Discussion The Trust Bank" (*), we continuously engage in open discussions, promote the awareness of the trust principal and compliance, and enhance the teamwork, in every department and each individual.
 (*) The "Discussion The Trust Bank" refers to a group discussion conducted in every branch and department, in which employees participate.
- (2) To continuously distribute a "questionnaire about compliance awareness"

- Through the distribution of questionnaires, (a) to maintain a high level of compliance awareness among all officers and employees, and (b) to continuously check the degree of propagation of ethics and compliance awareness necessary for officers and employees of a trust bank who keep and manage customer assets, and utilize the results to establish the PDCA cycle of compliance-related measures.
- (3) Establishment of a “Training Team” in the Compliance Department of SMTB
- To establish a “Training Team” in the Compliance Department, design and plan company-wide compliance training, and facilitate interaction and coordination between each department. To make sure to provide training that suits the external environment and the nature of each department by having the training team interact with each department.
- (4) Regular training for officers regarding the importance of compliance
- More than once a year, training should be provided to officers in order to make sure that officers recognize the importance of compliance as a foundation of managing financial institutions and social requests, and that officers improve the quality of instructions they provide to their employees.
- (5) To establish a whistle-blower system
- To establish a whistle-blower system that is easy to use, by lowering psychological barriers against whistle-blowing. Measures to lower psychological barriers will include the following: to make it known, through education, again that information obtained through whistle-blowing will be kept confidential, and thus the whistle-blower will not suffer any disadvantage, and that whistle-blowing can be done anonymously and to an attorney at law; to make it possible for employee in SMTB to pass on whistle-blowing information to the holding company.

5. Monitoring the Progress and Firmly Establishment of Measures to Prevent Recurrence
(Planned to be implemented in reaction to proposals by the Special Investigation Committee.)

In addition to monitoring progress and the firmly establishment of the measures to prevent recurrence above by the management council, board of directors, and other internal organizations, to establish a system of monitoring it by outside experts, such as law firms.

II. Giving Back Profits from Recommended Cases

Profits from the insider trading that gave rise to the March and May recommendations belong to investors. However, the party responsible for the profits being generated is us, as the investment manager; the responsibility for damaging market confidence in us is very heavy. Therefore, to promote research, study, education and other similar activities that contribute to the maintenance and improvement of market discipline and trustee spirit, we will consider donating the profits generated from the insider trading to related organizations.

III. Clarifying Responsibilities of Officers and Employees

We took the responsibilities of the officers and employees involved in the cases in question seriously and clarified their responsibilities as follows:

1. Responsibilities of Officers at the Time when the Cases Occurred (June and July 2010)

- (1) Management responsibilities as directors and related corporate officers of former Chuo Mitsui Asset Trust and Banking Company, Limited

Persons who, at the time when the cases in question occurred, were serving as directors, an officer in charge of asset management, an officer in charge of planning, an officer in charge of compliance, an officer in charge of internal audits, or an officer in charge of personnel of the company will be subject to a reduction in salary as follows:

- 50% of the monthly remuneration \times 2 to 5 months (Officers who have already resigned from office will be asked to voluntarily return the relevant amount.)

- (2) Supervisory responsibilities as directors and related corporate officers of the former Chuo Mitsui Trust Holdings Inc.

Persons who, at the time when the cases in question occurred, were serving as directors, an officer in charge of planning, an officer in charge of compliance, an officer in charge of internal audits, or an officer in charge of personnel of the company will be subject to a reduction in salary as follows:

- 10 to 20% of the monthly remuneration \times 3 months (Officers who have already resigned from office will be asked to voluntarily return the relevant amount.)

2. Responsibilities of Officers at the Time of Recommendation (March 2012)

- (1) Responsibilities as directors and related corporate officers of the former Chuo Mitsui Asset Trust and Banking Company, Limited

Persons who, at the time of the recommendation, were serving as directors, an officer in charge of investments, an officer in charge of planning, an officer in charge of compliance, an officer in charge of internal audits, or an officer in charge of personnel of the company will be subject to a reduction in salary as follows (excluding persons who are subject to 1. above):

- 15 to 20% of the monthly remuneration \times one month (Officers who have already resigned from office will be asked to voluntarily return the relevant amount.)

- (2) Responsibilities as directors and related corporate officers of Sumitomo Mitsui Trust Holdings Inc.

Persons who, at the time of the recommendation, were serving as directors, an officer in charge of planning, an officer in charge of compliance, an officer in charge of internal audits, or an officer in charge of personnel of the company will be subject to a reduction in salary as follows (excluding persons who are subject to 1. above):

- 10 to 20% of the monthly remuneration \times 1 month (Officers who have already resigned from office will be asked to voluntarily return the relevant amount.)

Employees who were involved in the cases in question will be subject to strict disciplinary action based on the rules of employment.

End.