Top Interview

Moving Toward "One Bank"

"Sumitomo Mitsui Trust Bank, Limited" is planned to be established on April 1, 2012, through the merger of the Group's three trust banks. The three banks are already working together as a de facto "one bank" in conducting various activities to accelerate the realization of synergy effects from the management integration.

QUESTION Please describe the Group's performance over the six months since the management integration.

Since the Group was established as the sole financial group specialized in trust banking in Japan through the management integration carried out on April 1, 2011, we have been feeling the weight of our responsibility to meet our clients' and shareholders' high expectations to the Group, and we are braced to meet this challenge.

In the first half of fiscal year 2011, the Group strove to ensure that governance was well established under its new structure and strengthen its earnings power by promoting cooperation between Group companies, including subsidiary trust banks, toward the realization of "The Trust Bank." We have steadily achieved the positive results of the management integration in the Group's various business fields, including sales of investment trust and insurance products in the retail financial services business and loans to corporate clients in the wholesale financial services business.

Amid the growing uncertainty over the domestic and overseas economic situations, we can say that the new Group has made a fairly good start despite the generally harsh business environment surrounding us.

We will continue to make efforts to become a trust bank group that provides high added value to all stakeholders, including clients, shareholders, employees, and society.

QUESTION Please explain the synergy effects that have been realized so far.

The Group aims to realize synergy effects by making the most of the combined pool of personnel, know-how, and strengths based on an extensive and well-balanced sales structure created through the management integration.

We are now conducting the following activities to accelerate the realization of revenue synergies as well as steadily implementing measures to realize cost synergies, such as IT system integration, the consolidation of headquarters and branches, and the reorganization of branch networks and group companies.

- The Chuo Mitsui Trust and Banking and The Sumitomo Trust and Banking have been conducting campaigns to celebrate the creation of Sumitomo Mitsui Trust Group, involving the joint promotion of sales of investment trusts and time deposits, and many clients have undertaken transactions in response to the campaigns.
- To meet the overseas financing needs of corporate clients of The Chuo Mitsui Trust and Banking, the Group has started providing loans by utilizing The Sumitomo Trust and Banking's bank agency system.
- We have been actively promoting joint sales by subsidiary trust banks and the sharing of know-how through an exchange of personnel, and have been steadily achieving results, such as winning contracts for the operation and administration of defined contribution pensions.

QUESTION Please describe the activities on which you are placing emphasis in the second half of fiscal year 2011.

The Group will do its utmost to further accumulate earnings and implement measures to accelerate and maximize the realization of synergy effects of the management integration. Moreover, in order to implement measures planned by the new bank at maximum speed right from the start, we will bring forward preparations to establish the new structure and make efforts to foster a corporate culture suited to the new bank.

We formulated and announced a Midterm Management Plan* in November 2011. We are undertaking various measures to increase earnings in the Group's six business areas (retail financial services, wholesale financial services, stock transfer agency services, real estate, fiduciary services, and global markets). We will leverage these measures to achieve the further evolution of our business model for the new bank.

* For details, please refer to pages 12-15.

QUESTION Please tell us about the financial soundness of the Group.

The capital adequacy ratio of the Group was at an adequate level of 16.52% as of the end of September 2011.

Under Basel III*1, a new standard scheduled to be introduced over the coming years, we are required to raise the "common equity Tier I ratio," which is a more rigorous capital adequacy benchmark than the existing benchmark, to 7% or higher by the end of March 2019. We have already raised this ratio to between 8.5% and 9.0% (after considering phase-in arrangements) as of the end of September 2011, indicating that we are well prepared to meet the new capital regulations. All the same, we will continue working to ensure adequate capital through the accumulation of retained earnings.

The ratio of non-performing loans to overall loans remained low, at 1.1% as of the end of September 2011, and we have maintained a sufficient level of collateral and provisions to cover possible loan losses. Moreover, the Group does not hold any government bonds issued by the GIIPS countries*2, over which there are sovereign debt concerns, and the balance of loans provided to those countries is small. Therefore, we expect that any impact of the risk on the Group will be limited.

*1 Basel III: Basel III is a new capital regulatory standard that was announced by the Basel Committee on Banking Supervision in December 2010. Basel III, intended to enhance the soundness of internationally active banks, is scheduled to be phased in starting at the end of March 2013 in Japan. Basel III newly defines "common equity Tier I," which is comprised of capital components that can be used to cover unexpected losses and do not need to be repaid, such as common equity and retained earnings, and requires that the ratio of those capital components to risk-weighted assets, such as investments and loans, ("common equity Tier I ratio") must be kept higher than a prescribed level.

*2 GIIPS refers to Greece, Italy, Ireland, Portugal, and Spain.

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.

We plan to pay an annual dividend of ¥8 per common share for the current fiscal year ending March 2012 as we have already announced. The interim dividend is set at ¥4 per share, which corresponds to half of the forecasted annual dividend.

The year-end dividend for the current fiscal year will be determined so as to pay a per-share annual dividend* that is in line with our dividend policy of targeting a consolidated dividend payout ratio of approximately 30% taking into consideration the consolidated annual net income (excluding the "gain on the amortization of negative goodwill," which is a one-time factor in consolidated accounting).

* The annual dividend is the total of the interim dividend for the first half of fiscal year 2011, ended in September 2011, and the year-end dividend for fiscal year 2011, ending in March 2012.

QUESTION Please give a message to stakeholders.

While the Group's efforts to become "The Trust Bank" it envisions have just begun, the Group has an even larger role to play as challenges faced by clients as well as by the economy and society are growing increasingly sophisticated and complex against the backdrop of various problems posed by the Great East Japan Earthquake and the further advancement of globalization.

In the second half of fiscal year 2011, we will complete preparations for the establishment of the new bank as early as possible, boost our earnings power considerably, and enhance our presence as "The Trust Bank" by exercising the Group's strengths to the fullest.

We sincerely hope to continue receiving your support.