This section outlines matters to be stated in explanatory documents relating to the fiscal year separately stipulated by the Director-General of the Financial Services Agency (Notification No. 15 of Financial Services Agency, March 23, 2007) with regard to the status of capital adequacy as set forth in Article 19-2, Paragraph 1, Item 5-(d) of the Enforcement Regulations of the Banking Act (Ministry of Finance Ordinance No. 10, 1982), as well as the matters regarding compensation separately stipulated by the Director-General of the Financial Services Agency (Notification No. 21 of Financial Services Agency, March 29, 2012) as having significant consequences on the business operation or asset status of a bank, a bank holding company, or their subsidiaries, according to Article 19-2, Paragraph 1, Item 6, Article 19-3, Item 4 and Article 34-26, Paragraph 1, Item 5 of the Enforcement Regulations of the Banking Act (Ministry of Finance Ordinance No. 10, 1982).

The following disclosure is with regards to the former Chuo Mitsui Trust and Banking Company, Limited as of the end of March 2012.

Capital Adequacy Ratio Qualitative Disclosure Data:

The Former Chuo Mitsui Trust and Banking Company, Limited

Compensation Disclosure Data:

The Former Chuo Mitsui Trust and Banking Company, Limited

Capital Adequacy Ratio Qualitative Disclosure Data:

The Former Chuo Mitsui Trust and Banking Company, Limited

1. Overview of Risk Management

(1) Basic Policies on Risk Management

In order to build a proper risk management system, the Board of Directors at the former Chuo Mitsui Trust and Banking Company, Limited ("CMTB") established Risk Management Rules. This document sets out CMTB's basic rules for risk management, including the types of risk requiring attention, the techniques applied to hedge risk, and the structure and authority for risk control. Based on the basic rules, specific rules and standards with concrete risk management content for each risk category have been established.

In regard to administrative structure, the Executive Committee, which falls under the authority of the Board of Directors, undertakes a variety of activities, including discussions about risk management policies prior to implementation and the determination of risk status. The Executive Committee also works toward a healthier business foundation by identifying bankwide risk and considering overall business administration. In addition, the Asset-Liability Management (ALM) Committee, Investment and Credit Committee, and others have been instituted to work on various management tasks while giving due consideration to risk management.

CMTB has established management departments for each type of risk. The Risk Management Department manages overall control, credit risk, market risk, funding risk and operational risk, the Operations Administration Department and other head office departments manage processing risks, the System Planning Department manages system risks; and the Legal Department manages legal risks, the Human Resources Department manages personnel risks, and the Corporate Administration Department manages tangible asset risks.

In addition, the capital allocation plan and plans to revise it, which are handed down from Sumitomo Mitsui Trust Holdings, Inc. ("SMTH") to CMTB, are reported to CMTB's Executive Committee and Board of Directors. Each department that receives allocation of capital according to the plan engages in business operations in compliance with the respective allocated capital. The risk management supervision division monitors the status of compliance with the capital allocation plan, and if it is predicted that a particular division's risk exceeds or is likely to exceed its capital allocation, the risk management supervision division promptly reports to SMTH and consults on measures for handling.

2. Credit Risk

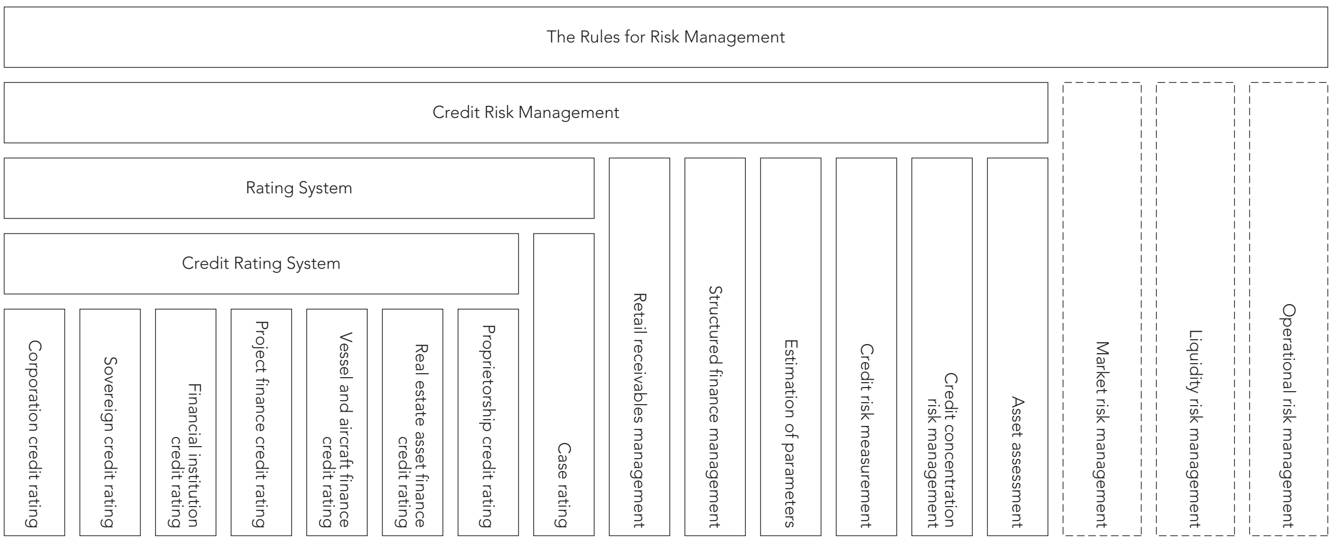
(1) Credit Risk Management Policies

Credit risk is the risk of suffering losses due to a decrease or extinguishment of assets (including off-balance-sheet assets) as a result of deterioration of financial conditions at borrowers. CMTB stipulates a basic framework for risk management in Risk Management Rules, in accordance with the risk management policies determined by SMTH, and provides specifics for credit risk management in the Rules for Credit Risk Management. In order to maintain asset quality and avert the unpredictable development of nonperforming assets, the target for credit risk management includes overall credit-related business including lending transactions, market transactions and off-balance-sheet transactions.

