

The 6th Japanese Financial Service Conference

# Mitsui Trust Financial Group Management Strategies



September 8, 2004

**Mitsui Trust Holdings, Inc.**

# Agenda

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## . Management Strategies

- *Management Direction* • *Recomposition of Revenue Structure*
- *Low Cost Operations* • *Financial Summary*
- *Status of Revenues by Business Unit*

## . Implementation

1. *Recomposition of Loan Portfolio*
2. *Enhancement of Fee Business*

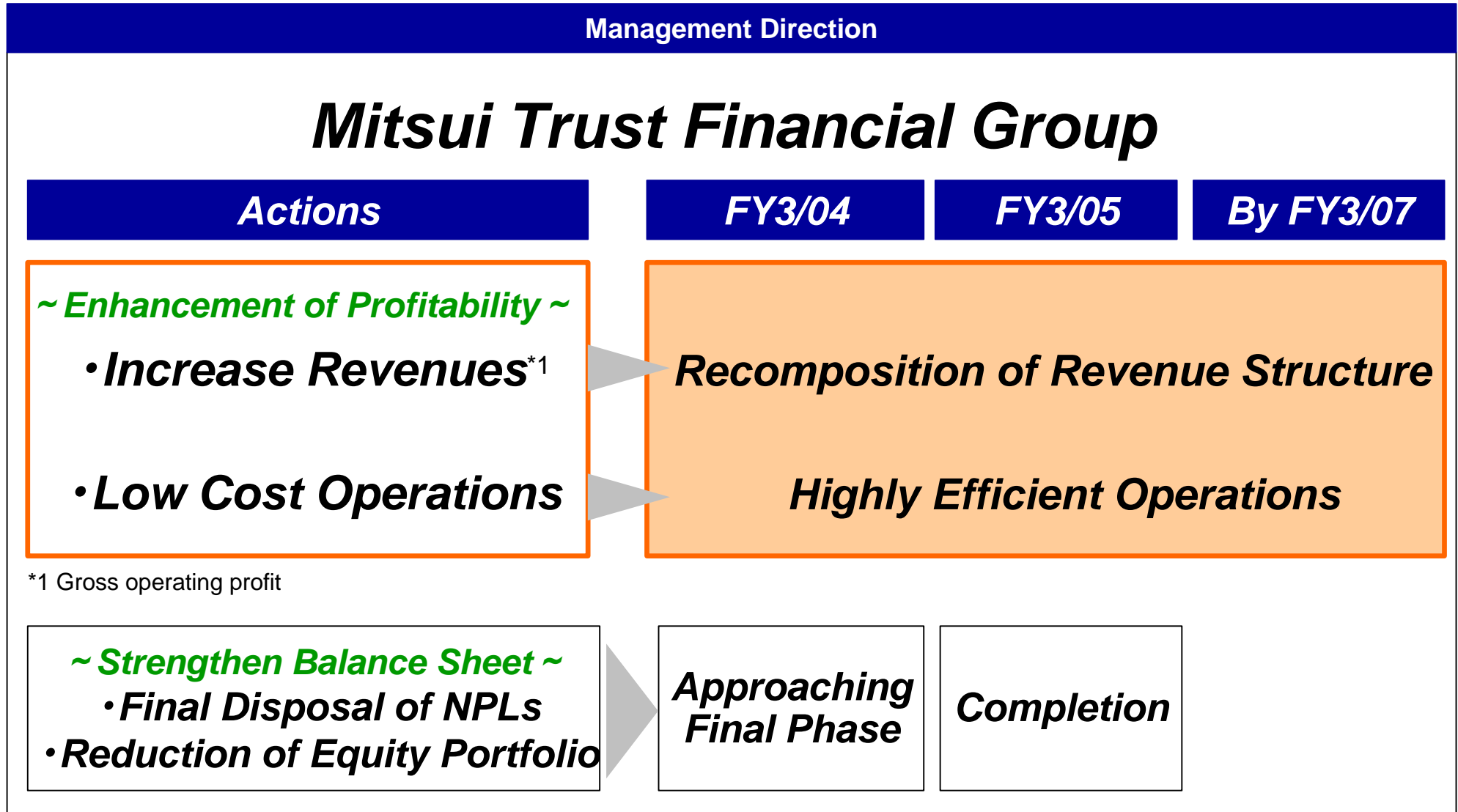
## . Strengthening of Balance Sheet

- *Reduction of Equity Portfolio* • *Bond Portfolio*
- *Reduction of Deferred Tax Assets*

