

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 Asset Trust and Banking Company, Limited as of the end of March 2012.

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### Compensation Disclosure Data: Former Chuo Mitsui Asset Trust and Banking Company, Limited

# Former Chuo Mitsui Asset Trust and Banking Company, Limited

## 1. Risk Management System

### (1) Risk Management System

In order to build a proper risk management system in accordance with its risk management policies, the Board of Directors at former Chuo Mitsui Asset Trust and Banking Company, Limited ("CMAB"), as a trust bank specializing in pension and securities trust businesses, established Risk Management Rules. This document sets out CMAB'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.

CMAB has established management departments for each type of risk. The Risk Management Department manages overall control and credit risk, market risk, cash flow risk, and operational risk, the Operations Administration Department and other head office departments manage processing risks, the System Planning Department manages system risks, 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 CMAB, are reported to the Executive Committee and the Board of Directors. Each department that receives allocation of capital according to the plan engages in business operations in compliance with the relevant amount of 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 consult

on measures for handling.

The burden of credit risk, market risk, and cash flow risk management for CMAB's core trust businesses essentially lies with the beneficiaries. But CMAB takes the view that a trustee should accept a certain degree of responsibility and therefore carries out adequate risk management. Trust operations are divided broadly into two categories: designated trusts, which are trusts for which CMAB, in its capacity as trustee, holds discretionary rights for the management of assets, and specified trusts, for which CMAB does not hold such rights. Risk management is conducted for each category.

For designated trusts, CMAB manages entrusted funds in accordance with contract conditions, such as designated investment targets and preferred asset composition. CMAB also sets clear internal standards for exercising discretionary rights granted by clients and manages respective assets within these established parameters. For specified trusts, CMAB conducts a trustee examination, similar to that for designated trusts, at the time a new contract is formed. The compatibility of the request with CMAB's capabilities is confirmed and procedural strategy is checked.

## 2. Credit Risk Management System

### (1) Basic Policies and Management System for Credit Risk

In principle, CMAB does not engage in lending so credit risk remains limited. However, we stipulate the specific content of credit risk management in the Rules for Credit Risk Management and strive for proper management.

Management of credit risk is performed by the Risk Management Department targeting interbank transactions such as call and negotiable deposits. In the credit risk management system, we prescribe measurement of credit risks, monitoring and reporting, asset assessment, and risk assessment methods upon the introduction of new products and new business.

### (2) Credit Risk Management System

The risk management divisions carries out measuring and monitoring of credit risk amounts, and reports the status of risk amounts to the Executive Committee and Board of Directors on a monthly basis.

Asset assessment is performed at the headquarters

responsible for subject assets with sufficient attention to ensuring the soundness of assets, and the results are reported to the Executive Committee and Board of Directors after going through an internal audit by the Internal Audit Department.

### 3. Market Risk Management System

#### (1) Basic Policies and Management System for Market Risk Management

CMAB is a trust bank specializing in wholesale trusts with pension trusts and securities trusts as core businesses, and our policy is to take on only extremely limited risks as we limit market-related transactions to those related to funding and procurement of government bonds for settlement collateral. However, we stipulate the specific content of market risk management in the Rules for Market Risk Management and strive for proper management.

The target for market risk management comprehensively includes bond portfolios and cross-holding shares, etc., in banking operations.

In regard to market-related transactions, the front office executes transactions, while the back office confirms the content of transactions, and the middle office controls the market risks. Each office category is independent of the others, creating a crosscheck structure. The Risk Management Department, as the middle office, 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 CMAB.

Market risk is limited for CMAB, as we only own government bonds eligible for settlement collateral, call transactions, and small-scale cross-holding shares.

Market risk amounts and BPV monitored by the middle office are reported to the assigned Executive Officer on a daily basis, and the risk amount status is reported to the Executive Committee and the Board of Directors on a monthly basis.

#### (2) Cash Flow Risk Management and ALM Management

For cash flow risks, CMAB has set guidelines for cash gaps, and monitors compliance status. Specific management proce-

dures have been laid out in the form of “the Rules of Cash Flow Risk Management” and other standards. Through the roles of the Financial Planning Department controlling cash flows and the Risk Management Department conducting risk management, we ensure that our management of cash flow risk is impeccable. As we do not engage in business such as acceptance of deposits from corporations and individuals as other banks, nor perform operations to invest in securities, etc., for the purpose of gaining profits, cash flow risk is limited to cash flows relating to the purchase of government bonds eligible for settlement collateral.

For ALM as well, cash flow management is the main operation, and the Financial Planning Department supervises overall ALM operations, and the Risk Management Department is responsible for management and analysis relating to ALM, such as risk monitoring.

### 4. Operational Risk Management System

#### (1) Basic Policy on Operational Risk Management

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.