(2) Credit Risk Management System

With regards to credit risk management, the Risk Management Department performs management relating to transactions by sales departments and branches, and each credit-related department performs management relating to market transactions, etc. The Risk Management Department also performs supervision of risk management at CMTB. As systems for credit risk management, in response to the transaction form and characteristics, etc. of each credit-related business, the following are stipulated: a rating system, a retail receivables management system, structured finance management, estimation of parameters, credit risk measurement, credit concentration risk management, asset assessment, verifications relating to rating systems and such, monitoring and reporting, and risk assessment methods upon the introduction of new products and new business.

• Credit Risk Management System



(3) Other Related Matters on Credit Risk

1) Credit Screening

The credit supervision division, which functions independently from business promotion divisions, controls the credit risk on each transaction under respective departmental authorities. A multifaceted perspective is applied, one that stresses fund application, repayment capability and cash flow, as well as collateral status and corporate client profitability. For major loan assessments, the lending arrangements are presented to the Investment and Credit Committee, which consists of the president and related executives, where the primary objectives of loan and securities investments are discussed at the executive level.

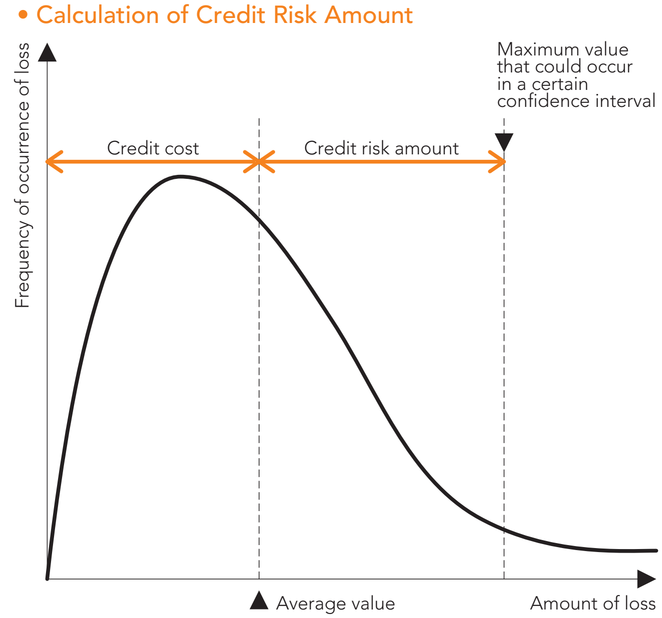
2) Credit Risk Management Methods

The risk management departments monitor the status of credit risk amounts and compliance status of the capital allocated to each credit-related business division by SMTH, and report the risk amount status to the Executive Committee and the Board of Directors on a monthly basis.

Calculations of credit risk amounts are performed in principle by Monte Carlo Simulation using estimated parameters based on an internal rating system.

Additionally, in order to eliminate excessive credit concentration extended to borrowers in a specific industrial sector, internal rating or corporate group, CMTB sets a benchmark regarding lending limits to respective borrower companies and corporate groups, which if reached requires discussion with management on the direction needed to manage and control credit risk exposures. The risk management departments also monitor the credit balance status on a monthly basis, and report to the Investment and Credit Committee. If, based on monitoring, the credit balance exceeds the benchmark and thus requires discussion on direction, measures are drafted, which include the target credit balance and safeguards against default, and discussions are held at the management level. Monitoring is otherwise performed each quar-

• Calculation of Credit Risk Amount



ter on the status of the balance and other matters by industrial sector, and reporting is made to the Investment and Credit Committee. In a case where the balance composition ratio, etc. by industry classification exceed a certain percentage for a specific industrial sector, future handling policies, including restriction of credit are submitted to the Investment and Credit Committee.

CMTB takes initiatives to upgrade credit portfolio management (CPM) with measures such as the reduction of concentrated credit risk by flexibly purchasing or selling loan assets.

3) Credit Risk Management for Each Credit

For credit risk management of each credit, efforts have been made to improve the system with an internal rating system and case rating system for corporate borrowers, a pool management system for retail receivables and an asset assessment system for loan assets and such.

1. Internal Rating System

Targeting all corporate borrowers, an eleven-stage credit rating system has been introduced as an internal rating system linked to borrower classification in asset assessment and activated for checking corporate borrowers and for measurement of credit risk using credit assessment and in-house models. An internal rating is assigned that takes into consideration all of the available, relevant and most current material information. Additionally, reassessment is carried out more than once per year, and also in the event of the occurrence of a phenomenon with a material impact on the appraisal of the credit risk of the borrower. An internal rating is assigned by the sales department and branches, based on quantitative assessment by financial data and qualitative assessment by affiliate companies and actual asset appraisal, etc., with corrections made using reference to external ratings, etc. However, if the credit supervision division judges that a particular modification is necessary in light of the actual status of the borrower, a modified score is assigned and then the final internal rating is determined. Under this system, the credit risk management division verifies the rating assignment process and operational status on a regular basis to maintain its appropriateness.