# I. Management Strategies

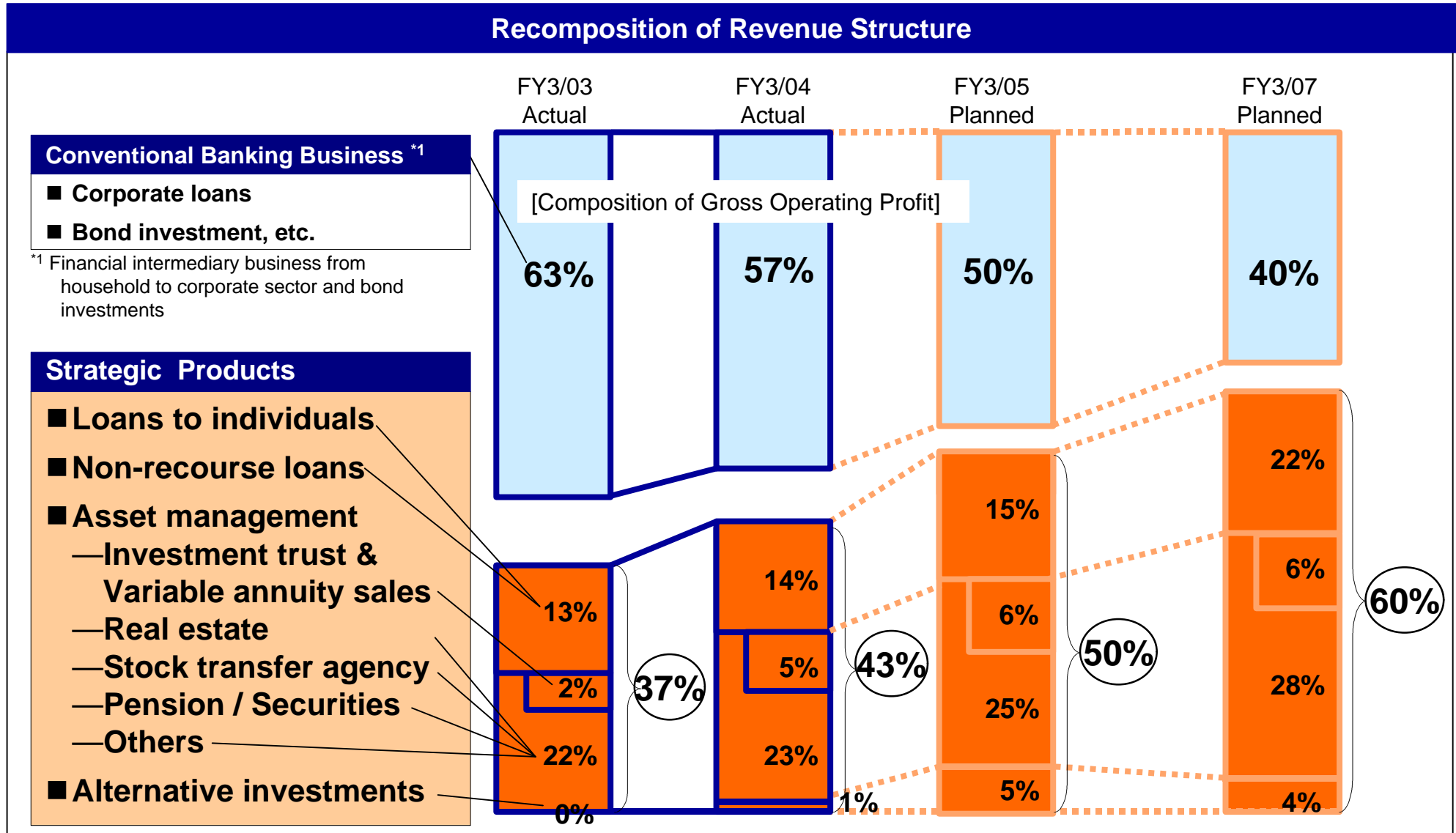
- *Management Direction*
- *Recomposition of Revenue Structure*
- *Low Cost Operations*
- *Financial Summary*
- *Status of Revenues by Business Unit*

