

Top Interview

Full-scale Commencement of Operations as “The Trust Bank”

With the establishment of Sumitomo Mitsui Trust Bank, Limited on April 1, 2012, Sumitomo Mitsui Trust Group’s “The Trust Bank” possessing both significant expertise and comprehensive capabilities, has gotten off to a full-fledged start. Chairman Tsunekage and President Kitamura discuss the Group’s strengths and the Midterm Management Plan.

Question

Currently, many people, faced with persistent uncertainties about the future, have deepening concerns about asset management and administration. Wouldn’t you agree that the result is heightened expectations for a trust bank?

With regard to individual clients, taking into account this current operating environment, characterized by prevailing uncertainty about the future, our clients are showing a growing need to provide an inheritance for their family members and build assets to cover living expenses after retirement. Our clients, including corporate clients, are facing increasingly advanced and complex issues. Comprehensive solutions are required now

more than ever, and as a financial institution, we need to adopt a multifaceted approach to problems and deliver total solutions, instead of providing services that address a single aspect of a given issue.

Under these circumstances, we believe that among all the financial services available, the trust function is the one that provides the most flexible and diverse response, and affords the greatest opportunities for meeting clients’ needs.



Question

Please explain the unique strengths that distinguish Sumitomo Mitsui Trust Group from other financial groups.

The Group, an independent financial group specialized in trust banking, conducts its banking, trust and real estate businesses in an integrated manner. Our greatest strength is the ability to choose, from a wide range of products and services, those products and services that meet the specific needs of individual clients, while fully leveraging our significant expertise and comprehensive solution capabilities,

based on the "Trustee Spirit," which makes clients' profits the first priority. Also, we will work to provide professional total solutions that are not available from other financial groups by featuring the superiority of individual products, the high quality of our comprehensive solutions, the agility with which we make proposals, and the excellence of our follow-up services.



Question

Please describe your Midterm Management Plan formulated last November.

The plan covers the four years from fiscal 2012 to 2015. During this period, we aim to pave the way for Sumitomo Mitsui Trust Group to get on a sustainable growth path and to consolidate our position as “The Trust Bank,” which is capable of creating unique added value to distinguish the Group from other financial groups.

We will make extensive efforts to fully realize the synergy effects of the management integration. In fiscal year 2015, we plan to achieve revenue synergies of ¥27.0 billion and cost synergies (cost reduction benefits) of ¥33.0 billion, for aggregated synergies of ¥60.0 billion.

We aim to realize the revenue synergies by reassigning

staff members that were freed up in the management integration, transferring them mainly from head office departments to strategic business areas that include the sales operations for investment trust and insurance products, and the asset management and administration, real estate, and global markets businesses.

We will pursue cost synergies by reducing non-personnel expenses through the reorganization of the head offices departments and branch offices, and also by lowering maintenance and operational expenses through IT system integration, among other measures.



In fiscal year 2015, we aim to achieve synergy effects of **¥60.0 billion per year** from the management integration.

Through these initiatives, we aim to achieve our Midterm Management Plan revenue targets of approximately ¥400.0 billion in consolidated net business profit before credit costs and approximately ¥200.0 billion in consolidated net income in fiscal year 2015.

We also aim to attain our medium-term financial targets of a consolidated ROE of approximately 10% and a non-consolidated overhead ratio (OHR) of approximately 40%.

FY2015 revenue targets

Consolidated net business profit before credit costs: Approximately **¥400.0** billion
 Consolidated net income: Approximately **¥200.0** billion

Medium-term financial targets

Consolidated ROE: Approximately **10%**
 Non-consolidated OHR: Approximately **40%**

Assumptions: March 31, 2016
 3-month TIBOR (short-term interest rate): 0.725%
 10-year JGB (long-term interest rate): 1.60%
 Nikkei Stock Average: ¥13,000

Question

Please describe your priority policies for fiscal year 2012, based on the Midterm Management Plan.

In fiscal year 2012, with a particular focus on enhancing retail and global business operations, we will work to establish a new business model that creates unique added value by reforming each group company's products and services, business structure, and business processes, and by strengthening our group-wide capabilities for providing effective solutions.

Specifically, we will work to strengthen various fee businesses, such as the investment management consulting business for clients that include both individuals and financial institutions. We will also make efforts to enhance the basic earnings power of our banking business, primarily through the provision of loans to Japanese corporations

operating overseas and major foreign corporations to meet their strong demand for borrowing.

We will also establish a practical and advanced risk management system that is well adapted to our new businesses. With regard to compliance, we take the recent violation of the insider trading regulations extremely seriously. Accordingly, we will work to prevent a similar transgression in the future. We will put in place, and duly enforce, rigorous measures to restore the public's trust. Such measures will include the group-wide implementation of measures aimed at preventing the recurrence of any violation of insider trading rules.

Question

Please describe your response to the phased introduction of new BIS capital adequacy regulations (Basel III, which will start at the end of March 2013).

Under Basel III, banks are required to secure even higher levels of capital adequacy in terms of both quality and quantity. For example, the "Common Equity Tier I ratio" (the new regulatory capital component) will have to be raised to 7% or higher by the end of March 2019. We expect to be able to comfortably meet such requirements through the steady accumulation of retained earnings in line with the Midterm Management Plan.

Specifically, the Group's Common Equity Tier I ratio stood at between 6.0% and 6.5% as of the end of March 2012 (preliminary calculations that assume the full intro-

duction of the new regulatory standard without regard for phase-in arrangements and that will remain in effect during the phased rollout). At the end of fiscal year 2015 (March 31, 2016), the final fiscal year of the Midterm Management Plan, we expect our Common Equity Tier I ratio to stand at approximately 8%, which is well above the required capital level.

The Group will further strengthen its sound financial position and enhance capital efficiency. We thereby aim to maximize shareholder profits.

Question**Please explain your dividend policy.**

We regard the return of profits to shareholders as one of our important management policies. Our basic policy is to return profits to shareholders commensurate with business results. We will satisfy shareholders' expectations through the return of profits, while simultaneously working to increase our enterprise value through strategic investments that will lead to new growth.

To be more specific, regarding dividends on common

shares, we aim to ensure a consolidated dividend payout ratio of approximately 30% in light of a comprehensive evaluation of such factors as our medium-term ROE target and the strategic investment environment.

Based on this policy, we plan to pay a dividend of ¥8.5 per common share for the fiscal year ending March 2013 on forecasted consolidated net income of ¥120.0 billion.

Question**Please give a message to stakeholders.**

Following the establishment of Sumitomo Mitsui Trust Holdings, Inc. last year, the Group merged its three trust banks this April, thereby creating Sumitomo Mitsui Trust Bank, Limited. The Group affiliates also made a fresh start with new names that begin with "Sumitomo Mitsui Trust," in principle.

As a result of our recent management integration, we

have gained the top market share for major trust and asset administration operations in Japan. However, we will never forget our spirit as a "challenger." All of us within the Group, including both executives and employees, will keep working diligently and make our utmost efforts to enhance the quality of our services.

We sincerely hope to continue receiving your support.