

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 respect to Sumitomo Mitsui Trust Holdings, Inc. as of the end of March 2015, unless otherwise stated specifically.

Capital Adequacy Ratio Qualitative Disclosure Data:

Sumitomo Mitsui Trust Holdings, Inc. ("SuMi TRUST Holdings")

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Compensation Disclosure Data:

Sumitomo Mitsui Trust Holdings, Inc. ("SuMi TRUST Holdings")

1. Overview of Risk Management

(1) Basic Policies on Risk Management

Sumitomo Mitsui Trust Group (the "SuMi TRUST Group") is working to improve its risk management system based on recognition of the fact that ensuring the sound and stable management of the entire SuMi TRUST Group and each subsidiary in the SuMi TRUST Group is vital to the improvement of corporate value, and, to that end, risk management is one of the most important functions.

Risk management aims to accurately recognize risk status, and implement necessary countermeasures regarding risks, through a series of activities, which include risk identification, assessment, monitoring, control and reduction, in order to ensure sound management. The SuMi TRUST Group manages risks in the SuMi TRUST Group and comprehensively measures risks unique to the group organization that each group company cannot recognize alone, such as the spread of risks within the SuMi TRUST Group. It manages these risks by comparing them with the SuMi TRUST Group's overall financial strength (Enterprise Risk Management). In addition, of the risks subject to Enterprise Risk Management, the SuMi TRUST Group combines risks which are quantifiable with unified criteria, and quantitatively manages risks held by the SuMi TRUST Group (Integrated Risk Management).

(2) Risk Categories and Management System

The SuMi TRUST Group defines risk categories by type of risks to be managed, namely credit risk, market risk, funding risk and operational risk.

The SuMi TRUST Group positions supervision of risk management for the entire SuMi TRUST Group as one of the most important functions of the holding company, SuMi TRUST Holdings. SuMi TRUST Holdings aims to improve and upgrade its risk management system by establishing Risk Management Rules as a basic agenda for risk management in the SuMi TRUST Group and formulates policies and plans for each fiscal year with respect to risk management in the SuMi TRUST Group.

SuMi TRUST Holdings has instituted the Risk Management Department as a department to supervise the overall SuMi TRUST Group risk management and monitor the risk status of the SuMi TRUST Group, and to also issue instructions and provide guidance to each group company

on development of proper risk management systems.

At each group company, in order for risk management policies determined by SuMi TRUST Holdings to be carried out, systems for proper risk management corresponding to risk characteristics and each business have been put into place.

The Board of Directors of SuMi TRUST Holdings obtains necessary information from each group company, performs monitoring, appraisal and analysis of the risk status of the SuMi TRUST Group, and carries out proper risk management so that sound management is ensured.

Additionally, the directors of SuMi TRUST Holdings and each group company duly recognize the fact that risk management has a material impact on the achievement of their strategic targets, and the executive officers in charge of the risk management-related departments strive to accurately recognize the status of risks and examine policies and specific measures, based on a sufficient understanding of source, type and characteristics of risks and methods and importance of risk management. The roles and responsibilities of directors and executive officers in charge of the risk management-related departments are specified in the respective Risk Management Rules provided by SuMi TRUST Holdings and each group company.

(3) Integrated Risk Management and Risk Capital Allocation

1) Integrated Risk Management System

The SuMi TRUST Group has built an integrated risk management system to serve as a framework for risk management to secure sound management by keeping risks within the limits of management's strengths. In integrated risk management, the SuMi TRUST Group manages risks according to the characteristic of each risk category, while it combines each risk by quantifying them by using unified criteria such as VaR, and comprehensively ascertains, appraises, and manages these risks by comparing them with the SuMi TRUST Group's overall financial strength. The results of this risk status monitoring are reported to the Executive Committee, the Board of Directors and others on a regular basis.

2) Risk Capital Allocation Operations

For the purpose of the SuMi TRUST Group's capital allocation operations, SuMi TRUST Holdings assesses capital adequacy level, in consideration of the external environment, risk-return performance status, strategic targets, and the results

of its stress test, and allocates capital of the SuMi TRUST Group to each group company based on its risks (credit risk, market risk, and operational risk). The risk capital allocation plan is subject to the approval of the Board of Directors.

