

Corporate Governance

The Group has created a management structure befitting a trust bank group that boasts the largest scale and highest status in Japan, combining the banking, asset management and administration, and real estate businesses. We are striving to ensure management transparency and soundness, while speeding up our decision-making in order to respond with flexibility to changes in the environment.



1. Basic Policy

In order to adhere to the principles of sound management based on a high degree of self-discipline with the background of fiduciary spirit and establish strong credibility from society, Sumitomo Mitsui Trust Holdings (“SuMi TRUST Holdings”) shall commit itself to enhancing its corporate governance system in line with the following fundamental perspectives, with the objective of supporting sustainable growth and

medium- to long-term enhancement of the corporate value of the Sumitomo Mitsui Trust Group (“SuMi TRUST Group”). The Board of Directors has published SuMi TRUST Group’s management principles (mission), ideal model (vision), and codes of conduct (value) as the general principle for its management, which shall be shared by all the officers and employees of SuMi TRUST Group and relied upon in all activities.

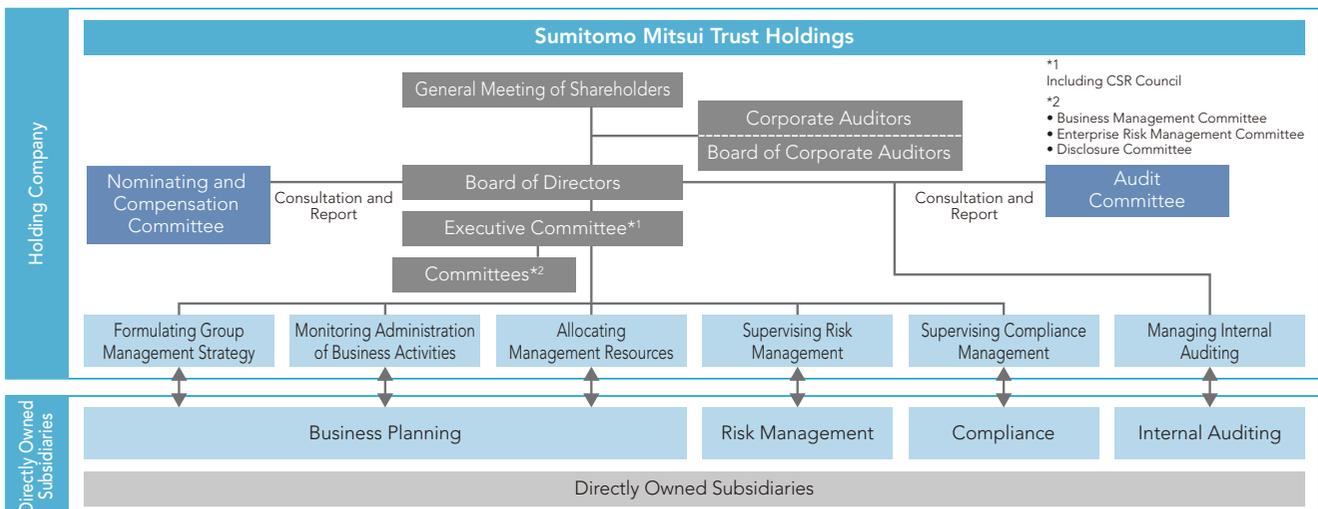
Fundamental Perspectives

- SuMi TRUST Holdings shall respect shareholder rights, and endeavor to develop an environment in which shareholders can exercise their rights appropriately and effectively, and to secure effective equal treatment of shareholders.
- By recognizing the importance of its social responsibilities and public mission, SuMi TRUST Holdings shall endeavor to appropriately cooperate with its stakeholders such as shareholders, customers, employees, business partners, and local communities, and to establish a corporate culture where it conducts sound business operations based on a high degree of self-discipline.
- In order to establish the basis for constructive dialogue with its stakeholders, SuMi TRUST Holdings shall separately set out its

Disclosure Policy, and endeavor to appropriately disclose corporate information, including non-financial information, and ensure the transparency of its corporate management.

- As a financial holding company with the function of managing the business execution of the SuMi TRUST Group, SuMi TRUST Holdings shall endeavor to ensure the Board of Directors’ role of effective oversight of the business execution.
- SuMi TRUST Holdings shall engage in constructive dialogue with its stakeholders in order to contribute to sustainable growth and medium- to long-term enhancement of the corporate value of SuMi TRUST Holdings.

Corporate Governance System



2. Outline of Corporate Governance System

(1) Perspectives Regarding SuMi TRUST Holdings' Corporate Governance System

The SuMi TRUST Group is a trust bank group, which is formed around Sumitomo Mitsui Trust Bank (“SuMi TRUST Bank”), a core subsidiary with significant expertise developed over the years and with wide business fields that enable the provision of a one-stop total solution service. With the objective of meeting its stakeholders’ expectations, SuMi TRUST Group shall further ensure the transparency of its management, and shall develop a system necessary to enhance its corporate governance system.

(2) Organizational Structure of Corporate Governance

The corporate governance system SuMi TRUST Holdings has in place is the corporate auditors system. At least half of the corporate auditors on our Board of Corporate Auditors are external auditors, and executive officers with a detailed understanding of our businesses serve as internal directors on our Board of Directors, where important business matters are decided.

(3) Roles of the Board of Directors

The Board of Directors shall oversee overall management and ensure fairness and transparency of SuMi TRUST Holdings’ corporate management. In addition, the Board of Directors shall make decisions for SuMi TRUST Group by, among other things, deciding important business-execution matters to be decided by the Board of Directors as required by laws. Except for the important business-execution matters, the Board of Directors shall delegate business execution and decision-making thereon to subordinate meetings, such as the Executive Committee, and officers exercising control over the relevant business, etc., and the Board of Directors shall oversee the execution of duties by such meetings and officers, etc.

External directors shall oversee the execution of business by the Board of Directors and the top management, and any conflicts of interest that may arise between SuMi TRUST Holdings and the management team, etc., from the standpoint of stakeholders, in order to support sustainable growth and medium- to long-term enhancement of the corporate value of SuMi TRUST Group.