# Management Direction



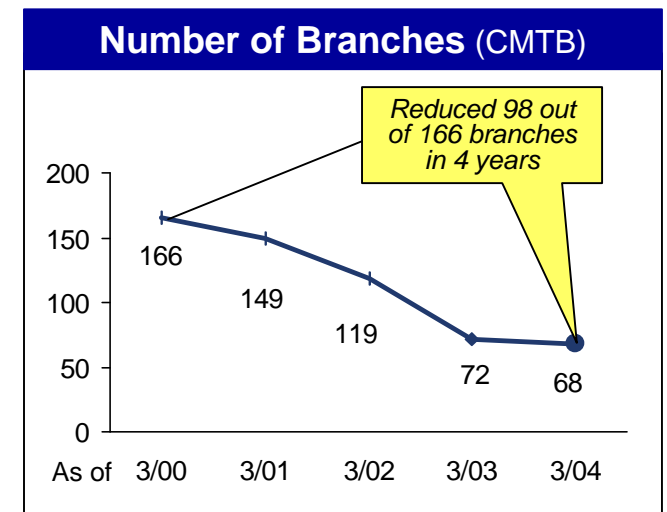
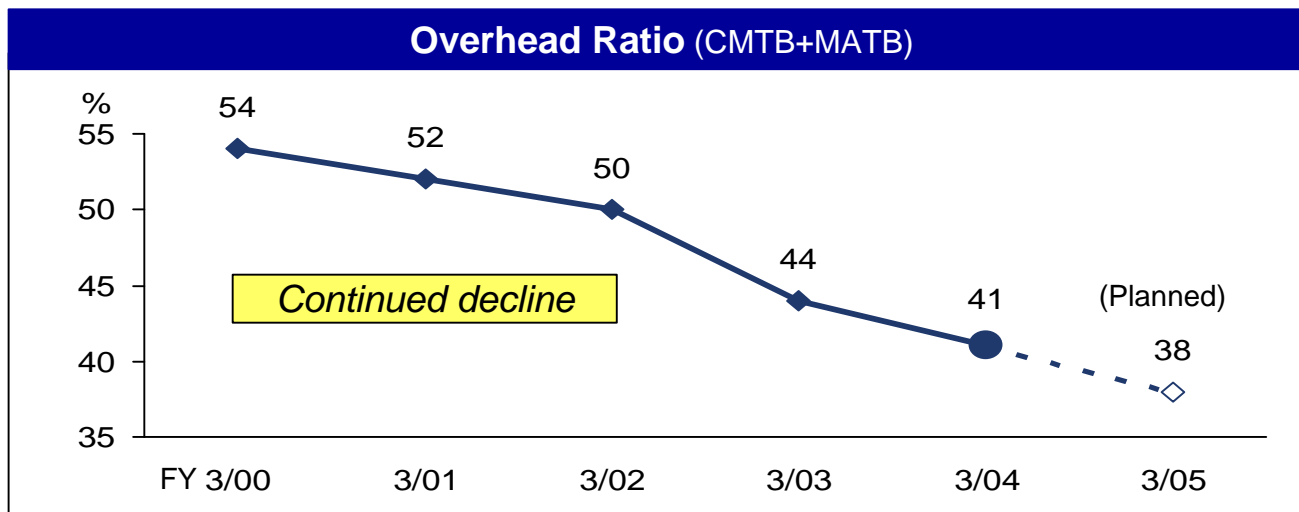
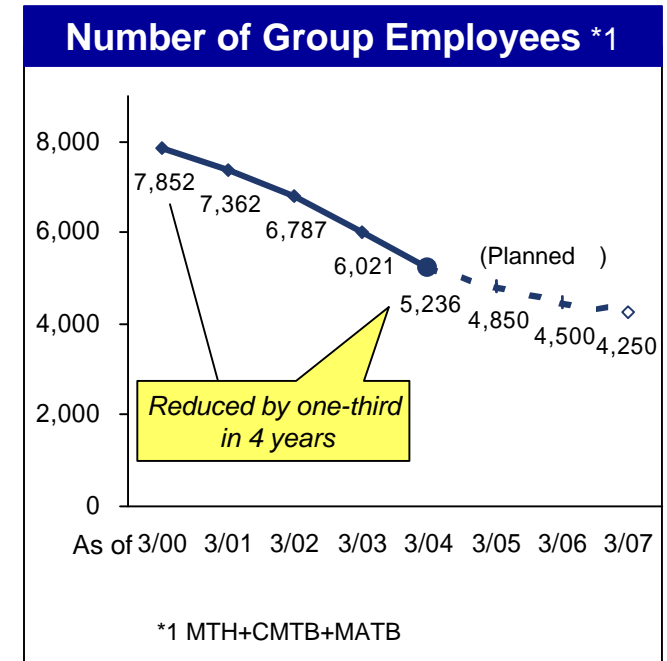
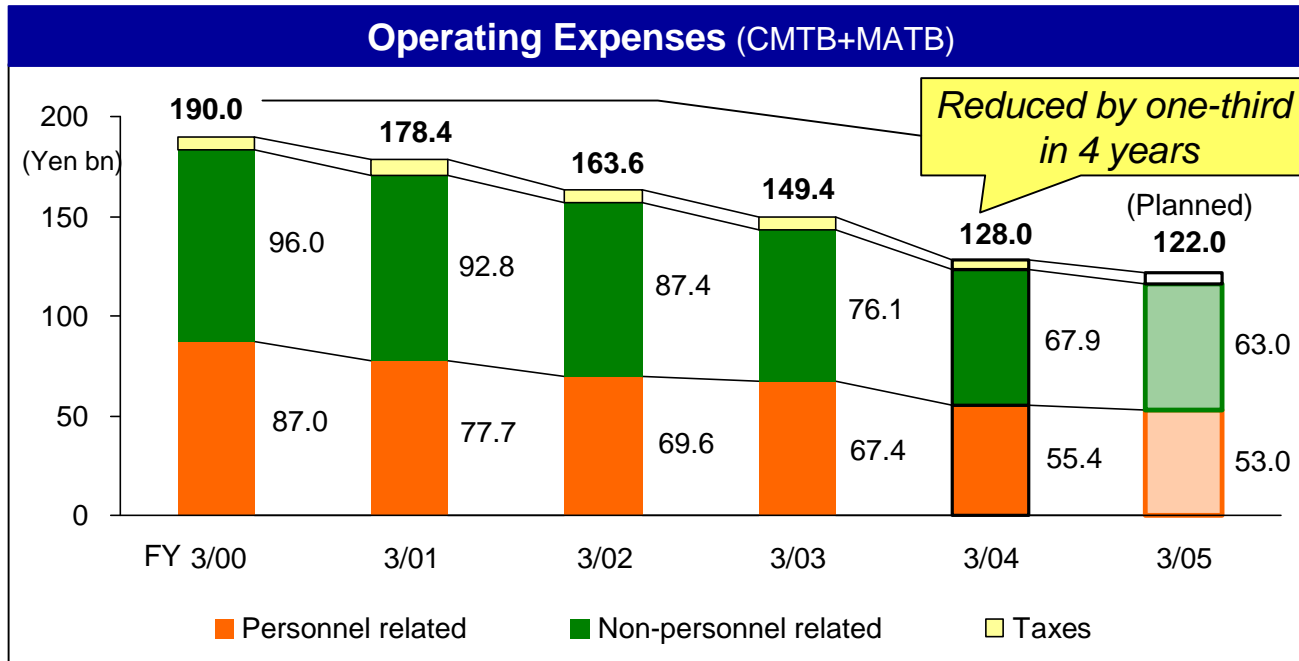
\*1 Gross operating profit