• Relationship Between Internal Rating and Borrower Classification

Internal Rating	Borrower Classification	Definition
A	Normal Borrowers	Borrowers of the highest internal rating rank with very high ability to fulfill obligations. These are primarily governments, local public organizations, etc., and corporations in excellent financial condition and whose business conditions are favorable.
B+		Borrowers whose ability to fulfill obligations is high, but which are a bit more likely to be affected by a deterioration in the business or economic environment, compared with the group with the highest internal rating rank. These are primarily corporations in excellent financial condition and whose business conditions are favorable, and mid-to-small or micro corporations in excellent financial condition and whose business conditions are favorable.
B		Borrowers whose ability to fulfill obligations is high, but such ability is more likely to decline in the case of a deterioration in the business or economic environment, compared with the group with higher internal rating rank. These are primarily corporations in good financial condition and whose business conditions are stable.
C+		Borrowers whose ability to fulfill obligations is non-problematic, but there is a rather large concern about a decline in ability to perform obligations due to a deterioration in the business or economic environment. These are primarily corporations in fairly good financial condition and whose business conditions are stable.
C		Borrowers whose ability to fulfill obligations is currently non-problematic, but is recognized to have factors by which the ability to fulfill obligations would be damaged in the case of a deterioration in the business or economic environment. These are primarily corporations currently in non-problematic financial and business conditions, but which need some attention in regards to future business performance.
C-		Borrowers who currently have the ability to fulfill obligations, but for which there is uncertainty or fragility in the case of a deterioration in the business environment, financial condition or economic environment, and for which there is a possibility that the ability to fulfill obligations will be damaged in the future. These are primarily corporations whose financial condition and future business performance require attention.
D1	Borrowers who Require Careful Monitoring	Borrowers whose business condition is weak or unstable, or whose financial condition is problematic, and for which there is a high possibility of a disruption being created in the status of its performance of obligations. These are primarily corporations whose status of performance of obligations is currently non-problematic, but whose financial condition and business performance, etc., will require full attention.
D2		Borrowers whose business performance is weak or which have material problems in their financial condition, and already have had problems, or there is an extremely high possibility of a disruption being created in the status of performance of its obligations. These are primarily corporations that will require full attention to their financial condition and future business performance.
D3	Substandard Debtors	Borrowers whose business condition is weak or unstable, or whose financial condition is problematic, and where receivables requiring close observation have arisen in accordance with the Financial Reconstruction Law Enforcement Regulations.
E	Possible Bankruptcy Borrowers	Borrowers in financial difficulties and whose management improvement plans have not progressed well and for whom there is a high possibility of bankruptcy.
F	Virtual Bankruptcy Borrowers/ Legal Bankruptcy Borrowers	Borrowers in serious financial difficulty and substantially bankrupt, or, in fact, have already gone bankrupt, from a legal or formal perspective.

2. Case Rating System

In order to set basic lending spread standards that are to be used as indexes for lending operations, a case rating system is employed for transactions relating to lending and acceptances and guarantees for corporate borrowers, in which hierarchical classifications are established as a result of adding the factors of duration of credit to the expected loss ratio. Assigning of case ratings is carried out when the sales department and branches perform lending procedures relating to the relevant receivables, and reassessment is done in a timely and appropriate fashion.

3. Retail Receivables Management System

For retail receivables, as a framework for the establishment and management of pool classifications that are subdivided in response to risk characteristics, the retail receivables management system has been introduced for credit assessment, as well as for measurement of credit risk. Allocation of retail receivables to pool classifications is carried out when a sales department or branches perform lending procedures relating to the relevant receivables. Under this system, the credit risk management division reexamines the allocation to pool classifications for all retail receivables on the basis of information registered in the system as of the end of March each year.

4. Asset Assessment System

In our asset assessment system, the business departments and branches perform the initial assessment, and responsible supervisory divisions such as the credit supervision departments perform the secondary assessment, paying due attention to ensuring asset soundness, and after going through an internal audit by the Internal Audit Department, the results are reported to the Executive Committee and the Board of Directors. Not only does asset assessment serve as a foundation for the creation of accurate financial statements of CMTB, it also functions as a device by which middle management can more accurately ascertain borrower-specific problems, and, when a borrower's credit is in question, the borrower's receivables are classified into "managed receivables" and "caution receivables" corresponding to the degree of credit risk, and future handling policies are formulated and then a follow-up is carried out under the instructions of the credit supervision departments.

5. Problematic Receivables Management and Other Related Matters

We have established a system by which, when a trigger phenomenon including arrearage or bankruptcy occurs, the business departments and branches report on the status to the Credit Supervision Division and the Credit Risk Management Division so that any deterioration of credit risk can be promptly ascertained.

Moreover, from the viewpoint of ensuring proper profits, based on the internal rating for each borrower, an "index spread" is determined that corresponds to the risk degree for each case, such as duration of credit and preservation status, and thus efforts are made to improve lending profitability.

4) Other Related Matters

(i)Type of Internal Ratings-Based Approach ("IRB Approach") to be used	Foundation IRB Approach
(ii)Scope of application of IRB Approach and the scope of application of Standardized Approach	For calculation of credit risk-weighted assets, the foundation IRB approach is used in principle. However, the following scope shall be considered exempted from application and the Standardized Approach is used. [Assets under the Standardized Approach] Assets that are non-incidental to credit transactions or assets to which it is practically difficult to apply the IRB Approach and there is little significance in credit risk management. [Business units under the Standardized Approach] Business units whose primary business is not credit business. 10 companies within the scope of consolidation of CMTB are business units for which application was excluded (as of the end of March 2012).
(iii)Phased roll-out application	N.A.
(iv)Rating agency used for Standardized Approach	Rating and Investment Information, Inc. (R&I) However, for corporate exposures, we apply 100% risk-weight to all.

3. Internal Rating Systems

(1) Overview of Internal Rating and Pool Classification System

As to corporate exposures, CMTB has prepared four internal rating systems in response to the probability of default of the borrower and the "case rating system" responding to the expected loss ratio, etc. The four internal rating systems are the "corporation credit rating system," "sovereign credit rating system," "financial institution credit rating system" and "proprietorship credit rating system." As to specialized lending, CMTB has developed three internal rating systems to respond to the expected loss ratio, etc., of receivables. These are the "project finance credit rating system," "vessel and aircraft credit rating system," and "real estate asset finance credit rating system." In addition, as to retail exposure, a "retail receivables management system" has been prepared.