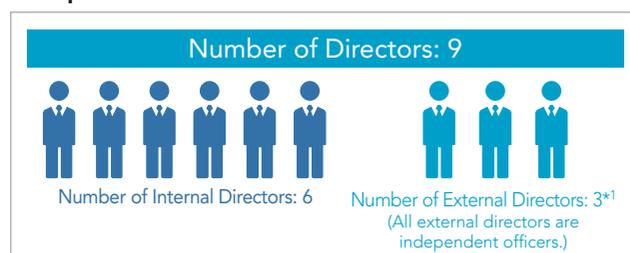
In light of the importance of environmental and social issues over sustainability, the Board of Directors shall prescribe the basic policy regarding social responsibility to be implemented by each group company (the “Sustainability Policy”). With the Sustainability Policy, the Board of Directors shall enhance awareness of its officers and employees, and promote positive efforts to resolve these issues by considering its stakeholders, aiming to support the sustainable growth of society and increase the corporate value of SuMi TRUST Group.

(4) Composition of the Board of Directors

The Board of Directors of SuMi TRUST Holdings shall have no more than 15 directors, which is the number of directors prescribed in the Articles of Incorporation, and it shall basically comprise such number of directors as shall be necessary and appropriate to secure an effective management system of

SuMi TRUST Group and substantive discussion at the Board of Directors. However, due consideration shall also be given to securing diversity and professionalism at the Board of Directors in deciding such number. In light of the importance of external directors’ functions in corporate governance, SuMi TRUST Holdings shall operate the Board of Directors with at least one-third of the directors being independent external directors, in principle. For the Independence Standards of Independent External Officers established by SuMi TRUST Holdings, please refer to our website (http://www.smth.jp/en/about_us/governance/independence.pdf).

Composition of the Board of Directors



*1 SuMi TRUST Holdings has notified the financial instruments exchange that all three external directors are independent officers.

*2 For details, please refer to our website (http://www.smth.jp/en/about_us/officer/index.html).

(5) Qualification of Directors and Nomination Procedures

SuMi TRUST Holdings’ candidates for directors are decided from among a wide range of diversified individuals pursuant to the following nomination policies: (i) A person with abundant knowledge and experience regarding the management administration and business operation of a trust bank group; and (ii) A person who fully understands the social responsibility and mission of banking business and the fiduciary spirit of trust business, and who is able to fairly and appropriately implement management administration and business operation based on a high degree of self-discipline.

The candidates for external directors are decided from among a wide range of diversified individuals pursuant to the following nomination policies: (i) A person who satisfies the Independence Standards of SuMi TRUST Holdings, and who is deemed unlikely to give rise to conflicts of interest with general shareholders of SuMi TRUST Holdings; (ii) A person who understands SuMi TRUST Holdings’ management principles, and fully understands the social responsibilities and roles of SuMi TRUST Holdings as a trust bank group; and (iii) A person who fully recognizes the role of external director, and who is able to oversee SuMi TRUST Holdings’ directors and management, and provide proper and appropriate opinions and advice, by leveraging the person’s knowledge and activities in fields such as corporate management, economics, legal affairs, accounting, tax accounting, and auditing. From June 2016, Hiroko Kawamoto, who leads Customer Satisfaction (CS) promotion and initiatives to support female success in the workplace at ALL NIPPON AIRWAYS CO., LTD., was nominated and approved to serve as an external director, boosting the presence of women in management.

Reasons for the Appointment of External Directors

Soichi Shinohara: Professor Shinohara concurrently serves as President of Kyoto Gakuen University and Emeritus Professor of Doshisha University. He was appointed as an external director as he was expected to offer his wealth of knowledge about, and sophisticated insight into, economic issues both at home and abroad to further enhance the quality of SuMi TRUST Holdings’ management. He developed his knowledge and insight in his capacity as an economist specializing in international economics and macroeconomics.

Takeshi Suzuki: Mr. Suzuki had held numerous prominent positions at Toyota Motor Corporation and Aioi Nissay Dowa Insurance Co., Ltd. Currently, he concurrently serves as an external director of AICHI CORPORATION. He was appointed as an external director as he was expected to offer his wealth of experience and extensive insight developed in his capacity as a senior executive of a company to SuMi TRUST Holdings’ management.

Mikio Araki: Mr. Araki served as the Deputy President and Representative Director of Development Bank of Japan Inc. He concurrently serves as President of The Japan Economic Research Institute, an external director of Kintetsu Group Holdings Co., Ltd. and an external auditor of Japan Freight Railway Company. He was appointed as an external director as he was expected to bring his wealth of experience and deep insight into finance as a business leader to SuMi TRUST Holdings’ management.

External Directors’ Attendance at Board of Directors Meetings

Soichi Shinohara	Attended all 12 of the 13 Board of Directors meetings	Attendance rate 92%
Takeshi Suzuki	Attended all 13 Board of Directors meetings	Attendance rate 100%
Mikio Araki	Attended all 13 Board of Directors meetings	Attendance rate 100%

*Attendance is for the period from April to November 2016.

(6) Composition of the Board of Corporate Auditors

SuMi TRUST Holdings has adopted the corporate auditor system. The Board of Corporate Auditors comprises a total of five corporate auditors, including two full-time corporate auditors and three part-time corporate auditors (external auditors). In order to ensure the independence of the auditing function, three of the corporate

Composition of the Board of Corporate Auditors



* For details, please refer to our website (http://www.smth.jp/en/about_us/officer/index.html).

auditors are external auditors. Furthermore, the three external auditors meet the Independence Standards of SuMi TRUST Holdings and thus have been designated as independent officers.

Corporate auditors attend important meetings including the Board of Directors meetings and receive reports from directors and the headquarters on the status of execution of duties as well as business reports from subsidiaries as necessary.

(7) Qualification of Corporate Auditors and Nomination Procedures

SuMi TRUST Holdings’ candidates for corporate auditors are decided from among a wide range of diversified individuals pursuant to the following nomination policies, with the approval of the Board of Corporate Auditors: (i) A person with abundant knowledge and experience regarding the management administration and business operation of a trust bank group; and (ii) A person who is able to oversee the execution of duties by directors from a fair and objective standpoint and contribute to enhancing the soundness and transparency of SuMi TRUST Holdings’ management.