Each group company operates its business in compliance with the allocated amount of risk capital (risk capital). The risk management supervision department monitors adherence to the allocated risk capital (risk capital) and the risk amount status on a monthly basis and reports to the Board of Directors and others.

The risk capital allocation plan is reexamined semiannually, and also whenever deemed necessary due to modifications to the business plan of any one of the group companies or changes in risk status, etc.

3) Assessment of Capital Adequacy Level, Capital Strategy

The capital management departments assess the level of capital adequacy from the viewpoint of soundness each time a risk capital allocation plan is formulated or reexamined, and reports to the Board of Directors and others.

The SuMi TRUST Group assesses capital adequacy level multilaterally by establishing multiple definitions of capital and risk as follows.

From the viewpoint of ensuring business continuity, the SuMi TRUST Group assesses the capital adequacy level by comparing the amount of risk with a confidence interval of 99% with the regulatory required Common Equity Tier 1 capital (allocation fund). Also, from the viewpoint of depositor protection, it compares the amount of risk with a confidence interval of 99.9% and the amount of risk with a confidence interval of 99% after the consideration of stress events with the regulatory required total capital.

4) Stress Testing

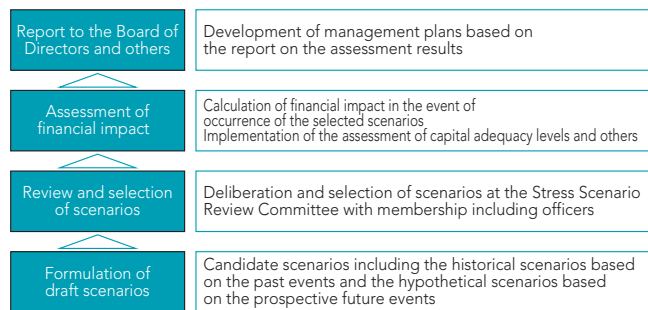
It is becoming increasingly important to develop and review countermeasures beforehand, against contingencies such as a financial crisis. These measures should be based on prior analysis and recognition of the impact on corporate management and finance, in the event of materialization of the stress event.

The SuMi TRUST Group conducts stress tests under the risk capital allocation plan (economic capital) and the capital adequacy ratio plan (regulatory capital), and utilizes the result for purposes including assessment of capital adequacy levels and development of countermeasures against the occurrence of the risks (contingency plan) when formulating management plans.

• The framework of Stress Testing

The Stress Scenarios Review Committee, whose members include officers, select conclusive scenarios to be used for formulating plans. These are based on a review from the viewpoints of probability of occurrence as well as the impact to the SuMi TRUST Group. The scenarios are developed by the Research Department and the Risk Management Department. Some assume the recurrence of an event that actually took place in the past 10 to 20 year period with significant impact on SuMi TRUST Holdings' portfolio (historical scenarios) and forward-looking scenarios (hypothetical scenarios) with relatively high probabilities of occurrence depending on the market environment with significant impact on the corporate management. After estimating amount of loss in the event of occurrence of risks is calculated based on the selected scenarios. This loss is reported to the Board of Directors and others along with an assessment of its impact on the level of capital adequacy.