(2) On Individual Systems

1) In the "corporation credit rating system," for general corporations, a model relating to quantitative assessment based on financial data is built for each industry, and, upon adding a qualitative assessment and an assessment under external ratings, we assign an internal rating; for non-profit organizations, we assign a rating by emphasizing qualitative information including the purpose of foundation and founding entity.
2) The "sovereign credit rating system" is a system to assign internal ratings using external ratings and such of the central governments as primary factors.
3) The "financial institution credit rating system" is a system to assign internal ratings taking into consideration quantitative and qualitative information using external ratings as primary factors.
4) The "proprietorship credit rating system" is a system to assign internal ratings using scoring models based on tax declaration documents, etc.
5) The "case rating system" is a system to assign internal ratings by adding loan period, etc., to the expected loss ratio.
6) The "project finance credit rating system" is a system to assign internal ratings by taking into consideration the standard of DSCR (debt service coverage ratio, the ratio of cash flow to amount of payment of principal and interest) of the subject party and factors particular to the subject project.
7) The "vessel and aircraft finance credit rating system" is a system to grant internal ratings by taking into consideration the DSCR standard of the subject party and factors particular to the subject vessels and aircraft.
8) The "real estate asset finance credit rating system" is a system to assign internal ratings based on the LTV standard (loan to value, the ratio of loans to projected disposable amount of collateral) of the subject party.
9) The "retail receivables management system" is a system to determine pool classification corresponding to the risk characteristics of the borrowers, risk characteristics of transactions and overdue status, etc.
10) In each of the above mentioned systems, the internal rating and pool classification are reexamined more than once per year, and for procedures for assigning the rating and allocation to pool classifications, we stipulate that the Credit Risk Management Division verify the process and operational status on a regular basis and maintain appropriateness.

(3) Estimation of Parameters

Regarding the estimation of parameters, we estimate Probability of Default (PD) of corporate exposures, and PD, Loss Given Default (LGD) and Exposure At Default (EAD) of exposure oriented to retail.

Regarding the estimation, based on internal results data, if there is an insufficiency or inconsistency in the data, conservative and appropriate modifications are added using available information and methods. Estimated value is reexamined once per year; however, if the estimated value is judged not to be in conformance with the actual situation due to a drastic change of external surroundings, etc., parameters are modified even during the term.

(4) Status of Use of Each System and Parameter Estimated Value

We utilize the rating system and the retail classification management system in credit assessment and supervision. Case rating is used as a basic factor in the case of setting a lending spread standard ("index spread") that will be the index for lending operations. Moreover, such parameters as estimated PD by internal rating, PD and LGD estimated for each retail pool classification are utilized for measurement and capital allocation of credit risks.

(5) Verification of Each System and Estimation of Parameters Value

Verification relating to the appropriateness of the hierarchy and the PD standard, etc., in the rating system is carried out with a frequency of more than once per year. Moreover, verification relating to the significance and homogeneity of pool classification, etc., as to pool classifications relating to retail exposure is also carried out with a frequency of more than once per year.

As to verification of estimation of parameters, verification such as back testing relating to the estimated parameter value is carried out with a frequency of more than once per year.

If a discrepancy between the estimated value and actual value arises in back testing or if there is any problem in another verification, the factors in that discrepancy or problem are analyzed, and when necessary, we consider reexamining the estimation logic for the parameters and the rating system.

4. Market Risk and Funding Risk

(1) Market Risk Management Policies

Market risk is the possibility that the value of assets and liabilities will fluctuate with changing interest rates, foreign exchange rates, the price of marketable securities, and other market factors, and thereby cause losses. Of these, the risk of precipitating losses when market turmoil impedes a financial institution's ability to complete transactions, or compels a financial institution to fulfill transactions at prices noticeably more disadvantageous than usual, is specifically termed as market liquidity risk.

CMTB stipulates the basic framework for risk management in the Risk Management Rules and provides specifics of market risk management in the Rules for Market Risk Management, in accordance with the risk management policies.

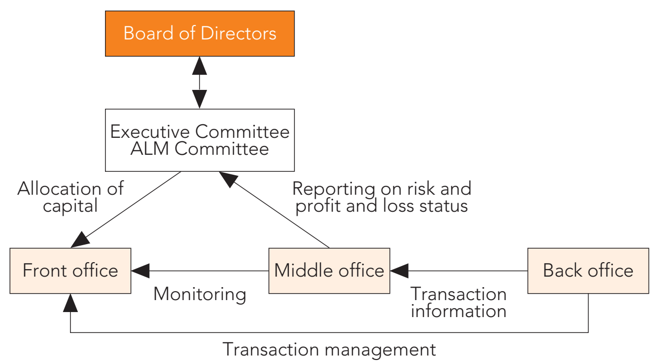
The target of market risk management comprehensively includes foreign exchange and interest rate transactions in trading operations, and in addition, bond portfolios, funds, cross-holding shares, etc., in banking operations.

(2) Market Risk Management System

Regarding market-related transactions, the front office executes transactions, while the back office confirms the content of these transactions, and the middle office controls the market risk. Each office category is independent of the others, creating a cross check structure. At CMTB, the Risk Management Department as the middle office division performs monitoring and reporting of overall market risks on a daily basis. This department is also responsible for preparing proposals and supervising market analysis operations that improve market risk management skills at CMTB.

In terms of market liquidity risk, trading limits are set for each type of transaction, based on such factors as market scale. As a middle office division, the Risk Management Department monitors compliance conditions to keep amounts within the assigned limits.

• Market Risk Management System



(3) Market Risk Management Method

For market risk management, CMTB utilizes Value at Risk (VaR), which is defined as a maximum loss of the total exposure, within 1% probability. VaR is calculated using the historical simulation method, based on market historical data.