The candidates for external auditors are decided from among a wide range of diversified individuals pursuant to the following nomination policies, with the approval of the Board of Corporate Auditors: (i) A person who satisfies the Independence Standards of SuMi TRUST Holdings, and who is deemed unlikely to give rise to conflicts of interest with general shareholders of SuMi TRUST Holdings; (ii) A person who understands SuMi TRUST Holdings’ management principles, and fully understands the social responsibilities and roles of SuMi TRUST Holdings as a trust bank group; and (iii) A person who fully recognizes the role of external auditor and who is able to oversee the execution of duties by directors from a neutral and objective standpoint, by leveraging the person’s knowledge and activities in fields such as corporate management, economics, legal affairs, accounting, tax accounting, and auditing, and who is thereby able to contribute to enhancing the soundness and transparency of SuMi TRUST Holdings’ management.

Reasons for the Appointment of External Auditors

Tetsuya Yoshimoto: Mr. Yoshimoto had held numerous prominent positions as a judge and has a wealth of experience in the legal community, including serving as the Chairman of the National Public Service Ethics Board after he retired from his position as a judge, and has a high sense of morality. He was appointed as an external auditor as he was expected to offer his experience and a high sense of morality to further enhance the quality of audits at SuMi TRUST Holdings.

Shinichi Saito: Mr. Saito is Representative Director and Co-CEO of Japan Industrial Solutions Co., Ltd. He was nominated and approved to serve as an external auditor so SuMi TRUST Holdings could harness his wealth of experience and insights relating to treasury and accounting functions, overseas business, general finance, corporate turnarounds from the years he worked in finance functions

at a major trading conglomerate and the consulting business of leading audit firms in auditing our operations.

Takashi Yoshida (Joined in June 2016): Mr. Yoshida is a certified public accountant and serves concurrently as an external auditor at NIPPON SEIRO CO., LTD. and as an external director at COSMOS INITIA CO., LTD. He was nominated and approved to serve as an external auditor so SuMi TRUST Holdings could harness his wealth of experience and insights relating to accounting and treasury from years at leading audit firms working in the audit practice for financial institutions and for non-financial companies, participation in audit firm management as an employee representative and managing director, and the global perspective he brings from years working overseas.

External Auditors' Attendance at Board of Corporate Auditors Meetings

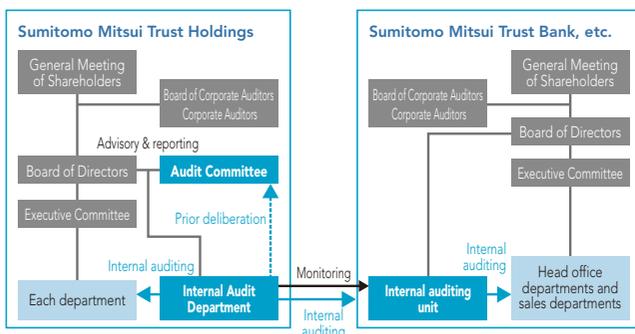
Tetsuya Yoshimoto	Attended all 11 Board of Corporate Auditors meetings	Attendance rate 100%
Shinichi Saito	Attended all 11 Board of Corporate Auditors meetings	Attendance rate 100%
Takashi Yoshida	Attended all 7 Board of Corporate Auditors meetings (joined in June 2016)	Attendance rate 100%

*Attendance is for the period from April to November 2016.

(8) Internal Auditing

Regarding internal auditing, an internal audit unit, which is independent of units pertaining to business execution, has been established to create the policy on development of the internal auditing system and internal audit plans of SuMi TRUST Group. It also performs internal auditing for each business execution unit and indicates and recommends points to be improved. The results of internal audits and the status of internal auditing plans in terms of progress and objectives achieved are reported to the Board of Directors, etc., in a timely and appropriate manner. Effective June 26, 2015, the Audit Committee was established as an advisory board to the Board of Directors. The Audit Committee deliberates in advance on important matters including the internal audit plans and reports the results of the deliberation to the Board of Directors.

Internal Auditing Implementation System



(9) Policies Regarding Training of Directors and Corporate Auditors

SuMi TRUST Holdings collects and provides information regarding industry trends, corporate governance, finance and accounting, and any other matters that is required by directors and corporate auditors in order to perform their roles and functions, and it thereby supports directors and corporate auditors in executing their duties. The "External Officers Support Office" was established in June 2015 in order to strengthen systems that support external directors and external auditors in performing their roles and functions. It provides support to external directors by explaining agenda items for meetings of the Board of Directors etc. to them in advance, providing them with materials, and holding meetings where operational specifics and items important for the Group's business management are explained.

As for external auditors, full-time corporate auditors report audit information collected through daily audit activities such as minutes of important meetings and investigation results for the parent and its subsidiaries and share such information with external auditors at meetings of the Board of Corporate Auditors. At the same time, staff members at the Corporate Auditors Office, who are independent of business execution, provide support to external auditors by providing them materials and explanations and answering their questions.

(10) Outline of Results of Analysis and Evaluation on Overall Board Effectiveness

With the aim of further improving the effectiveness of the Board of Directors, we surveyed all directors and corporate auditors of SuMi TRUST Holdings and core subsidiary SuMi TRUST Bank on matters involving Board composition, issues raised for discussion at Board meetings, time allocated for discussion, materials and explanations provided in advance, how meetings were run, and the state of Board member discussion at meetings to encourage them to look back on the Board's performance in fiscal year 2015 and ascertain what issues they believe ought to be a focus in the coming fiscal year and beyond.

The Board's secretariat analyzed and evaluated the effectiveness of Board meetings based on results from collected surveys and results from post-survey individual interviews with all external directors and external auditors. After an external third-party body verified the effectiveness of the evaluation process and its appropriateness, the evaluation results were reported to the Board of Directors in an April 2016 meeting.

Regarding the results and the process of evaluation of our Board of Directors, a third-party body determined there were no problems concerning effectiveness and appropriateness.

An outline of the evaluation results of the Board of Directors in fiscal year 2015 is provided below.