# Recomposition of Revenue Structure



# Low Cost Operations

MTH : Mitsui Trust Holdings  
 CMTB: Chuo Mitsui Trust & Banking  
 MATB: Mitsui Asset Trust & Banking

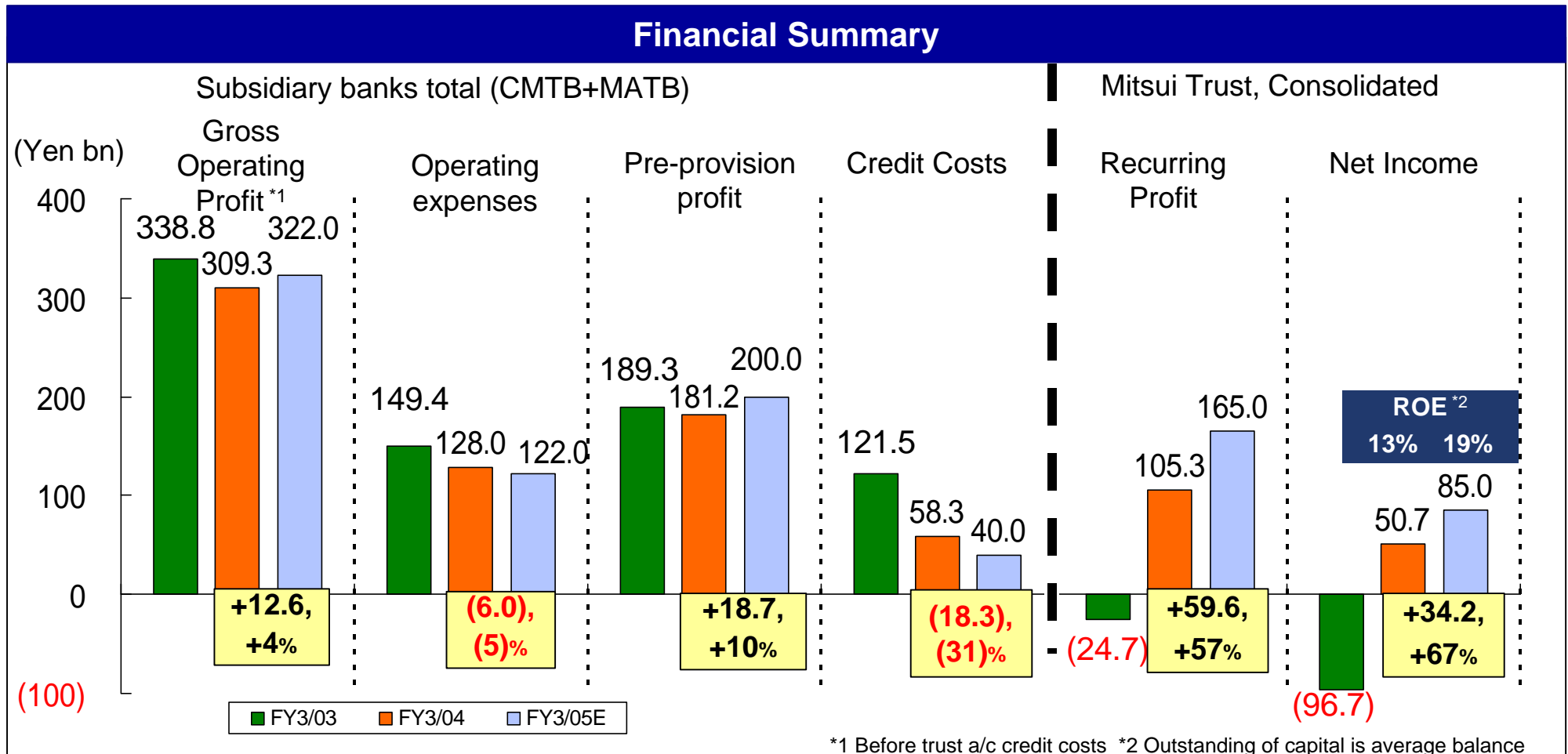


# Financial Summary

## Outlook for FY3/05

- Pre-provision profit to ¥200bn, by increasing revenues and thoroughly efficient operations
- Continued credit costs decline to approx. ¥40bn

