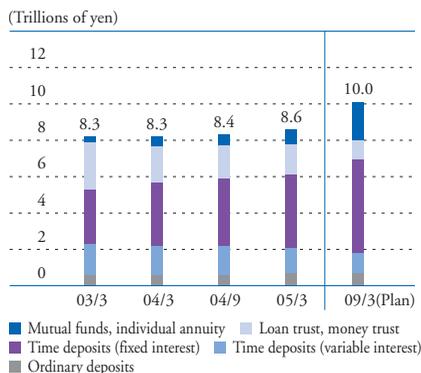


# Retail Financial Services Group

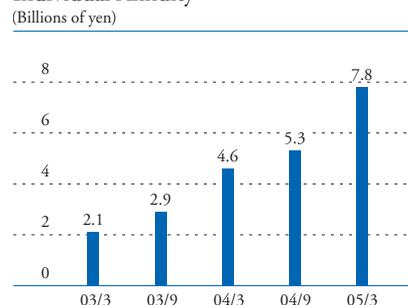


**Masahiko Nakai**  
Group President

Volume of Plan for Depository Assets



Fee Revenue of Mutual Funds and Individual Annuity



## Business Operations and Basic Strategies

The Retail Financial Services Group aims to provide distinctive retail financial services leveraging our trust functions. Specifically, our goal is to: (1) offer customer-oriented consulting services based on the trust business' basic philosophy of "confidence and integrity;" (2) ensure our strength in the asset management and asset servicing of large funds such as retirement allowances and inherited assets; (3) apply our expertise and knowledge in the real estate market to the retail business; (4) draw on our pension-related know-how to build strength in providing consulting services in such areas as financial products to supplement pension and other financial matters related to life after retirement; and (5) establish ourselves as an outstanding presence in provid-

ing full-fledged private banking, which is an essential role of trusts, and become a "fourth pillar" in contrast to Japan's three mega-banks.

We primarily target individual customers in need of our asset management and asset servicing. Looking ahead, we anticipate individuals in their 50s and above, particularly the baby-boom generation, to increasingly obtain relatively large amounts of financial assets due to retirement or inheritance. This generation of people we have named the "Trust Generation" will become the core target in our efforts to expand our customer base. Accordingly, we will strive to advertise and develop products that target the needs of this "Trust Generation."

## Fiscal Year 2004 Results and Strategies (Review of Consolidated Performance)

Net business profit before credit costs for fiscal year 2004, ended March 31, 2005, rose 168.8% year-on-year to ¥17.2 billion. Amid diversified investment needs, we expanded our lineup of savings and investment products, while also exerting efforts to market performance-based products (including mutual funds and individual annuities), sales of which totaled ¥353.4 billion for fiscal year 2004, up 28% year-on-year. Including the sales commissions from these performance-based products, fees and commissions substantially increased by 72% year-on-year. A significant increase in loans to individuals, principally mortgages, also contributed to profit growth.

We attach importance to an expansion of our total depository assets\*, and therefore, we emphasize the value of increasing the balance of both our savings products and performance-based

products. Thanks to our reinforced lineup of savings instruments, total depository assets grew significantly to ¥8,617.9 billion, a year-on-year increase of ¥227.0 billion. In particular, the balance of Good Select, a new fixed-term deposit launched in April 2004, grew rapidly to top ¥1 trillion just one year after its launch.

In the area of will trusts and estate settlement, both of which are important to developing customer needs for asset management and asset servicing, the number of contracts grew rapidly as a result of our focused marketing efforts that we started last year.

\* Total depository assets: Savings products (deposits, loan trusts, jointly-managed money trusts) + Performance-based products (mutual funds, individual annuities, etc.)

## Progress to Date and Plans for Fiscal Year 2005 and Beyond

Two major structural changes have taken place in the retail financial services market.

The first change is an accelerating shift “from savings to investment.” Individuals’ risk tolerance has been rising amid growing concerns over the public pension system and the prolonged period of low interest rates. As seen in the strong sales of performance-based products, the ratio of risk assets (investment trusts and stocks) to personal financial assets has been growing, and this trend is likely to develop steadily for some time to come.

The second change relates to population dynamics. Two huge markets of personal financial assets will emerge over the next few years, led mainly by the so-called “baby-boom generation” (totaling some eight million). The first market is the retirement money market, which is expected to reach a total of approximately ¥50 trillion between 2007 and 2009. Another market is the inheritance asset market, of which with assets are expected to top ¥80 trillion in fiscal year 2008. Within this market, the retiring baby-boom generation will be the main inheritors. In addition, the second-generation baby boomers will be in their 40s and in their prime years for home buying and other asset formation.

We will seize this excellent opportunity by positioning our retail financial services business as an “engine of profit growth” over the medium and long term and mobilize the full force of Sumitomo Trust to enhance our presence in the market.

### 1. Products – Substantial Lineup Expansion (Mobilizing Sumitomo Trust’s Full Force in the Retail Business)

In light of the shift from savings to investment, we have been developing and marketing a variety of investment products for our retail customers, leveraging our know-how from our other business groups including pension, real estate, and private equity (PE) investment. In fiscal year 2005, we will further enrich our product lineup, centering on pension-supplementing products primarily oriented toward the “Trust Generation.” Specifically, we launched a Pension-Type Time Deposit for managing funds reserved for the lock-up period of pension benefits in July 2005, and plan to launch Asset Management-Type Packages of investment instruments compiled by customer needs and type of investment, and foreign currency deposits in five currencies. Furthermore, drawing upon our strength of “investment banking leveraging our trust functions,” we are preparing the launch of a new money trust instrument for individual customers based on the securitization of our mortgage loan claims.

### 2. Consulting – Making the Most of Trust Bank Expertise in Pension, Real Estate, etc.

We have specialized staff for fine-tuned consulting-type marketing, consisting of about 400 asset management advisers for core market centering on the “Trust Generation” as well as some 60 financial consultants for high net worth customers. In both segments, we are striving to enhance customer satisfaction by offering consulting services that correspond to the attributes and needs of customers, making the most of our: (1) expertise in asset management and asset servicing; (2) expertise in pension and real estate; and (3) a wide array of financial products.

One example of our measures to support consulting-type marketing is the gradual remodeling of our branch offices through fiscal year 2005 to create private counseling spaces that allow our customers to receive consulting services in a relaxed atmosphere. We will also push ahead with a project to share branch offices with Sumishin Realty Co., Ltd. to achieve synergy with our real estate operations. Furthermore, as part of a strategy to boost our private banking business, branch general managers are placing themselves at the forefront to promote face-to-face relationships with private banking customers.

### 3. Efficient Expansion of the Customer Base

We are also taking advantage of a variety of marketing channels to expand our customer base efficiently. In April 2005, we started television commercials highlighting the “Trust Generation.” We are also redoubling efforts in the area of direct telephone and Internet banking and now boast the largest base of Internet banking subscribers among trust banks at 330,000.

Through new market exploration efforts in the workplaces of our corporate clients as well as focused efforts to broaden our customer base by utilizing affiliated firms, business partner companies, and agents, we have been able to achieve tangible results, including a remarkable increase in the workplace-based mortgage loans.

In developing our trust agency network, we concluded agency contracts with PanaHome Corporation, a homebuilder within the Matsushita Group, as well as two regional banks. As for business tie-up arrangements, we have concluded agreements on will trust and estate settlement services with PanaHome, as well as with more than 20 corporations, schools, and others.

With regard to the private banking business, we are developing a high profit business model through the establishment of a subsidiary specializing in consulting services.