Board Composition, Issues Raised for Board Discussion, Time for Discussion

- Confirmed effectiveness was constant from the standpoints of Board composition, issues raised for discussion at Board meetings, and time allocated for discussion
- Confirmed there is room to improve on how to infuse ingenuity into agenda issues, how to run Board meeting discussions, and how to further improve diversity in a manner consistent with the Group’s strategy

Materials and Explanations Provided in Advance

- Confirmed information sharing with external directors and external auditors outside of the Board meetings the Group operates, and the provision of explanations on matters involving the Board ahead of Board meetings
- Confirmed the innovative approach we have pursued so far such as developing summaries is having an impact but also that there is room to strive for further improvements in how we prepare materials for Board meetings

Meeting Administration, Status of Board Member Discussion at Meetings

- Confirmed topics for discussion are examined from diverse perspectives, and that external directors and external auditors offer comments at Board meetings in an appropriate manner that draw on their knowledge and experience
- Confirmed that directors believe the Board should work harder to further stimulate debate and seek fresh approaches to ensure comprehensiveness and objectiveness in debating issues up for discussion

The evaluation report for fiscal year 2015 showed for each of the items above no problems were identified in the efficacy and effectiveness of the Board’s performance. Even so, regarding the subjects and issues we fielded through the evaluation report, we will strive to improve and be more attentive and thereby further improve the Board’s performance.

3. Compensation for Directors

Compensation for directors is intended to function effectively as an incentive for improvement of corporate performance and expansion of corporate value in order to realize stable and sustainable growth of the SuMi TRUST Group.

(1) Compensation Structure

SuMi TRUST Bank, core subsidiary of SuMi TRUST Holdings, engages in businesses in a wide field of business. SuMi TRUST Holdings has adopted a management style that aims to increase profits through efforts to increase the scale of entrusted assets and the like by expanding the customer base over the medium-to-long term rather than seeking short-term profit. With these features of a trust bank as the background, the systems and structures for compensation of directors have been established, not focusing on single-year performance evaluation in which short-term contribution to profit is emphasized, but focusing on officers’ qualifications and capabilities as senior management, and based on a comprehensive evaluation that reflects assessment of

(11) Establishment of Voluntary Committees

In order to further enhance its corporate governance system, SuMi TRUST Holdings establishes the Nominating and Compensation Committee and the Audit Committee, in which external directors participate, as advisory bodies to the Board of Directors.

Outline of the Nominating and Compensation Committee (as of September 30, 2016)

- Chair: Mikio Araki (External Director)
- Member: Soichi Shinohara (External Director)
- Member: Takeshi Suzuki (External Director)
- Member: Hitoshi Tsunekage (Chairman)
- Member: Kunitaro Kitamura (President)

In principle, the majority of the Committee members consists of external directors.

Main consultation matters

- The nomination of candidates for directors and corporate auditors
- The Independence Standards of independent external officers
- The compensation structure for officers
- Other important matters regarding officers

Outline of the Audit Committee (as of September 30, 2016)

- Chair: Soichi Shinohara (External Director)
- Member: Takeshi Suzuki (External Director)
- Member: Mikio Araki (External Director)
- Member: Yoshiaki Koshimura (Officer responsible for SuMi TRUST Holdings’ Internal Audit Department)

In principle, the majority of the Committee members consists of external directors.

Main consultation matters

- Internal audit plans
- Other important matters regarding the internal audit

medium-to-long-term performance. Specifically, the following structure is applied to compensation of directors (excluding external directors) and executive officers of SuMi TRUST Holdings and SuMi TRUST Bank.

- In principle, payment shall be made as a combination of monthly compensation, officers’ bonus, and stock-compensation-type stock options, and the compensation policy and compensation table for each fiscal year shall be resolved at the Board of Directors meeting.
- The monthly compensation is separated into two types: “fixed compensation” that is a fixed amount per position, and “performance-based compensation” that is based on each individual officer’s evaluation of the preceding year while also reflecting the officer’s medium- to long-term performance contribution as well.
- Allocated amounts of officers’ bonuses shall be determined by deciding the total payment amount taking into consideration the overall management environment, corporate performance and the like and reflecting each individual

- officer's performance in the preceding fiscal year.
- With regard to the stock-compensation-type stock options, the number of stock option rights shall be determined based on the number of stock option rights per position with an adjustment for each individual officer's performance evaluation and the like.
- The share ownership plan of officers is a mechanism by which individual officers shall voluntarily determine their invested amounts based on the target number of share ownership defined per position.

The compensation to external directors of SuMi TRUST Holdings and SuMi TRUST Bank shall be composed of the fixed monthly compensation alone and resolved at the Board of Directors meeting, taking into consideration the business conditions of SuMi TRUST Holdings, compensation level of its internal directors, general standards and the like.

The compensation to corporate auditors of SuMi TRUST Holdings and SuMi TRUST Bank shall be composed of the fixed monthly compensation alone and the suitable level for corporate auditors of SuMi TRUST Holdings and SuMi TRUST Bank shall be discussed with corporate auditors and then determined, taking into consideration the business conditions of SuMi TRUST Holdings, compensation levels of corporate directors, general standards and the like.

(2) Procedures to Determine Compensation

In SuMi TRUST Holdings and SuMi TRUST Bank, the compensation structure and compensation table for directors and executive officers, and compensation amounts of individual officers shall be determined by the following procedures:

- The Nominating and Compensation Committee that was established as an advisory body to the Board of Directors of SuMi TRUST Holdings shall consider matters relating to officers' compensation of SuMi TRUST Holdings and SuMi TRUST Bank (officers' compensation structure, officers' compensation table and other important matters) and then report their proposals to their respective Boards of Directors.
- In principal, a majority of the Nominating and Compensation

4. Regarding Cross-Shareholdings

(1) Policies Regarding Cross-Shareholdings

The SuMi TRUST Group shall not acquire and hold the shares, etc. of business counterparties, etc. (the "Cross-Shareholding Shares"), except in the case where it is deemed that such acquisitions and holdings will contribute to medium-to-long term enhancement of the corporate value of the SuMi TRUST Group, from the perspective of, among other things, establishing a stable transactional relationship over the long term, a business alliance, or facilitating or reinforcing collaborative business development with a business counterparty, in principle.

Regarding major holdings from among the Cross-Shareholding Shares, SuMi TRUST Holdings shall verify, and report at a Board of Directors meeting regarding the medium-to-long term economic rationale for holding them, and the effect of holding them from the aspect of maintaining and enhancing the overall relationship with business counterparties, etc.