• Stress test framework



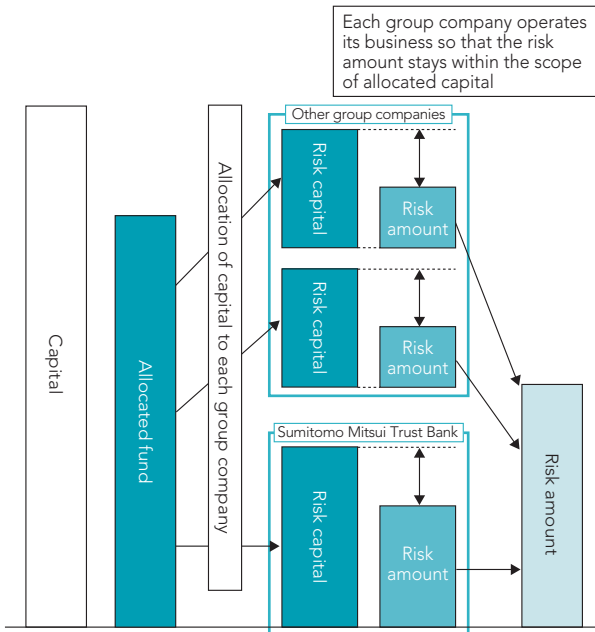
5) Capital Adequacy Status

Under the risk capital allocation plan, against total capital of ¥2,843.5 billion (Common Equity Tier 1 capital of ¥2,065.1 billion) of SuMi TRUST Holdings on a consolidated basis, the allocated risk capital (risk capital) is ¥1,489.9 billion. Risk capital actually used (risk amount) is ¥998.8 billion. In addition, the balance between total capital (risk capital) and allocation fund, about ¥1,353.6 billion, is at a sufficient level according to the results of stress tests.

6) Upgrading of Integrated Risk Management and Capital Management Systems

The SuMi TRUST Group will continuously verify the scope of risk to be managed, risk measurement methods, risk capital

• Capital Allocation Scheme



allocation methods, capital adequacy level assessment methods, etc., so that integrated risk management and capital management will be more effective, and will strive to improve and upgrade the systems.

(4) Business Continuity Management

The SuMi TRUST Group has established an emergency-response framework. In the case of an emergency headquarters headed by the President would be set up for quick and appropriate responses.

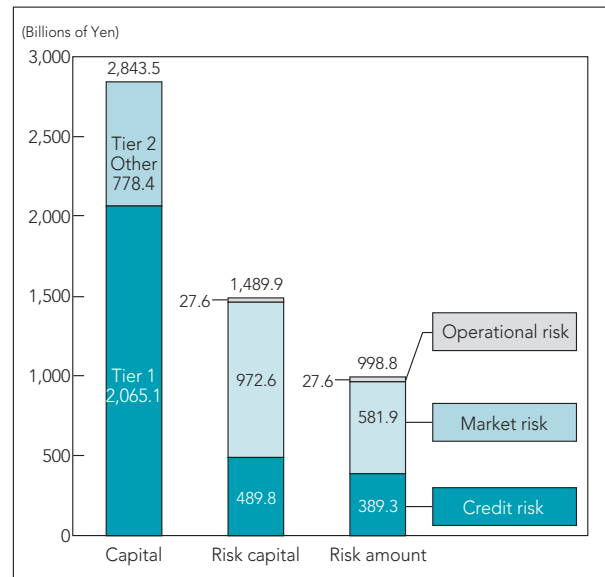
Furthermore, to achieve uninterrupted business continuity while ensuring the safety of our clients, officers and employees, as well as their family members, the SuMi TRUST Group also has in place a business continuity plan (BCP). Regular training and reviews of the plan’s content are conducted so that it continues to be effective.

2. Compliance with BIS Capital Adequacy Regulations

(1) Compliance with BIS Capital Adequacy Regulations

Basel III capital adequacy ratio (CAR) rules, which are aimed at improving the quality and quantity of equity capital and bolstering risk recognition, took effect as the rules for Japan from the end of March 2013, replacing Basel II rules, which have been in effect since the end of March 2007. While

• Capital and Risk Capital (within a 99% confidence interval, 1 year holding period)



enabling greater refinement in the assessment of risks facing financial institutions, the Basel III CAR rules also seek to encourage financial institutions to enhance their risk management capabilities and comprise the following “Three Pillars.”

The SuMi TRUST Group has established a system to comply with the regulations in the course of integrated risk management. Moreover, it is committed to further enhancing its risk management performance by constantly stepping up its compliance with new international financial regulations. As part of these efforts, the SuMi TRUST Group adopted the Advanced IRB Approach to credit risks from the end of March 2015, and the Advanced Measurement Approach to operational risks from the end of March 2014 in the calculation of the capital adequacy ratio.

1) “The First Pillar”

The first pillar is designed to manage the required capital calculated under the regulation-prescribed methods. An internationally active bank is required to have a minimal capital against the aggregate of credit risk, market risk and operational risk, in addition to further elaborating the measurement of credit risk.