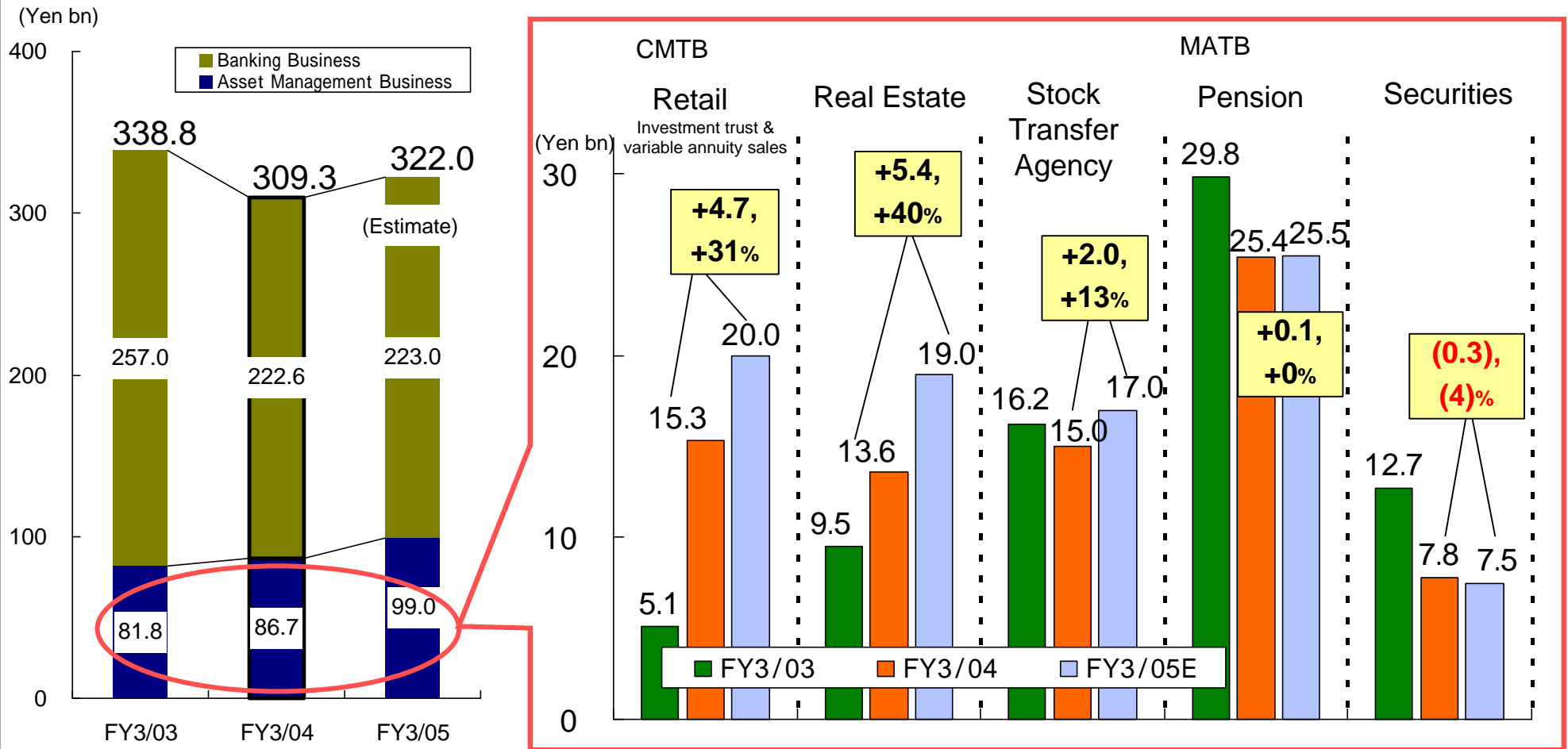
- Large growth expected in both recurring profit and net income
- ROE from 13% to 19%



# Status of Revenues by Business Unit

- Increase of revenues mainly due to growth in asset management business (fee business)
- Further increase of revenues expected in retail business (investment trust and variable annuity sales) and real estate business

