

Special Feature 2 Sumitomo Trust’s People and Organization

At the beginning of fiscal year 2000, Sumitomo Trust reorganized its business into five groups and initiated the so-called business group management system. The initial five groups included the Customer and Corporate Finance Group, the Global Credit Investment Group, the Treasury and Financial Products Group, the Fiduciary Services Group and the Real Estate Group. At the beginning of fiscal year 2002, the section targeting retail customers in the Customer and Corporate Finance Group was spun off to form the “Retail Financial Group.” The other section in the Customer and Corporate Finance Group, which targeted corporate customers, was combined with the Global Credit

Investment Group to form the “Wholesale Financial Services Group.” Our business group management system has given each group more autonomy and responsibility, by enabling each group to select the optimum strategic business model as well as to establish its own human resource management policy.

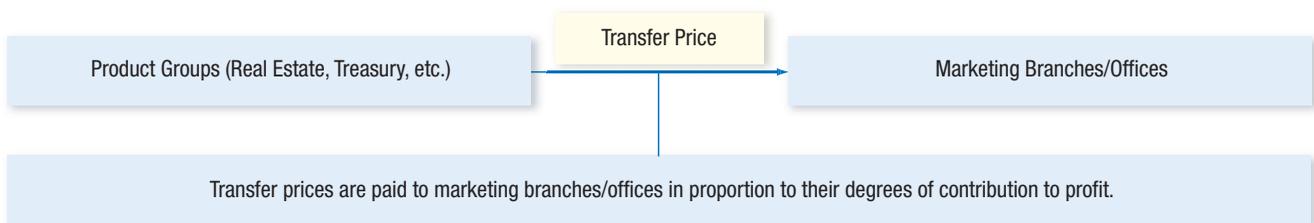
To supplement the business group management system, we have introduced several management reforms, for the purposes of bringing market principles into the organization, enhancing competitiveness among business groups and motivating employees.

1. Introduction of “Transfer Price” System

“Transfer Price” is the sales fee paid by each business group to marketing branches and offices, in proportion to their contribution to profit. Among various products developed and offered by each business group, marketing branches and offices select competitive products that best match their marketing strategies, as well as customer

needs, to maximize their profitability. This system helps bring competitive thinking to branches and offices and fair pricing of products and services. This results in clarified earning responsibility as well as autonomy of each business group.

■ Transfer Price



*Goal:
 Introduction of
 Intra-company
 market principle

- Clarification of management autonomy and earning responsibility of each business group
- Appropriate pricing of products

2. Shareholder Value Added (“SVA”)

As a concept similar to EVA® which has recently been adopted by some Japanese companies, SVA has been introduced as a new managerial yardstick to evaluate

added value for shareholders. SVA enables Sumitomo Trust as a whole, as well as each business group, to recognize how much shareholder value was generated dur-

ing a fiscal period. Since our management fully recognizes the importance of corporate management dedicated to our shareholders, this yardstick will become crucial in evaluating the progress of the Sumitomo Trust's corporate governance.

3. Reform of Human Resource Management

Along with the introduction of the business group management system, a new job-posting system enables employees to pursue opportunities in the Bank and to be compensated with market-based remuneration.

In this system, the head of each business group periodically offers internal job postings with job descriptions, responsibilities and remuneration levels. After the selection process, the head of a business group enters with the selected personnel into two-year contracts with specified individual assignments. Such a system will help create an "intra-company job market," and further foster specialists in each business field, as introduced in the following.

Specialists in Sumitomo Trust



Hiroshi Komori
Stock Transfer Agency Department

"Bridge Between Japanese Companies and Overseas Investors"

I joined Sumitomo Trust in 1990, transferring from one of the Japanese city banks in the hope of making a long-term contribution to society. I have worked for the Stock Transfer Agency Department for almost six years. I am proud to be playing an important role as an intermediary between Japanese companies and major overseas institutional investors, providing our clients with consultation on corporate governance and proxy voting.

Japan's stock transfer agency business has recently shifted its emphasis from operation services to consulting services in the wake of the increasing significance of corporate governance. Sometimes our work even influences the top management decisions of our client companies. I am excited to think that our team is helping our clients not only with our quality stock transfer agent services based on our advanced system, but also by improving relationships between client companies and investors/shareholders on a global basis. Although my task is challenging, I enjoy it.

■ SVA (Shareholder Value Added)

Pursuit of "Corporate Value for Shareholders"

➔ Net Business Profit SVA

Net Business
Profit (after Tax)
Less: Capital Costs*

*Capital Costs
= Return that shareholders expect
for their investments

Net Business Profit SVA \geq Zero \leftrightarrow Added Value for Shareholders

■ Human Resource Management

- Emphasis on each employee's market value
- Remuneration system unique to each business group
- Job posting and staff selection by each business group



Employment Contracts with Specified Individual Assignments

“Specialist in Proprietary Trading”

I have been engaged in proprietary trading since joining Sumitomo Trust in 1985. After nine years of experience in the securities investment section, and four years in the assets and liabilities management section, I started to work for the Treasury Department four years ago. Currently, I am responsible for risk management of strategic cross-shareholding.

Stock portfolio position, which still occupies a substantial part of the Bank's total assets, needs to be carefully managed, taking into account correlations with or influence on other assets. This assignment requires advanced skills in risk-return management. Also, I am required to yield an absolute profit in each fiscal period, not merely a comparative performance to benchmark indices. These are the aspects that I find challenging and intriguing in this assignment.



Toshiyuki Nitta
Treasury Department

“My Vocation as a Financial Salesperson/Marketer”

Since I joined Sumitomo Trust in 1991, I have been primarily involved in sales and marketing for a wide range of financial products for various types of corporate clients including corporate pension fund clients and non-profit organizations. In the middle of my career, I realized that financial products marketing is my vocation, and strongly hoped to become a professional in this field. I feel that the qualifications of a salesperson are customer-orientation, quick response to customer needs and diverse knowledge of the financial business. What I needed most at that time was professional knowledge, so I obtained a CFA qualification (in Japan). At the same time, I hoped to work for a department that would enable me to acquire advanced asset management knowledge. The Bank gave me a valuable opportunity. This April, I started working for the Public Funds Investment Department, involved in portfolio management and asset allocation as well as consulting services for our clients. I am convinced that this position will help me become a more sophisticated sales-professional.



Kazue Yamazaki
Public Funds Investment Department

“Experienced Analyst”

My almost ten-year career as an analyst covering the financial sector began when I joined Nikko Securities, Ltd. in 1992. As a research analyst there, I covered almost all types of major Japanese financial institutions such as regional banks, non-life and life insurance companies, non-bank financial institutions, and later, Japanese major banks. In 1999, I joined Warburg Dillon Read (currently UBS Warburg), where my major responsibility was regional banks, and my research skills as a sell-side analyst were further improved.

I broadened my career range when I joined Sumitomo Trust in October 2001 as a buy-side analyst. I currently work in the Asset Management Department and research all major companies in the financial sector, including securities companies. Japan's financial sector is now heading into an era of “borderless industry.” In this circumstance, I strongly believe that my experience will help me analyze the changing Japanese financial sector from diversified viewpoints, thus contributing to higher asset management performance.



Koya Hasegawa
Asset Management Department