Banks are to choose risk methods according to their internal risk management frameworks, and we have adopted the approaches indicated on the next page.

2) "The Second Pillar"

The second pillar comprises the management of overall risks, including "interest rate risk in the banking account" and "credit concentration risk," which are particularly important among risks not covered by the first pillar, by the banks themselves, and the examination of the banks' capital adequacy by the banking supervisory authorities through the processes of evaluation and supervision. It is aimed at maintaining and improving the soundness of the management of banks. The SuMi TRUST Group is managing these risks within the internal risk management framework.

3) "The Third Pillar"

The third pillar is designed to aim at maintaining and improving the soundness of bank management by enhancing information disclosure regarding matters related to the first and second pillars, such as capital adequacy and risk management, thereby increasing the effectiveness of market discipline to be exerted on banks.

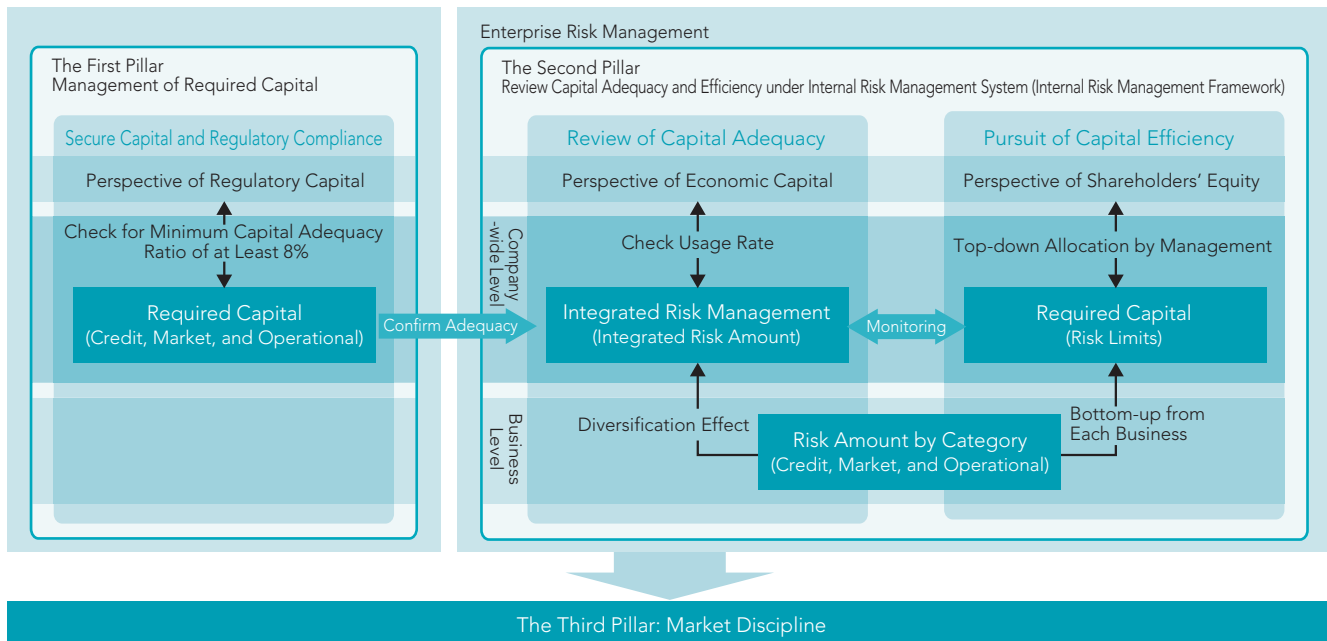
• Method and Calculation

$$\text{Capital Adequacy Ratio} = \frac{\text{Total Qualifying Capital}}{\text{Credit Risk} + \text{Market Risk} + \text{Operational Risk}}$$

	Sumitomo Mitsui Trust Holdings	Sumitomo Mitsui Trust Bank
Credit Risk	Advanced Internal Ratings-Based (IRB) Approach*	Advanced Internal Ratings-Based (IRB) Approach*
Market Risk	Internal Models Approach	Internal Models Approach
Operational Risk	Advanced Measurement Approach	Advanced Measurement Approach

* Applicable primarily to the exposures to domestic corporations, sovereigns and financial institutions

• Framework for Risk Management at the SuMi TRUST Group



Sumitomo Mitsui Trust Holdings, Inc.