## Status of Revenues by Business Unit





## . *Implementation*

- 1. Recomposition of Loan Portfolio*
- 2. Enhancement of Fee Business*

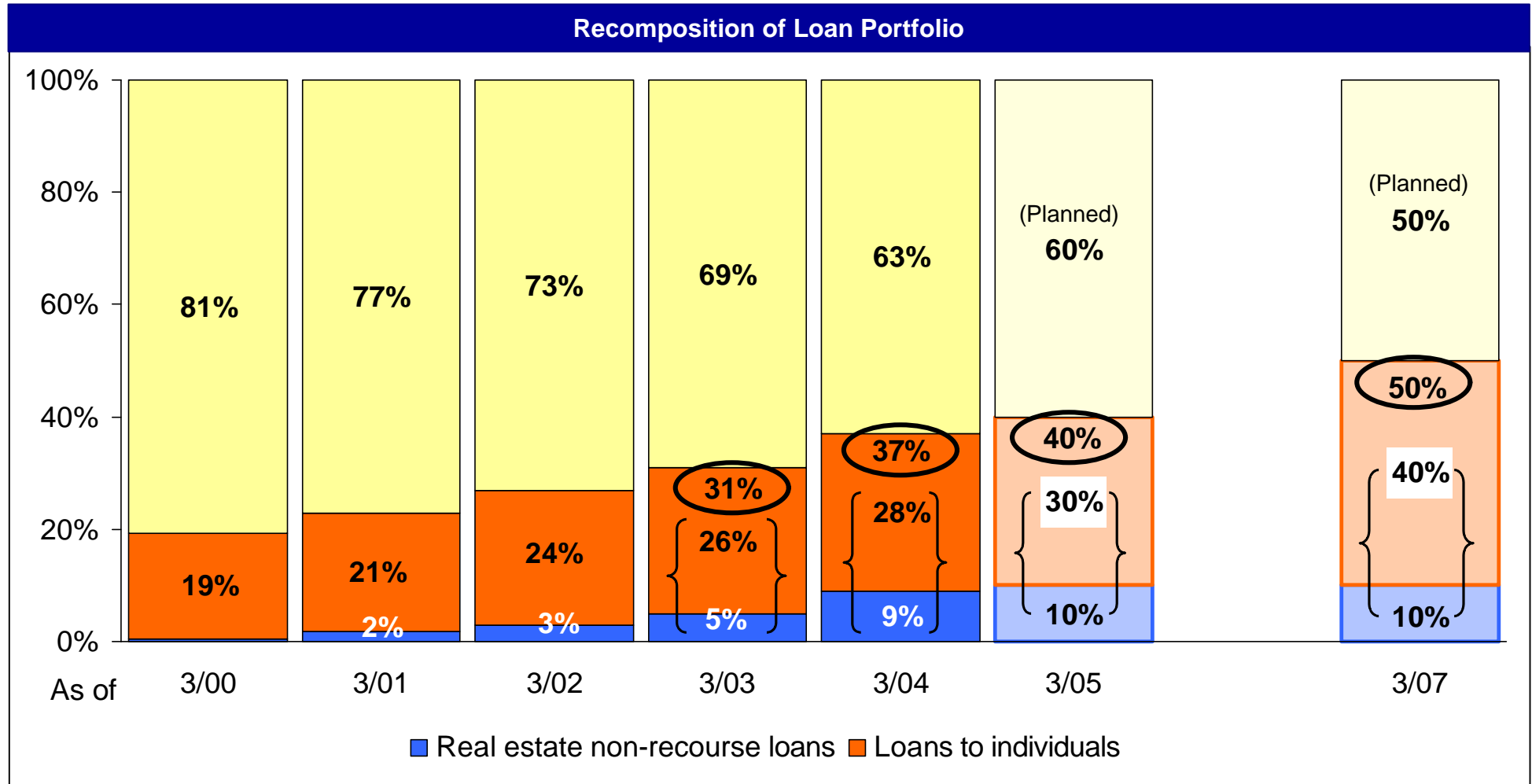
# 1. *Recomposition of Loan Portfolio*

- *Recomposition of Loan Portfolio*
- *Housing Loans*
- *Real Estate Asset Finance*
- *Yields and Margin*
- *Credit Costs, NPL Balance, NPL Ratio*

# Recomposition of Loan Portfolio

- Composition of loans to individuals and real estate non-recourse loans
  - FY3/04 Results: Raising 6 points to 37%
  - FY3/05 Target :Up to 40%

- Credit loss rate of loans to individuals: Stable at 0.01%
- Real estate non-recourse loans: No defaults