In principle, the SuMi TRUST Group shall sell the Cross-Shareholding Shares in cases where the significance and rationality of holding them is not observed, after taking

Committee members shall be external directors, and the chair shall be selected from external directors, in principle, through a mutual election by the members.

- Monthly compensation amounts, bonus amounts, and the number of stock-compensation-type stock option rights and the like for individual directors (excluding external directors) and executive officers of SuMi TRUST Holdings and SuMi TRUST Bank based on their performance evaluations shall be proposed at the performance evaluation meeting that is composed of SuMi TRUST Holdings' internal officers and resolved at the Board of Directors meeting.
- Details of the determined compensation amount and the like shall be reported at the explanatory meeting for external directors and external corporate auditors of SuMi TRUST Holdings and SuMi TRUST Bank. This meeting is organized in order to establish an opportunity to hear opinions from an objective standpoint.

(3) Compensation for FY2015

The total amount of compensation for fiscal year 2015 for directors excluding external directors was 425 million yen, and for corporate auditors excluding external auditors was 58 million yen. SuMi TRUST Holdings has omitted individual disclosures of compensation as no one received compensation of 100 million yen or more, the amount subject to the disclosure requirements.

Total Amount of Compensation for Applicable Officers at SuMi TRUST Holdings

(From April 1, 2015 to March 31, 2016)

Millions of Yen

Category	Headcount	Total amount of compensation	Total amount of fixed compensation		Total amount of variable compensation	Bonus	Compensation as stock option	Retirement benefits
			Basic compensation					
Directors (excluding External Directors)	10	425	327	327	67	67	31	-
Corporate Auditors (excluding External Auditors)	2	58	58	58	-	-	-	-

*Amount of compensation stated above includes compensation for (concurrent) directorship at the significant consolidated subsidiaries.

into consideration various factors, including the impact of selling the shares on the stock market.

(2) Standards for Voting on Cross-Shareholding Shares

SuMi TRUST Holdings and SuMi TRUST Bank, which is a core subsidiary of SuMi TRUST Holdings, shall decide to vote for or against each resolution and exercise voting rights pertaining to the Cross-Shareholding Shares (the "Voting Rights"), after comprehensively taking into consideration the business conditions, etc. of the issuer of the Cross-Shareholding Shares (the "Issuer"), as well as the impact on sustainable growth and medium-to-long term enhancement of the corporate value of the issuer and the SuMi TRUST Group.

In the case that SuMi TRUST Holdings or SuMi TRUST Bank is required to pay special attention upon the exercise of voting rights due to a long-term downturn of business conditions, a reorganization, or an occurrence of significant compliance violations, etc., of the issuer, SuMi TRUST Holdings or SuMi TRUST Bank shall decide to vote for or

against each resolution after collecting enough information through a variety of methods including engaging in dialogue with the issuer.

In the case that there is a risk of conflicts of interest upon

the exercise of voting rights, SuMi TRUST Holdings and SuMi TRUST Bank shall properly deal with the risk pursuant to the Management Policy Concerning Conflicts of Interest prescribed separately.

5. Measures for Protection of Stakeholders' Interests

(1) Management System of Related Party Transactions

When SuMi TRUST Group engages in transactions with its officers or major shareholders, etc., the transactions shall be referred to the Board of Directors for prior approval, in order to ensure that such transactions do not harm, among other interests, the interests of SuMi TRUST Group or the common interests of its shareholders, except where the trading terms are obviously equivalent to those of general transactions.

(2) Management System of Transactions Involving Conflict of Interest with Customers in SuMi TRUST Group's Business Operations

SuMi TRUST Group shall separately prescribe the Management Policy Concerning Conflicts of Interest (the

"Management Policy") pursuant to laws, etc., in order to ensure that none of the various services provided by each group company and its related parties unfairly harm the interests of its customers. Pursuant to the Management Policy, SuMi TRUST Group shall appropriately manage transactions that may give rise to a conflict of interest, and shall properly implement its business operations.

(3) Compliance Hotline System

In order to promptly and appropriately respond to any violation of laws, etc., SuMi TRUST Group has established a compliance hotline system where all officers and employees can directly report to the Compliance Department or external law firms.

6. Risk Appetite Framework (RAF)

(1) Outline of the RAF

SuMi TRUST Group integrates risk management with the process of formulation and implementation of management plans, aiming to achieve optimization of risk-return, improved transparency of management plans, and increased corporate value over the medium to long term.

Specifically, the SuMi TRUST Group conducts stress tests based on risk scenarios reflecting the internal and external environment and, within risk tolerance, clarifies risks that it is willing to accept (risk appetite) in order to achieve business strategies and financial strategies, whereby management plans shall be formulated.

In the meantime, for the purpose of monitoring the progress of management plans, the SuMi TRUST Group

establishes risk appetite indicators and systems for the monitoring thereof.

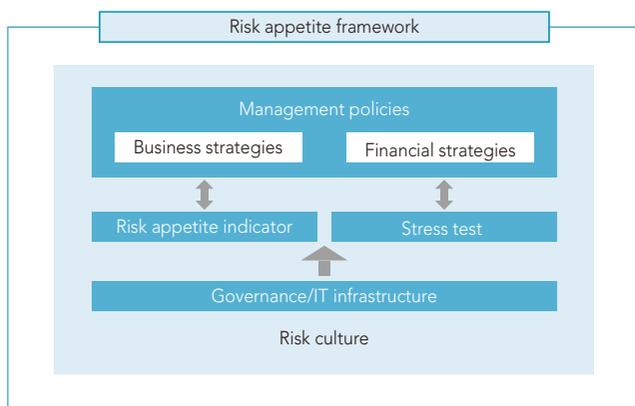
(2) Fostering a Risk Culture

The SuMi TRUST Group believes in its social role of creating distinct values by leveraging a new business model combining its banking, asset management and administration, and real estate businesses, based on the fiduciary spirit and with significant expertise and comprehensive capabilities. Towards fulfilling this role, the SuMi TRUST Group has formulated "management principles (mission)," an "ideal model (vision)" and "codes of conduct (value)".