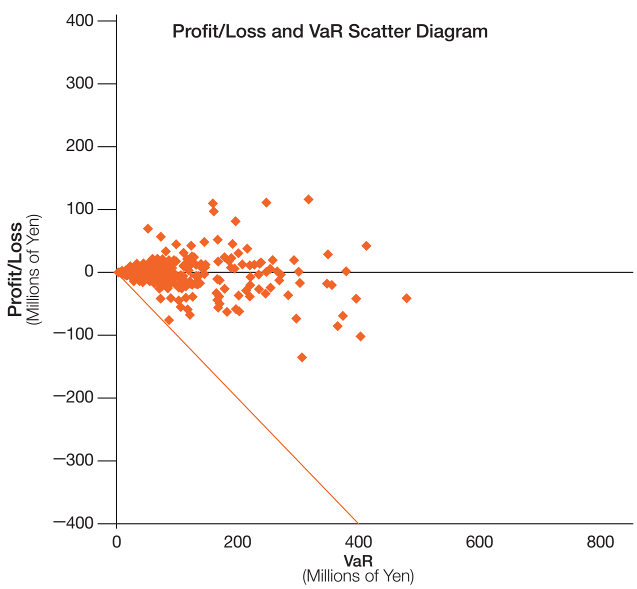
Market risk at CMTB is contained through the efforts of the middle office, which monitors CMTB's risk status and ensures compliance to the risk capital amount set by SMTH as the upper limit of market risk assumed. Reports are sent to the assigned executive officer on a daily basis.

CMTB maintains a structure that averts potential risk before it becomes obvious. Alarm points and loss limits have been set to prevent the expansion of losses following a bad turn in market trading, and the middle office tracks profits and losses.

Cementing its position on strict risk-controlling practices, CMTB also executes stress tests, which assume radical price swings that have actually occurred in the market since April 1990, and uses the results for verification of the appropriateness of SMTH capital allocation plans. As a supplementary measure, CMTB performs back tests, which compare VaR against profit or loss, to ascertain the validity of VaR-based risk measurements.

An example of back testing on trading transactions follows.

• Comparison of VaR and Profit/Loss



Assumptions for calculation of VaR
Time horizon: 1 day
Probability of loss: 1%
Observation period: April 2011 to March 2012 (246 business days)

VaR trading transactions in fiscal 2011 moved within a range of roughly ¥10 million to ¥480 million, and out of 246 business days, daily losses never exceeded the VaR. CMTB's VaR assumes a probability loss of 1%, and the results show that CMTB's VaR calculation model is sufficiently accurate to predict market risk.

(4) Funding Risk Management

Funding risk bears the potential for losses when a financial institution is unable to secure necessary funds, due to a poor financial position or when a financial institution is forced to acquire funds at much higher interest rates than usual.

In terms of funding risk, CMTB establishes guidelines, particularly for cash gaps, and monitors adherence to these standards to control funding risk. CMTB also facilitates flexible, bankwide responses through the preparation of contingency plans, which orchestrate measures to be invoked in times of emergency. CMTB makes accurate identification of funding risk even more certain by letting the Risk Management Department handle risk management for the Treasury Department, which is responsible for controlling funding risk.

(5) ALM Management

In regard to ALM, the Financial Planning Department carries out overall supervision of ALM operations, and the Risk Management Department is responsible for management and analysis relating to ALM, such as monitoring of interest rate risk.

Moreover, an ALM Committee has been established for the purpose of integrally managing flexible operations of market-related business based on interest rate trends, or various types of hedge operations, and deliberating on matters regarding ALM, to meet monthly or more frequently.

At the ALM Committee, asset and liability status, market risk and funding risk situations and other related matters are reported along with discussion on investment policies for bonds and stock, capital plan formulation, and hedge operation implementation and other matters.

For implementation of multi-dimensional risk monitoring, CMTB uses such methods as gap analysis by maturity ladder on an interest rate change period basis, interest rate sensitivity analysis by basis point value (BPV), periodical profit and loss simulation analysis based on multiple interest rate scenarios, and present value fluctuation analysis under interest rate shock relating to the outlier standards as the ALM management method.

[Maturity Gap]

This is a method of ascertaining interest rate risk by sorting assets and liabilities in contract units by interest rate change period and looking at the difference (gap) between assets and liabilities in each particular period.

[BPV]

This is a method of ascertaining interest rate risk for assets and liabilities by the amount of volatility in current value when interest rate yield curves shift in parallel by 0.01%

[Periodic Profit and Loss Simulation]

This is a method of ascertaining the degree of impact on periodic profits and losses due to interest rate volatility with assumptions that include future balance, spread, applicable interest rate, etc., based on certain interest rate scenarios.

[Interest Rate Risk Relating to Outlier Standards]

This is a method of ascertaining interest rate risk of assets and liabilities by the amount of change in present value under interest rate shock based on the range of past interest rate volatility, and of ascertaining the level of interest rate risk amounts using the ratio to capital (Tier I + Tier II).

Assumptions in calculation of the amount of interest rate risk relating to the outlier standards are as follows:

(a) Interest Rate Shock

For the yen and dollar, 99 percentile value and one percentile value of interest rate fluctuation measured within a period of holding of one year and a period of observation of five years, and for other currencies, interest rate shock by parallel transfer of up and down 2% is applied.

(b) Core Deposit

A core deposit is defined as a deposit that stays for a long period without being withdrawn from liquidity deposits (ordinary deposits and current deposits, etc.). The amount of core deposit is defined as the smallest among 1) minimum balance in the past five years, 2) the amount arrived at by deducting the maximum annual amount of outflow in the past five years from the current balance, or 3) 50% of the current balance. It is assumed to reach maturity, with a monthly equal cash outflow, in five years.