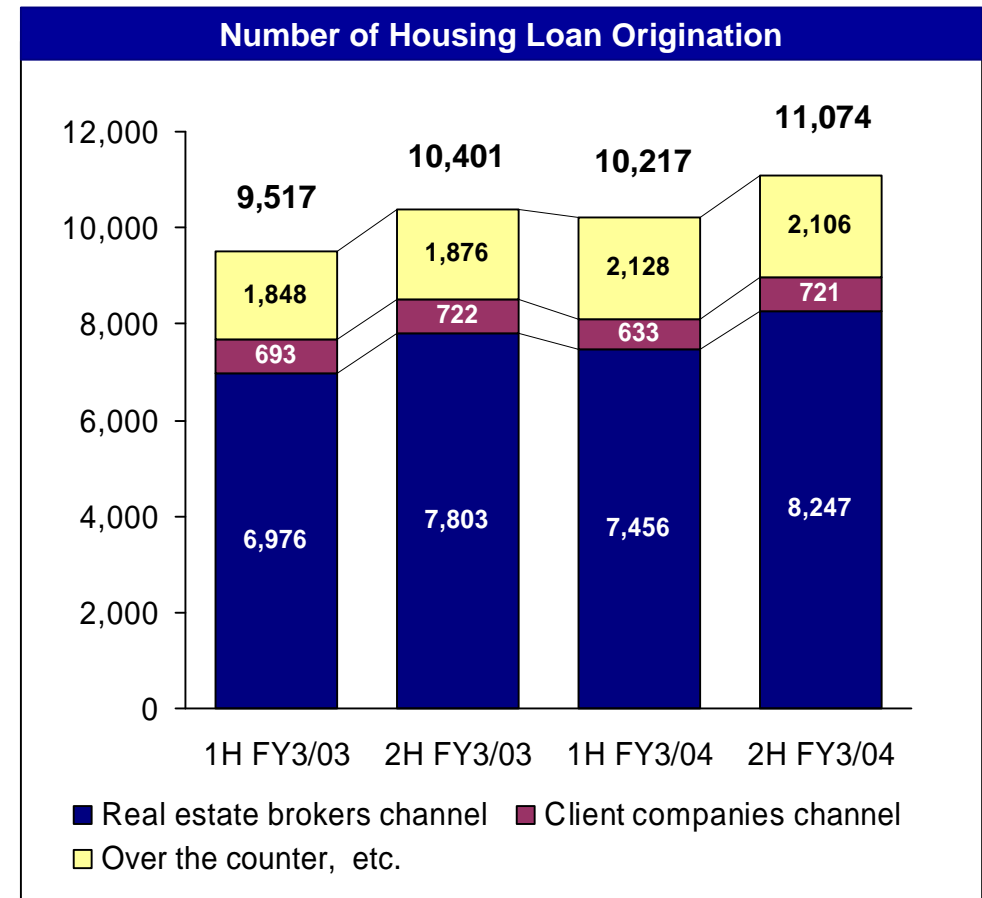
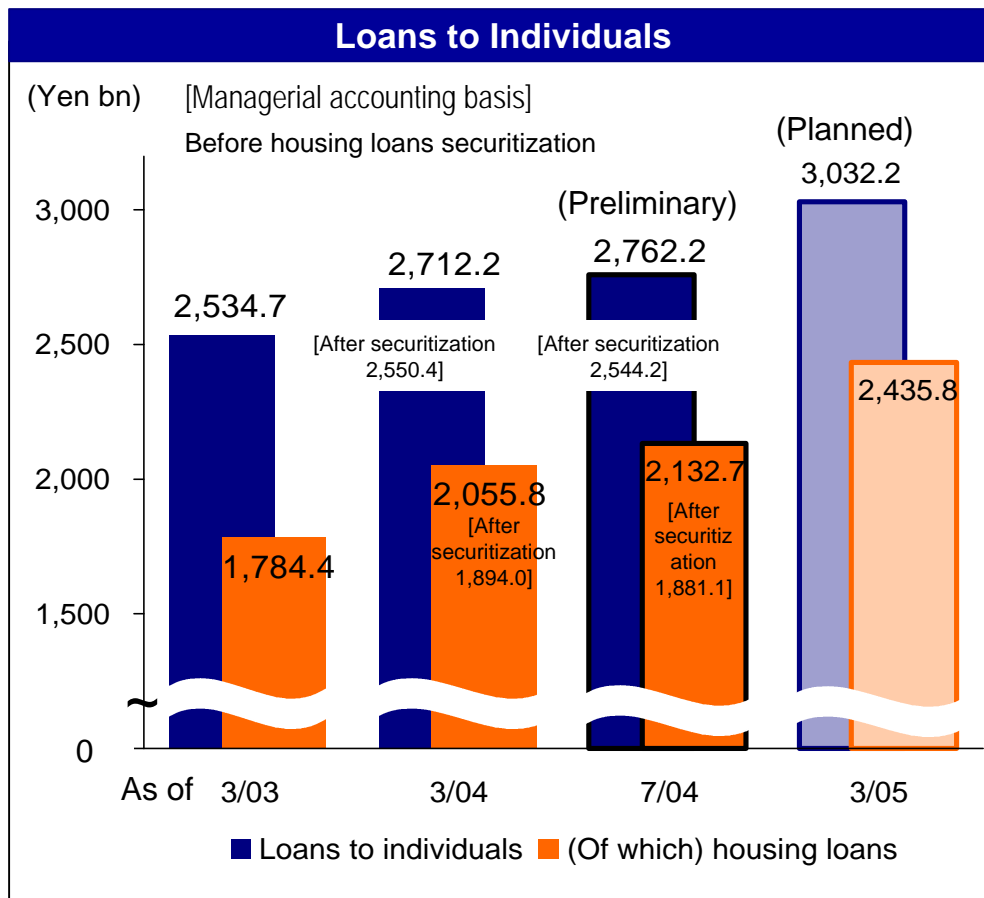


# Housing Loans

Unprecedented net increase of ¥271.4bn in FY 3/04  
Growth rate of 15.2% far exceeds competitors' +7.8%