The SuMi TRUST Group defines "risk culture" as a basic philosophy that prescribes the aspects of its operations involving appropriate acceptance of risks, as well as profit and risk management based on its business strategies and financial strategies, with a view to ensuring adequate profits within the Group's overall financial strength, and in compliance with broad-based social norms, and of course rules including laws and regulations, market rules and internal rules.

With a view to fostering a risk culture that takes root across the SuMi TRUST Group, we are endeavoring to have any development on this theme fully shared with, and known to all officers and employees through measures including regular delivery of messages from top management, compliance training, and e-learning.

Schematic Diagram of the Risk Appetite Framework



7. Internal Control

An internal control system is designed to prevent the occurrence of misconduct by putting various mechanisms and rules into place for the purpose of conducting sound management in a company. Basically, there are four objectives: (1) effectiveness and efficiency of operations, (2) reliability of financial reporting, (3) compliance with laws and ordinances concerning business activities, and (4) safeguarding of assets. Through development and operation of its internal control system, a company can attain these objectives.

To attain the aforementioned objectives, the Board of Directors has determined the Basic Policy on the Internal Control System so the Group can attain the aforementioned objectives. The basic policy pertains to the following: (1) the compliance system (ensures compliance with laws, regulations, etc.); (2) the risk management system; (3) the business execution system; (4) the system to ensure management transparency; (5) the management system to ensure appropriateness of Group operations; (6) the information storage and management system; (7) the internal audit system; and (8) the system for audits by corporate auditors.

1) On Compliance

The compliance program formulated to serve as a concrete action plan and ensure compliance and realize a management system for client protection and compliance has been approved by the Board of Directors. SuMi TRUST Holdings monitors and evaluates program progress and attainment and reports thereof to the Board on a regular basis. Based on the compliance program, SuMi TRUST Holdings guides Group subsidiaries and affiliates in formulating their compliance programs and monitors and evaluates their progress and goal attainment.

2) On Risk Management

The risk management plans formulated based on the SuMi TRUST Group's basic risk management policies has been approved by the Board of Directors. SuMi TRUST Holdings monitors and evaluates progress and goal attainment and reports the results thereof to the Board on a regular basis. Risk management departments develop and operate risk management processes to identify, evaluate, monitor, control and reduce risks for which they are responsible. Risk management departments also monitor the status of risks and risk management activities in order to restrain front office departments and units etc.

3) On Business Execution

The president, other directors and executive officers etc. report the status of business execution to the Board of Directors on a regular basis and also report on the stage of progress and results of matters the Board has resolved to the Board. In addition, the Compliance Department provides information on legal amendments to operational departments and units on a regular basis, and in-house regulations are established, revised, or eliminated according to the content of such legal and regulatory amendments.

4) On Management Transparency

Evaluation results of internal control systems pertaining to financial reporting are reported to the Board of Directors on a regular basis. In addition, appropriate information disclosure is implemented in accordance with provisions of the Financial Instruments and Exchange Act, the securities listing rules established by stock exchanges, and in-house regulations.



5) On Group Management

For compliance and risk management structures applicable to the entire SuMi TRUST Group, the Compliance Department and Risk Management Department, respectively, provide guidance on developing plans to subsidiaries, etc. in order for them to be in line with policies of the entire Group. They also monitor the status of management and operation of the entire Group and provide appropriate supervision and guidance, as necessary. In addition, the Corporate Planning Department receives from subsidiaries etc. the minutes of their monthly Board of Directors meetings and reports on the status of their business execution on a regular basis and provides them guidance as well as management and supervision as appropriate.

6) On Information Storage and Management

Minutes that record the stage of progress and gist of points discussed at meetings of Annual General Meetings of shareholders, the Board of Directors, and Executive Committee are prepared and kept with related materials. In addition, a specific implementation plan regarding information security risk management has been approved by the Board of Directors, and conditions underlying occurrences of information-related incidents as well as points to watch, countermeasures, etc. regarding information security risk management are reported to the Board of Directors on a regular basis.

7) On Internal Audit

Internal audit plans have been developed based on the policies for developing internal audit structures for the SuMi TRUST Group established by SuMi TRUST Holdings. The plans are approved by the Board of Directors after consulting with the Audit Committee. Results of internal audits, the status of progress and achievement of internal audit plans are reported to the Board of Directors on a regular basis.

8) On Audits by Corporate Auditors

Corporate auditors attend not only the Board of Directors meetings but other important ones, including meetings of the Executive Committee, as they deem necessary. In addition, corporate auditors conduct interviews and exchange opinions with the president and other directors and corporate auditors, receive results of internal audits and reports regarding information reported through a compliance hotline on a regular basis, and properly obtain information necessary to perform audits effectively.

8. Regarding Constructive Dialogue with Shareholders

SuMi TRUST Holdings has established the Policy for Constructive Dialogue with Shareholders, etc. as provided in the “Basic Policy on Corporate Governance”:

- SuMi TRUST Holdings shall emphasize constructive dialogue with its shareholders, etc., and shall endeavor to engage in dialogue with its shareholders, etc. through various opportunities under the initiative of its senior management.
- Through constructive dialogue, SuMi TRUST Holdings shall endeavor to obtain the understanding of its shareholders, etc. regarding SuMi TRUST Holdings’ management

policies, and it shall endeavor to support sustainable growth and medium- to long-term enhancement of the corporate value of the SuMi TRUST Group, by absorbing and reflecting analyses of management administration and views from the perspective of capital providers, etc. through listening to the voice of the shareholders, etc.

To promote constructive dialogue with shareholders, SuMi TRUST Holdings actively conducts IR activities. For details on specific efforts and measures, please see below.