5. Operational Risk Management Structure

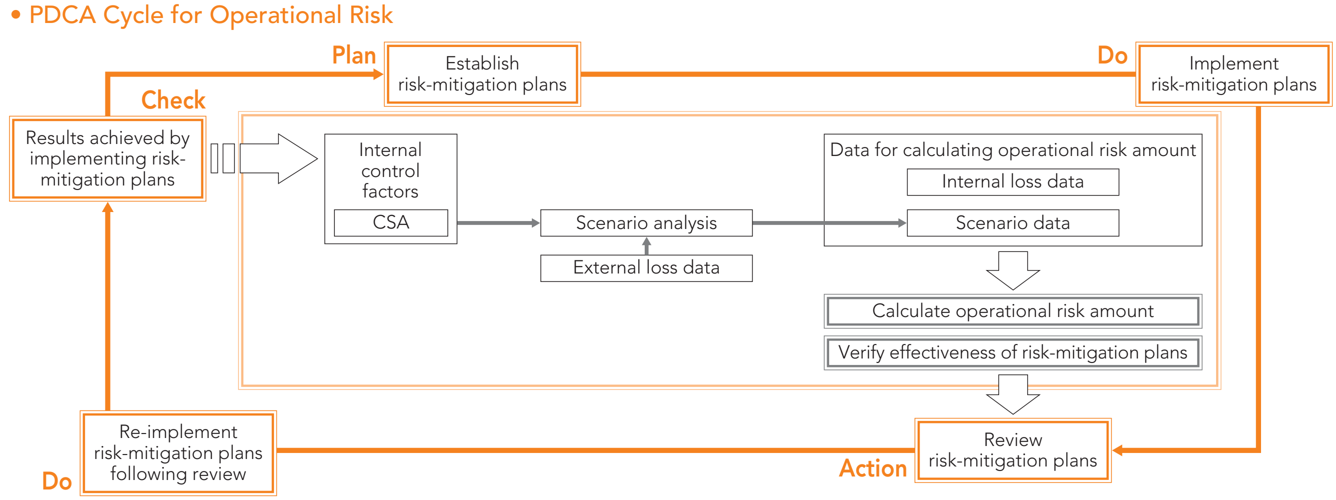
(1) Basic Policy on Operational Risk Management

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. This risk includes processing risk and system risk as well as legal risk, personnel risk and tangible asset risk. Recognizing that all operations entail operational risk, we have an operational risk management system. In addition to appropriate identification and assessment of operational risk in both qualitative and quantitative aspects, we have established a system for controlling and monitoring operational risk and a system for executing contingency and business continuity plans to mitigate operational risk. For calculation of the operational risk equivalent amount under Basel II, we use the Standardized Approach.

(2) Operational Risk Management System

CMTB has established the Risk Management Department as an integrated operational risk management department. This department has been working to improve and develop CMTB's operational risk management together with the Operations Administration Department, System Planning Department, Legal Department, Human Resources Department and Corporate Administration

• PDCA Cycle for Operational Risk



Department, etc., which are responsible for processing risk, system risk, legal risk, personnel risk, and tangible asset risk.

(3) Operational Risk Management Method

In order to qualitatively identify and assess operational risks inherent in various business processes, we carry out self-assessment on the effectiveness of internal controls (control self-assessment, "CSA" hereinafter) semiannually. Additionally, for quantitative identification and assessment of operational risks, the operational risk amount is calculated using internal loss data—losses arising from the realization of operational risk—and scenario data—severity of potential operational risks estimated through CSA. Each department establishes and implements a risk mitigation plan to manage the risks assessed in both qualitative and quantitative aspects. The PDCA cycle has been established to verify the effectiveness of CMTB's risk mitigation plans through follow-up CSA and operational risk measurement.

6. Other Related Matters

(1) Securitization Exposure

1) Management Policies on Securitization Exposure and its Risk Characteristics

There are two cases of securitization transactions: the case where we are involved in the establishment of underlying assets for securitization transactions as an originator, and the case where we acquire securitization exposure as an investor by investment in securitization products.

In securitization transactions as an originator, there are transactions such as securitization of housing loans that are primarily aimed at improving ALM control and asset efficiency. In these transactions, we hold principal risk of a certain extent when we reserve subordinated beneficial interest after the securitization transaction. Thus these transactions are managed under the same management policies as other loan assets.

Acquisition of securitization exposure as an investor is performed for the purpose of ensuring proper profits based on risk characteristics such as the attributes of the underlying assets and the status of the structures.

CMTB's policies are designed to enable these transactions to achieve effective credit risk transfer as originally intended, and to adequately calculate the credit risk-weighted asset corresponding to its retained equity after the execution of securitization.

No securitization transactions originated by the CMTB Group are held by affiliated companies within the scope of consolidation of SMTH.

2) Management Method of Securitization Exposure

With respect to securitization transactions as an originator, from the viewpoint of ALM control and improvement of asset efficiency, we examine the scale of the transaction and the scheme adequately, and check the legal aspects of the agreement as well. In the case of securitization of receivables of a certain value or greater, it is determined that decisions are made by the Board of Directors after going through the Executive Committee.

Concerning acquisition of securitization exposure as an investor, the president is responsible for decision-making related to investments involving amounts in excess of certain levels, on a product-by-product basis.

Concerning securitization transactions as an originator, we carry out credit risk management of loan receivables, which are the underlying assets, using our asset assessment system and internal rating system, just as with other loan assets. We also strictly manage funding risk, relating to securitization.

Concerning securitization transactions as an investor, for each product acquired, we measure the credit risk based on external ratings and underlying assets, etc. Also, we measure interest rate risk fluctuations relating to capital transfers as reimbursements progress. Meanwhile, changes in the status of the underlying assets and the structure are regularly monitored, and if found applicable to certain criteria, reported to the Investment and Credit Committee.

3) Accounting Policies for Securitization Transactions

In securitization transactions of financial assets, we recognize these as sales of assets when the sales proceeds are paid.

If CMTB has equity reserved for securitization exposure, the book value of the entire underlying asset is proportionally divided by the ratio between the market value of the transferred equity and the market value of the entire underlying asset, to calculate the book value of the transferred equity.

The difference between the book value and the market value of the transferred equity is recognized as capital gains or losses, while capital gains or losses are not recognized for the reserved equity as it does not meet the extinguishment requirements of financial assets.

If there is a difference between the book value and face value of reserved equity in the period until completion of reimbursement of transferred equity, the book value is modified in response to the cash flow of the entire underlying asset.