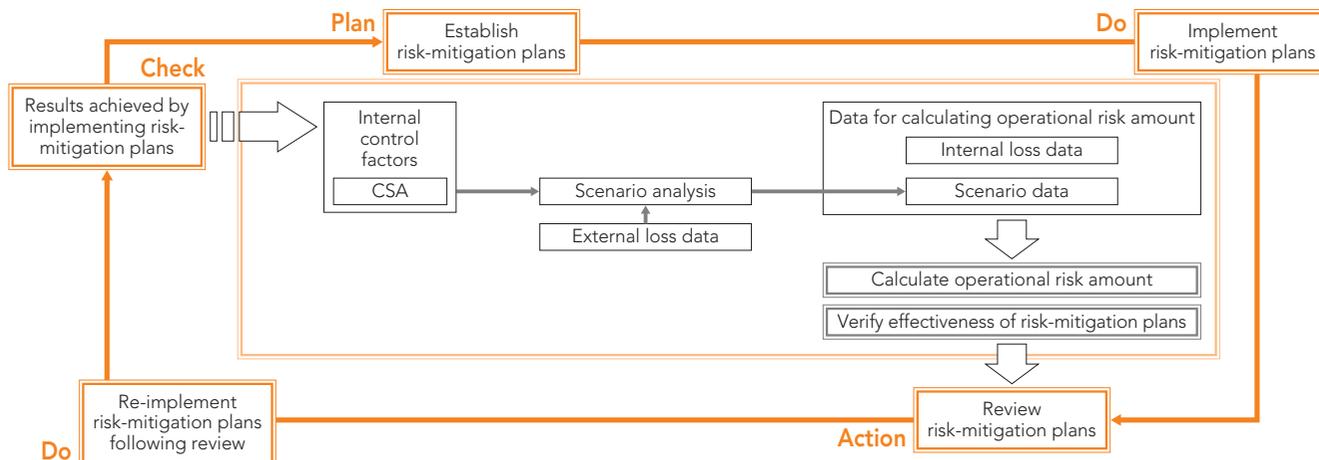
#### (2) Operational Risk Management System

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

• PDCA Cycle for Operational Risk



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 CMAB’s risk mitigation plans through follow-up CSA and operational risk measurement.

## 5. Risk Management Policies Regarding Equity Exposures in Bank Accounts

### (1) Basic Policies of Risk Management and the Risk Management System Regarding Equity Exposures

We have no equity exposures in principle but if we hold them as an exception, we perform management corresponding to their scale.

In the management system, the Risk Management Department performs measurement, monitoring and reporting of credit risk and market risk, and the Corporate Planning Department carries out asset assessment. Then the Risk Management Department summarizes and reports on the results of the asset assessment.

### (2) Risk Management Method

As to equity exposures as well, the risk management

supervision division performs monitoring of the status of amounts of credit risk and market risk, and reports the risk amount status to the Executive Committee and Board of Directors on a monthly basis.

## 6. Transaction Policies and Risk Management System Regarding Securitization Exposure

We do not engage in transactions where we would be involved in establishment of underlying assets for securitization transactions as the originator, or where we would acquire securitization exposure as the investor by investment in securitization products.

## 7. Internal Audit System

We have 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 policy for developing the internal audit system as determined by SMTH. Internal audits are done on audited units: headquarters’ units, head office business departments, and sub-branches. These verify the appropriateness and effectiveness of the internal controls system, 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.

## 1. Development Status of Organizational Structures Concerning Compensation for Applicable Officers and Employees within the CMAB 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 CMAB, but exclude external auditors. CMAB has no external directors at present.

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

Of CMAB'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 CMAB and its significant consolidated subsidiaries is subject to disclosure as "applicable employees, etc."

Among CMAB'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 CMAB 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 CMAB or its significant consolidated subsidiaries, Such a threshold amount is set at

¥33 million within CMAB.

With respect to a person receiving 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 CMAB, the CMAB 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 CMAB 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

CMAB 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 the Compensation System for Applicable Officers and Employees of CMAB

### (1) Policies Concerning Compensation for Applicable Officers and Employees

#### (i) Policies Concerning Compensation for "Applicable Officers"

The limit amount for compensation for officers as decided by the General Meeting of Shareholders is ¥30 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. 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 the steady and sustainable growth of the CMAB 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 motiva-

tion and morale that helps drive stock price increases, medium- to long-term corporate performance, and ultimately shareholder profits.

### 3. Consistency of CMAB'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 CMAB Group's financial standing and other considerations.

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

Category	Headcount	Millions of Yen						
		Total amount of compensation	Total amount of fixed compensation	Basic Compensation		Total amount of variable compensation	Bonus	Retirement benefits
				Basic Compensation	Compensation as stock option			
Directors (excluding External Directors)	3	99	99	99	—	—	—	—
Corporate Auditors (excluding External Auditors)	1	16	16	16	—	—	—	—

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