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

(1) Scope of "Applicable Officers and Employees"

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

(i) Scope of the "Applicable Officers"

Applicable officers include directors and corporate auditors of SuMi TRUST Holdings, but exclude external directors and external auditors.

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

Of SuMi TRUST Holdings' 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 SuMi TRUST Holdings and its significant consolidated subsidiaries, are subject to disclosure 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 SuMi TRUST Holdings Group's management, namely Sumitomo Mitsui Trust Bank, Limited and Japan Trustee Services Bank, Ltd.

(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 SuMi TRUST Holdings or its significant consolidated subsidiaries. Such a threshold amount is set at ¥40 million within the SuMi TRUST Holdings Group. This threshold amount has been determined based on the average compensation for officers

paid in fiscal year 2014 (excluding the compensation paid to the officers who were newly appointed or retired in the fiscal year), and is commonly applicable across all significant consolidated subsidiaries, as more or less the same level and system of compensation is shared among all significant consolidated subsidiaries.

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 SuMi TRUST Holdings 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 SuMi TRUST Holdings, the SuMi TRUST Holdings 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 SuMi TRUST Holdings 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

SuMi TRUST Holdings 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.

(ii) Determination of Compensation for Applicable Employees, etc.

Compensation for employees, etc. within the SuMi TRUST Holdings Group is payable, subject to the policies established primarily by the Boards of Directors and others of SuMi

TRUST Holdings and its significant consolidated subsidiaries. According to such policies, compensation systems are designed by human resources departments of SuMi TRUST Holdings and its significant consolidated subsidiaries, independent of the business promotion departments and documented as payroll rules, etc. Information on the compensation systems of the significant consolidated subsidiaries is reported to, and verified by, the Human Resources Department of SuMi TRUST Holdings on a regular basis.

Compensation for overseas employees, etc. are determined and payable under the local compensation system established by each overseas operation on its own, in compliance with local laws and regulations and local employment practice. Establishment and change of overseas compensation systems require consultation with, and validity verification by, the Human Resources Department of SuMi TRUST Holdings.

2. Adequacy Evaluation of Design and Operation of the Compensation System for Applicable Officers and Employees of SuMi TRUST Holdings

(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 ¥40 million annual limit for stock options (share acquisition rights) for Directors. The amount of compensation for directors and corporate auditors is 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 SuMi TRUST Holdings Group.

The amount of compensation for directors 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, and determined based on an annual compensation policy deter-

mined by the Board of Directors and on an objective evaluation made by the Performance Evaluation Committee.

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

(ii) Policies Concerning Compensation for “Applicable Employees, etc.”

Compensations for the SuMi TRUST Holdings Group’s employees, etc. are determined by performance assessments, to reflect each employee’s contribution to corporate performance in determining a performance-linked portion and evaluating target attainment performance. The human resources departments at each company ensure that compensation payments are not excessively performance-oriented, on the basis of the compensation system in place, current status of performance assessment and actual payment records.

On the other hand, compensation for overseas employees is determined under a basic principle by which payrolls are determined based on job description and responsibility, while bonuses are determined based on performance. Meanwhile, the total compensation budget is capped locally, based on the performance of each operation, preventing excessive impact on the overall compensation fund from individual employees’ extraordinary performance.

3. Consistency of SuMi TRUST Holdings’ 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 SuMi TRUST Holdings Group’s financial standing and other considerations.

• Total Amount of Compensation for the Applicable Officers and Employees within the SuMi TRUST Holdings Group (From April 1, 2014 to March 31, 2015)

Category	Headcount	Millions of Yen						
		Total amount of compensation	Total amount of fixed compensation	Basic Compensation	Total amount of variable compensation	Bonus	Compensation as stock option	Retirement benefits
Directors (excluding External Directors)	8	506	401	401	64	64	41	—
Corporate Auditors (excluding External Auditors)	2	57	57	57	—	—	—	—
Applicable Officers	5	275	158	158	117	117	—	—

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