Activities Regarding IR

	Supplemental remarks
Preparation and publication of disclosure policy	SuMi TRUST Holdings has established the Disclosure Policy and disseminates it externally, as well as to SuMi TRUST Group’s officers and employees for the purpose of appropriately implementing it. The Disclosure Policy serves as SuMi TRUST Group’s IR activity guidelines, setting forth that we should make efforts to proactively disclose corporate information which we deem useful for our shareholders, investors, etc. in understanding the SuMi TRUST Group, adopting timeliness, accuracy, and fairness as basic requirements therefor.
Regular information meetings for individual investors	SuMi TRUST Holdings holds corporate briefings via securities companies and so on, where the representative director, and the officer and employee in charge of IR explain SuMi TRUST Group’s characteristics, earnings results and financial condition, and management strategies, etc.
Regular information meetings for analysts and institutional investors	SuMi TRUST Holdings holds investor meetings semi-annually (around May and November), inviting securities company analysts and institutional investors, with the representative director explaining SuMi TRUST Group’s earnings results and management strategies, etc. Further, SuMi TRUST Holdings holds one-on-one and group meetings for analysts and institutional investors from time to time, with the representative director, and the officer and employee in charge of IR providing explanations.
Regular information meetings for overseas investors	SuMi TRUST Holdings’ representative director, or the officer in charge of IR, visits major institutional investors in the U.S., Europe, and Asia, etc. several times per year, explaining SuMi TRUST Group’s earnings results and financial condition, and management strategies, etc. Further, SuMi TRUST Holdings regularly participates in IR conferences organized in Japan by securities companies for overseas institutional investors, as well as participates in such conferences held overseas.
Posting of IR materials on website	Promptly after their announcement, SuMi TRUST Holdings discloses various types of IR information and information for shareholders, etc. on its website. The types of information disclosed are, among others, as follows: financial results and related explanatory materials; annual securities reports; quarterly securities reports; summary of financial results; investor meetings’ presentation materials; the Basic Policy on Corporate Governance; stock information; business reports, annual reports, convocation notices for general shareholders’ meetings; results of voting, etc. Videos of investors meetings and corporate briefings for individual investors are also posted on the website. Further, on the page of its website entitled “For Individual Investors,” explanation is provided for individual investors regarding SuMi TRUST Group’s business and operational results in an easy-to-understand format. For overseas institutional investors, too, SuMi TRUST Holdings provides various types of IR information and so on in a timely manner via its English website. Japanese URL: http://smth.jp/IR/index.html English URL: http://smth.jp/en/IR/index.html
Establishment of department and/or manager in charge of IR	SuMi TRUST Holdings has appointed an officer in charge of IR, as well as established the IR Department as the section in charge of daily IR activities. SuMi TRUST Holdings makes efforts to appropriately disclose corporate information, as well as aiming for highly transparent corporate management through proactive IR activities and constructive dialogues with both domestic and foreign shareholders and investors. Officer in charge of IR: Yukihiro Kitano, Senior Managing Executive Officer/Koichi Onaka, Managing Executive Officer Section in charge of IR: IR Department The General Manager of the IR Department serves as the administrative IR contact person.
Others	<Internal organic cooperation to assist dialogues with shareholders> Through cooperation with the management team and each section, the officer in charge of IR and the section in charge of IR endeavors to appropriately understand management information and other internal information, and make efforts to disclose such information in a timely, accurate, and fair manner, as well as leverage such information for the purpose of constructive dialogue with shareholders and investors. <Feedback regarding shareholders’ opinions and IR activities to the management team and the Board of Directors> We provide timely and appropriate feedback to the management team regarding opinions or concerns, etc. expressed by shareholders, investors, and analysts, etc. In addition to an overall report on IR activities, reports regarding such opinions or concerns, etc. shall be regularly made to the Board of Directors. <Management of insider information during dialogues> For the purpose of the management of insider information, the SuMi TRUST Group regularly disseminates, within the SuMi TRUST Group, the laws, regulations, and rules, etc. which the SuMi TRUST Group is bound to comply with, as well as instructions for the appropriate handling of insider information. Strict management and operation is also conducted during dialogues with shareholders and investors.

9. CSR of Sumitomo Mitsui Trust Group

Fundamental Perspectives

SuMi TRUST Group’s Basic Policy on Corporate Governance sets out the role of the Board of Directors as working to support the sustainable growth of society and increasing the corporate value of SuMi TRUST Group by promoting active efforts to resolve environmental and social issues in consideration of its stakeholders. “Creating shared value” is the concept of pursuing social value together with corporate value. It has long been an issue ingrained in SuMi TRUST Group’s management.

Dealing with issues of sustainability at the working level is SuMi TRUST Group’s approach to CSR. As sustainability issues can be broken down into the three elements of environment, society and governance (ESG), we have defined our CSR to be the incorporation of ESG into our daily business processes.

Meanwhile, ESG stems from the concept of responsible investment that strives to balance the interests of various stakeholders while pursuing long-term corporate value (share prices). In other words, responsible investment is described as an investment method that assesses shared value. Therefore, SuMi TRUST Group puts particular emphasis on the perspective of responsible investment. It also serves as the starting point for the identification of materiality and undertaking internal engagements.

Structure for Promoting CSR Activities

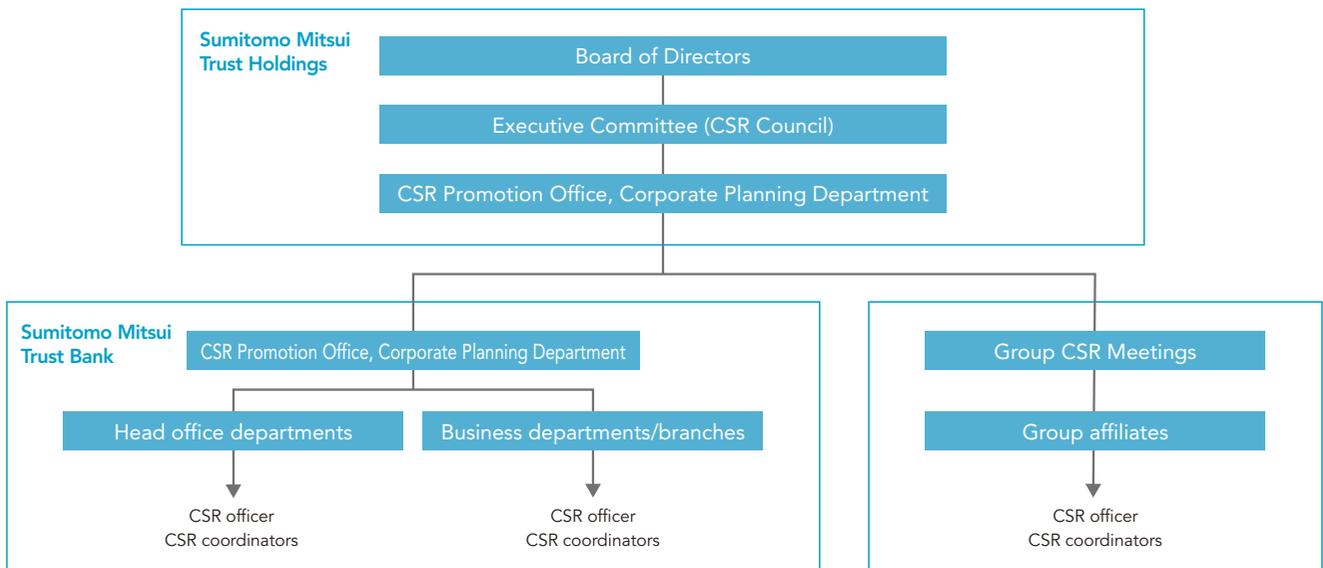
1) The Board of Directors formulates the Sustainability Policy, while managing CSR activities as a whole in an effort to enhance the awareness of officers and employees of SuMi TRUST Group. The Board of Directors also conducts multi-faceted discussions mainly on themes

