

### 1. Basic Philosophy

Since its foundation, Sumitomo Trust has adhered to two core principles: “Confidence and Integrity” (the essence of the trust business) and “Placing Prime Importance on Credibility and Sound Management” (Sumitomo’s basic business principle). These principles are based on the belief that our business activities are in close association with the economy and society and require a strong sense of public service. Accordingly, in fulfilling our social and public responsibilities, it is essential that we gain the unshakable trust of all our stakeholders, including customers, shareholders, employees and society at large.

Also Sumitomo Trust places the customer first as the foundation of its management, and places its efforts into the framing and execution of management measures by sincerely gathering the opinions and assessing the needs of its stakeholders beginning with customers.

At the Sumitomo Trust Group, based on these management principles, we have positioned corporate governance as a mechanism that concerns the decision making, execution and supervision that Sumitomo Trust carries out in the interests of achieving sustainable growth and development through more efficient and transparent management, and as such we make constant efforts to refine our governance.

### 2. Putting This Philosophy into Practice

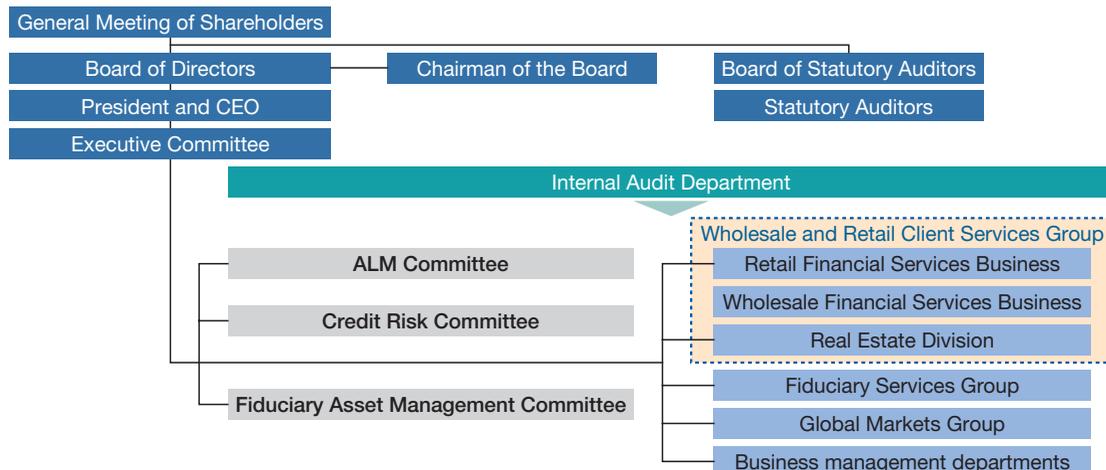
#### (1) Decision Making and Business Execution

At Sumitomo Trust, which is at the core of the Group, we have adopted an executive officer system as well as a business group management system in an attempt to speed up managerial decision-making and business execution. The Board of Directors, which meets at least once a month, makes decisions on important business matters, including basic management policies, and also supervises the business execution performance of the directors and executive officers. Directors and executive officers are appointed based on criteria such as ability, knowledge and skills critical to making management policy decisions and supervising business execution and a sense of responsibility in executing business.

Under the Board of Directors, we have established the Executive Committee, which meets every week, as well as a number of other committees\*1 meeting on a weekly to monthly basis, in order to discuss and make decisions on important matters such as those related to business strategies and risk management. Moreover, in order to promote the consolidated management of the Group, we have established the Consolidated Management Promotion Department, which supervise our subsidiaries and affiliates, along with a special department in charge of consolidated management specifically to grasp and manage these overseeing departments in an integrated fashion. The heads of these overseeing departments also participate in the management of the subsidiaries as non-executive directors, and the overseeing departments and Consolidated Management Promotion Department periodically report the outlook of each subsidiary and affiliate to the Board of Directors and Executive Committee.

\*1 ALM Committee, Credit Risk Committee, Fiduciary Asset Management Committee, etc.

#### • The Internal Control System Including Business Execution and Supervision



## (2) Scope and Basic System of Internal Control

Sumitomo Trust has determined the scope of internal control as to encompass the six areas of 1) compliance, 2) thorough enhancement of customer protection and convenience, 3) development and establishment of appropriate management systems for various risks, 4) capital management, 5) information disclosure, and 6) internal auditing. The Board of Directors decides on policy for sound and appropriate operations under appropriate management control. For the management systems that have been developed and established based on these policies, please refer to pages 32-37.

### • Basic Policy of Internal Control System Structure



## (3) Auditing System

Sumitomo Trust employs a corporate auditor system. The Board of Statutory Auditors, which comprises five auditors, including three external auditors, audits the execution of duties by the directors based on audit policies and plans formulated by itself with due consideration of the need to examine the consolidated operations of the Sumitomo Trust Group as a whole.

In order to ensure the objectivity and neutrality of the management oversight function and enhance the effectiveness and efficiency thereof, Sumitomo Trust employs a three-tier auditing system that combines auditing by the Statutory Auditors with internal auditing by the Internal Audit Department and auditing by certified public accountants and seeks to strengthen cooperation among the three groups of auditors. One of the three external auditors is a person with a business background in a non-financial industry and with experience in matters concerning business management. The other two are a law academician knowledgeable about the Corporate Law as well as the management and operations of financial industries and an academician who has experience in the management of a financial institution. The appointment of persons from various fields and with various backgrounds for external auditors enables the implementation of audits from diverse viewpoints based on expert knowledge.

We have a Statutory Auditors Office which assists the auditors in the performance of their duties and makes arrangements so that necessary information can be obtained in a timely and appropriate manner, particularly for the part-time external auditors. This office oversees preparation of materials such as resolutions, holds opinion hearings, and compiles various reports as required.

In addition, we are strengthening our internal auditing.\*2 The Board of Directors has set out an internal audit policy pertaining to the internal management system including risk management, and receives reports concerning auditing results in a timely and appropriate fashion from the Internal Audit Department, which is independent of the departments pertaining to business execution. Moreover, we also implement external auditing concerning the effectiveness of the risk management system as necessary.

\*2 For details concerning internal auditing, please refer to page 37.

### • Activities of External Auditors at Meetings

Name	Post	Activities
Koichi Takamura	Full-time auditor	At meetings of the Board of Directors, Mr. Takamura asks questions and expresses opinions as necessary mainly from his standpoint as a full-time auditor with experience in manufacturing business. At meetings of the Board of Statutory Auditors, he exchanges views with other auditors with regard to the results of audits and hold consultations on important matters concerning audits. It should be noted that Mr. Takamura concurrently serves as a part-time auditor (on an unpaid basis) at several subsidiaries of Sumitomo Trust, thereby contributing to the enhancement of the audit framework for the Sumitomo Trust Group as a whole.
Hitoshi Maeda	Part-time auditor Professor emeritus, Gakushuin University	At meetings of the Board of Directors, Mr. Maeda asks questions and expresses opinions as necessary mainly from his standpoint as a legal expert. At meetings of the Board of Statutory Auditors, he exchanges views with other auditors with regard to the results of audits and hold consultations on important matters concerning audits.
Koji Hirao	Part-time auditor Professor, Senshu University	At meetings of the Board of Directors, Mr. Hirao asks questions and expresses opinions mainly from his standpoint as an expert on the management of financial institutions. At meetings of the Board of Statutory Auditors, he exchanges views with other auditors with regard to the results of audits and hold consultations on important matters concerning audits.