Meanwhile, the assets held with the purpose of enhancing liquidity and credit in the securitization exposures, as well as for the purpose of securitization transactions, are subject to our policy of applying adequate accounting treatment based on the "Accounting Standards for Financial Instruments," etc.

4) Compliance with Capital Adequacy Regulations

CMTB prioritizes calculation methods for credit risk-weighted assets in securitization exposures, and chooses applicable calculation methods with the highest priority. For securitization exposures assigned with qualifying external ratings, CMTB uses an "External Ratings-Based Approach" to calculate risk-weights. For securitization exposures without qualifying external ratings, CMTB applies the "Supervisory Formula" commensurate with the characteristics of underlying assets to the calculation of risk-weights. Securitization exposures to which neither of the above-mentioned approaches can be applied are deducted from total capital. The total of capital charges against securitization exposures held is not to exceed the amount of required capital in the case where the IRB Approach is applied to underlying assets. CMTB does not apply the Internal Assessment Approach.

We use ratings provided by the following qualified rating agencies to assess risk-weights: Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc. (Moody's); Standard & Poor's Rating Services (S&P); and Fitch Ratings Ltd. (Fitch).

(2) Equity Exposures in Banking Accounts

1) Management Policies Regarding Equity Exposures in Bank Accounts

We measure risk amounts for capital subscriptions or equity exposures in the banking account in accordance with the following risk management system and methods. Based on the results, we verify whether the risk amount is proper compared to the capital, and control for the proper risk amount.

2) Management System Regarding Equity Exposures in Banking Accounts

1. Risk Amount Measurement

For marketable stock, we use the historical simulation method, based on market historical data. The market risk amounts are measured with regard to price volatility.

Additionally, with regard to credit risk, taking into consideration credit concentration risk, we measure credit risk amounts together with the amount of loans, etc.

2. Asset Assessment

For equity exposures, we manage credit risks by asset assessments done each accounting period (including quarterly and interim), with the total amount subject to asset assessment.

3) Management Method Regarding Equity Exposures in Banking Accounts

In regards to equity exposures, the Risk Management Supervision Division performs monitoring with regards to the status of credit risk and other matters, as well as the status of compliance with capital allocation amounts, and reports on the status of risk amounts to the Executive Committee and the Board of Directors on a monthly basis.

Additionally, in order to eliminate excessive credit concentration in a specific industry, internal rating classification, borrower or group, we monitor equity exposures together with lending on a monthly basis and report to the Investment and Credit Committee. Monitoring is also implemented for the status of balance and credit risk amount by industry each quarter, and the results are reported to the Investment and Credit Committee.

(3) Credit Risk Mitigation Measures

CMTB stipulates rules regarding reduction methods for credit risk such as collateral or guarantees in the Rules of Loan and Related Matters to determine basic policies, procedures and managerial obligations with regard to loans.

1) Collateral

Collateral is classified into types as deposit collateral, commercial bills, securities, real estate, assignment of obligation, pledge of obligation, and other movables and immovables, and management methods are determined respectively.

Additionally, we have determined assessment methods based on collateral characteristics in the assessment of collateral, and also rules and manuals for reexamination of assessments.

In regards to assessment method, assessment rates for collateral are set for respective types of collateral, and especially for real estate collateral, assessment rates have been reexamined on the basis of past collateral sales records. Additionally, assessment of marketable securities is reexamined each month and the ratio to the loan is checked.

Moreover, procedures to confirm whether the collateral settlor has lawful title so that the collateral subject to acquisition can be an effective means of preservation, and whether the collateral is perfected by execution of agreements on registration upon acquisition of collateral, are obligatory when advancing a loan.

Upon acquisition of collateral, its effectiveness and marketability is carefully judged and assessed, for example, by considering whether or not there is excessive concentration in the names on collateral share certificates, etc.

2) Guarantees

In guarantees, CMTB prescribes procedures with corporations (primarily parent companies), credit guarantee associations, guarantee companies and individuals as primary guarantors. Additionally, for lending, CMTB confirms whether the guarantor has funds and is a competent person with high creditworthiness, and in addition assigns an internal rating to all corporate guarantors, as used for lending, to assess creditworthiness.

If a guarantor in lending to a corporation is a parent company or a subsidiary of the primary debtor, the guarantor and primary debtor are managed as a unit of the same corporate group. Additionally, in the case of a guarantee from a party that has a personnel or capital connection with the primary debtor, the guarantor is managed as included in the relevant corporate group, and excessive credit concentration risk is managed through monitoring.

With regard to guarantees for lending to individuals, the greater part of this lending is provided by the consolidated subsidiaries of CMTB, in connection with housing loans with mortgages.

3) Offset

Offset procedures for deposits are performed after ensuring legal effectiveness under Civil Law and Bank Transaction Agreement, etc., executed between borrowers and CMTB. Moreover, as for the status of lending and balance of deposits, deposit status is individually checked at the time of lending in response to the balance of lending, and deposit status for each company is ascertained on a daily basis.

4) Netting

For application of bilateral netting agreements to be legally effective, CMTB obtains a legal opinion under the laws of the country where the counterparty is established or located (countries where overseas branch offices of the counterparty are located) for the transaction type prescribed under International Swap and Derivatives Association (ISDA) master agreements, etc. On this basis, it judges the legal effectiveness of bilateral netting agreements.

(4) Credit Risk of Derivative Products Transactions

In regard to counterparty risks of derivative products transactions, based on the credit equivalents arrived at by adding future latent exposure (notional principal amounts multiplied by add-on) to the cost of executing an agreement with the same cash flow as of that point with a third party (replacement cost), credit risk management is performed as follows:

1) Asset Assessment

As the relevant risk is subject for asset assessment, credit risk management is performed through asset assessment implemented in each fiscal term (including quarterly and interim terms).

2) Credit Risk Management

For credit risk of derivative products transactions, we conduct monitoring on the status of credit risk amounts and compliance status with allocated capital amounts in the same way as the lending operations.