of high materiality towards the creation of shared value and determines the direction which SuMi TRUST Group is to take.

- 2) The CSR Council, which is held as part of the Executive Committee, formulates medium-term policies on CSR as well as the policies for each fiscal year and manages the CSR activities of SuMi TRUST Group based on the PDCA cycle.
- 3) The CSR Promotion Office, Corporate Planning Department plays an integral role in promoting the CSR activities of SuMi TRUST Group based on the instructions of officers in charge (see page 84).
- 4) CSR officers and CSR coordinators have been appointed at each group company and each branch of the SuMi TRUST Bank to play a role in promoting CSR activities, as well as promoting activities that reduce the environmental burden at each office and leading “With You” activities (see page 122).
- 5) Group affiliates promote CSR activities by formulating policies on shared initiatives throughout SuMi TRUST Group and on each of the affiliates’ own initiatives specific to the business. Additionally, Group CSR Meetings are held regularly to exchange information.

Officer in charge of CSR activities	Masahiro Tsuchiya (Managing Executive Officer)
Head Office Executive of the CSR Promotion Office, Corporate Planning Department (Chief Sustainability Officer)	Tsukasa Kanai (Council member and General Manager in charge of CSR)

SuMi TRUST Group’s Structure for Promoting CSR Activities



The Four Pillars Supporting Activities of the CSR Promotion Office

ESG Management that aims to create shared value

- Identification of materiality and the provision of input to management
- Promotion of CSR activities that take into account the PDCA cycle and formulation of CSR policies for the fiscal year and medium term
- Dialogue with departments responsible for matters relevant to high materiality themes through internal engagement
- Information disclosure using CSR reports and our website, and dialogue with responsible investment (RI) investors, etc.

Development of innovative products and services and rolling out CSV business

- Development of innovative financial instruments and services that will contribute to solving environmental* and social issues



*We have coined the word "Eco-Trustution" to describe initiatives that provide solutions to ecological issues through the use of our trust function, and we are actively promoting such initiatives.

- Development of "With You" strategies to address issues unique to each region stemming from the issues of an aging society

Penetration of CSR and development of the awareness of officers and employees

- Promotion of "With You" activities at the business departments and branches, granting budgets, managing points and managing blogs



- Holding various meetings
 - Group CSR meetings
 - Global ESG meetings
 - ESG Risk Response Project Team
 - Human Rights Due Diligence Liaison Committee
 - LGBT Matter Information Liaison Committee

Building sound relationships with stakeholders

- Exchanging information with NPOs/NGOs in Japan and overseas, government organizations and universities, etc., and understanding the needs of stakeholders
- Actively participating in international initiatives (UNEP FI, United Nations Global Compact, Business and Biodiversity Initiative, Natural Capital Finance Alliance ([formerly The Natural Capital Declaration], etc.)
- Actively participating and playing a leading role in financial alliance projects in Japan (Principles for Financial Action for the 21st Century, COLTEM Financial Satellite, etc.)

CSR Medium-term Policies/FY2016 Policies

(1) CSR Medium-term Policies (FY2014 to FY2016)

Integrating ESG into day-to-day operations, SuMi TRUST Holdings will set the position of CSR as the foundation of SuMi TRUST Group's sustainable growth

Themes	Medium-term policies
Building an ESG management system up to international standards	<ul style="list-style-type: none"> • Raising ESG risk management capability across all operations including loans and investment, SuMi TRUST Holdings will integrate it into the overall risk management system. • SuMi TRUST Holdings will issue integrated reports that disclose narratives where non-financial data make more financial value.
Developing CSV businesses for building a sustainable society	<ul style="list-style-type: none"> • SuMi TRUST Holdings will use its group capabilities to develop an ESG business model with total solutions that helps resolve social problems and increases corporate value. • SuMi TRUST Holdings will address issues it regards as crucial, designating super-aging society, climate change and natural capital as its highest priorities.
Working to expand the business scope	<ul style="list-style-type: none"> • SuMi TRUST Holdings will conduct leadership to nurture ESG markets by using SuMi TRUST Group's brand to call on stakeholders.

(2) FY2016 CSR Policies

Themes	FY2016 CSR Policies (overview)
Building an ESG management system up to international standards	<ul style="list-style-type: none"> • Further improve discussions on materiality through internal engagement, further improve non-financial data disclosure with an eye to preparing integrated reports • Support steady application of the Equator Principles, gather information on global trends relating to fossil fuel businesses • Revise human rights policies to respond to LGBT issues
Developing CSV businesses for building a sustainable society	<ul style="list-style-type: none"> • Strategically advance "With You" activities, focus in particular on initiatives with themes linked to super-aging society issues • Bolster initiatives relating to climate change-linked businesses, which are expected to grow in view of the Paris Agreement's adoption • Reinforce our advice functions based on growing interest in ESG
Working to expand the business scope	<ul style="list-style-type: none"> • Support healthy development of Japan's responsible investment (RI) market, which is expected to expand • Actively participate in COLTEM activities based on the themes of finance and dementia • Help develop and promote sustainability concepts in the financial sector, actively participate in Principles for Financial Action in the 21st Century