Additionally, monitoring of credit concentration status is carried out together with loans, as a target of management of credit concentration risk.

3) Amount Posted as Assets

Amount of positive replacement cost of derivative product transactions multiplied by the expected loss ratios is deducted from the replacement cost as the credit risk correction amount and then the remainder of the amount is posted as assets.

(5) Management System Relating to Other Risks

We reexamine risks to be managed on an ongoing basis by positing every possible risk within our integrated risk management approach and thereby continue to make efforts to maintain an integrated risk management system.

(6) Internal Audit System

We established an Internal Audit Department in charge of audit work, which is independent from departments involved in performing operations. Internal audit plans are created based on the policy for developing the internal audit system as determined by SMTH. Internal audits are done on audited units: headquarters' units, business departments and branches, and subsidiaries. These verify the appropriateness and effectiveness of internal controls systems, etc.

Internal audit results are reported to the President, and are also reported directly to the Board of Directors. There is a system to provide instructions for taking actions to improve audited units, if there are problems in audited units' internal controls systems, etc.

Compensation Disclosure Data:

The Former Chuo Mitsui Trust and Banking Company, Limited

1. Development Status of Organizational Structures Concerning Compensation for Applicable Officers and Employees within the CMTB Group

(1) Scope of "Applicable Officers and Employees"

The scope of "applicable officers" and "applicable employees, etc." (collectively, "applicable officers and employees") as defined in the compensation notification to be disclosed is as follows:

(i) Scope of "Applicable Officers"

Applicable officers include directors and corporate auditors of CMTB, but exclude external auditors. CMTB has no external directors at present.

(ii) Scope of "Applicable Employees, etc."

Of CMTB's officers and employees outside the scope of applicable officers as well as officers and employees of its significant consolidated subsidiaries, a "person receiving a substantial amount of compensation" with significant consequence on the business operation or asset status of CMTB and its significant consolidated subsidiaries, are subject to disclosure as "applicable employees, etc."

Among CMTB's officers and employees, etc. outside the scope of applicable officers as well as officers and employees of its significant consolidated subsidiaries, none qualifies as applicable employees, etc.

(a) Scope of "Significant Consolidated Subsidiary"

"Significant consolidated subsidiary" refers to a consolidated subsidiary either with its total assets representing more than 2% of the consolidated total assets, or with significant consequence on the CMTB Group's management, but no consolidated subsidiary qualifies.

(b) Scope of a "Person Receiving a Substantial Amount of Compensation"

A "person receiving a substantial amount of compensation" refers to a person who receives compensation in excess of a certain threshold amount from CMTB or its significant consolidated subsidiaries. Such a threshold amount is set at ¥40 million within the CMTB Group.

With respect to a person receiving a lump-sum retirement benefit, this amount is first wholly deducted from the amount of compensation, then the "lump-sum retirement benefit divided by the number of years of service" is added back to calculate the deemed compensation for the purpose of determining whether the compensation is substantial or not.

(c) Scope of "Those with Significant Consequence on the Business Operation or Asset Status of the Group"

"Those with significant consequence on the business operation or asset status of the group" refers to the persons who normally conduct transactions, or manage business affairs that have considerable impact on the business operation of CMTB, the CMTB Group or its significant consolidated subsidiaries, or whose transactions can cause loss with significant impact on their asset status. Specifically, they include executive officers of CMTB and employees equivalent to general managers in the departments involving loan operations and market risk management.

(2) Determination of Compensation for Applicable Officers and Employees

(i) Determination of Compensation for Applicable Officers

CMTB determines the total amount of compensation for officers based on decisions made at the General Meeting of Shareholders. Of the total compensation, individual allocation of compensation for directors is at the discretion of the Board of Directors, while that for corporate auditors depends on deliberations of corporate auditors.

2. Adequacy Evaluation of Design and Operation of Compensation System for Applicable Officers and Employees of CMTB

(1) Policies Concerning Compensation for Applicable Officers and Employees

(i) Determination of Compensation for Applicable Officers

The limit amount for compensation for officers as decided by the General Meeting of Shareholders is ¥55 million per month for directors, and ¥9 million per month for corporate auditors, apart from a ¥10 million annual limit for stock options (share acquisition rights) for directors. The amount of Compensation for directors and corporate auditors are capped by these limits.

Compensation for directors is intended to function effectively as an incentive to make improvements in corporate performance and expand corporate value in order to achieve steady and sustainable growth of the CMTB Group.

The amount of compensation is also aimed at reflecting corporate performance, the contribution of each director to corporate performance, efforts for expansion of business operations in the medium- to long-terms, and for improvement of corporate value, and so forth. Amounts of compensation are determined based on an annual compensation policy determined by the Board of Directors and on an objective evaluation made by the Performance Evaluation Committee.

Furthermore, for the fiscal year under review, Sumitomo Mitsui Trust Holdings, Inc. allotted share acquisition rights to directors as a stock option to further enhance their motivation and morale that helps drive stock price increases, medium- to long-term corporate performance, and ultimately shareholder profits.

3. Consistency of CMTB's Compensation System for Applicable Officers and Employees in Line with Risk Management, and Linkage between Compensation and Performance

In determining compensation for applicable officers, the total amount of compensation is determined based on decisions made at the General Meeting of Shareholders. In determining compensation for applicable employees, etc., an adequate budget is arranged in consideration of the CMTB Group's financial standing and other considerations.

• Total Amount of Compensation for Applicable Officers and Employees within the CMTB Group (From April 1, 2011 to March 31, 2012)

Category	Headcount	Millions of Yen						
		Total amount of compensation	Total amount of fixed compensation			Total amount of variable compensation		Retirement benefits
				Basic Compensation	Compensation as stock option		Bonus	
Directors (excluding External Directors)	5	238	238	238	—	—	—	—
Corporate Auditors (excluding External Auditors)	2	48	48	48	—	—	—	—

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