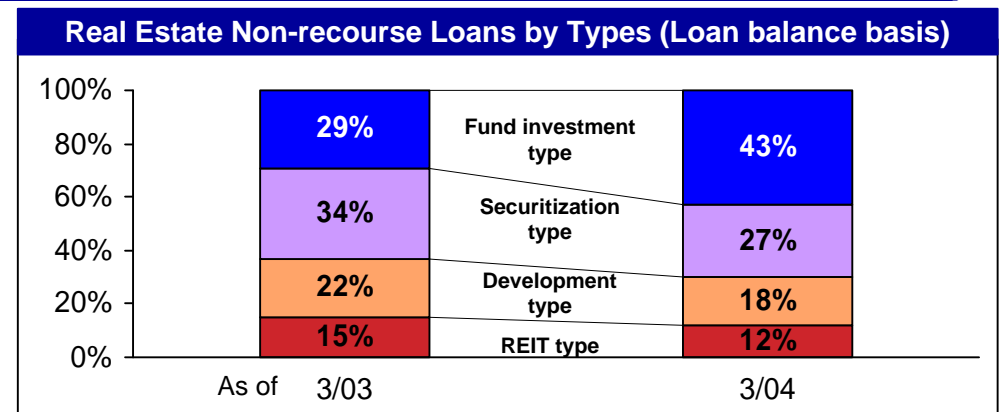
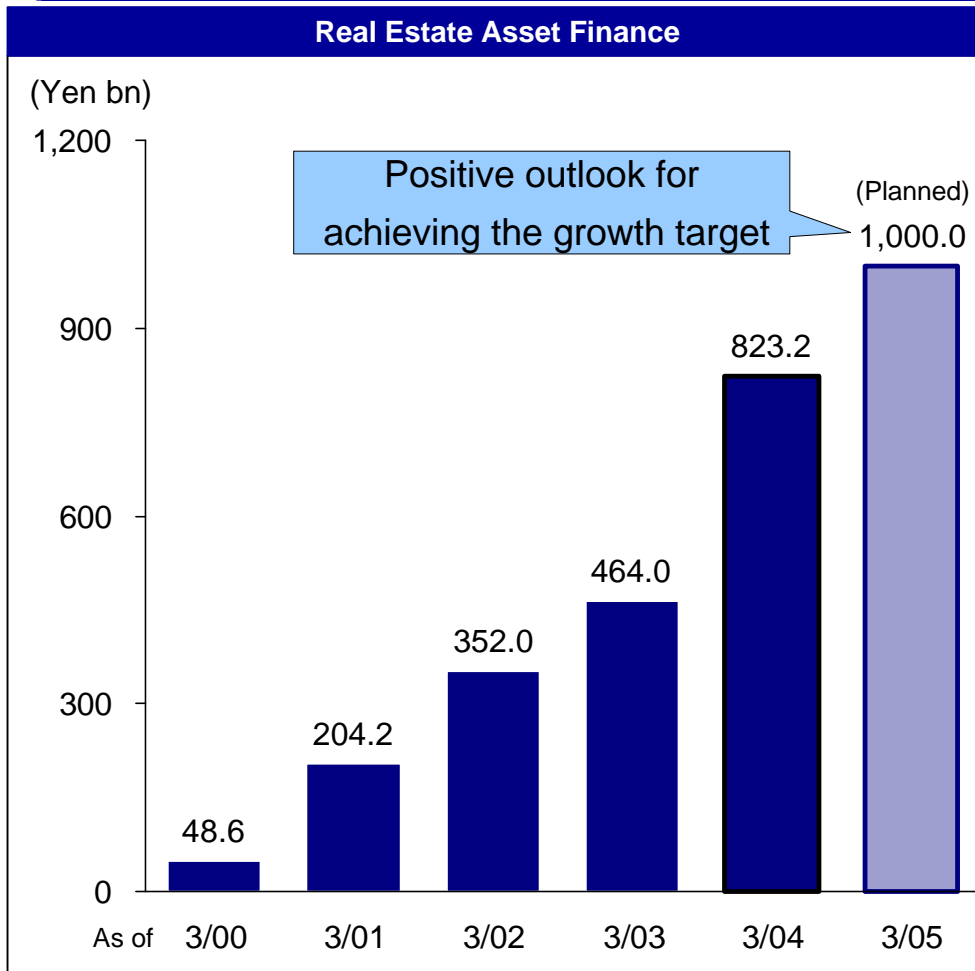
Continued high performance in FY3/05: New origination of ¥200bn by end of July, targeting ¥300bn in 1H.

- “Route sales” strategy brings in successful differentiation with competitors
- Full use of channels with leading real estate agents and developers

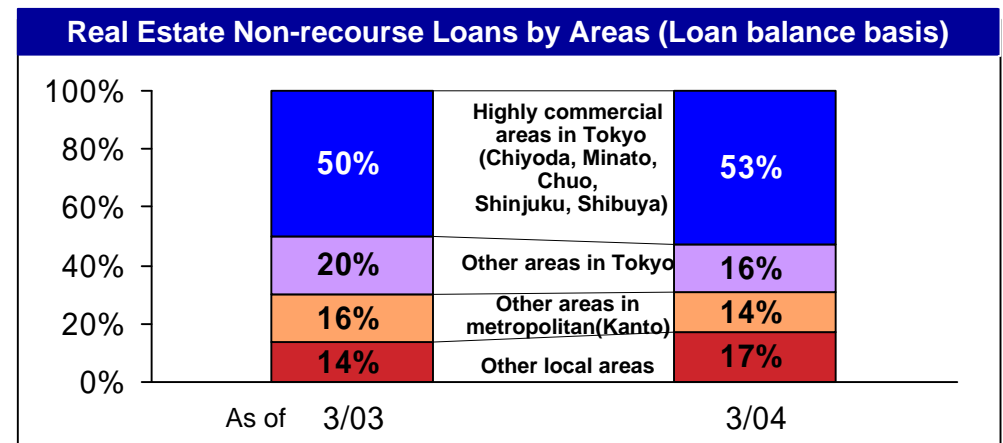


# Real Estate Asset Finance

- FY3/04 Results: Unprecedented net increase of ¥359.2bn  
~ Increased fund investment type
- FY3/05 Target: Aiming balance of ¥1trn, a year ahead achievement of previous plan



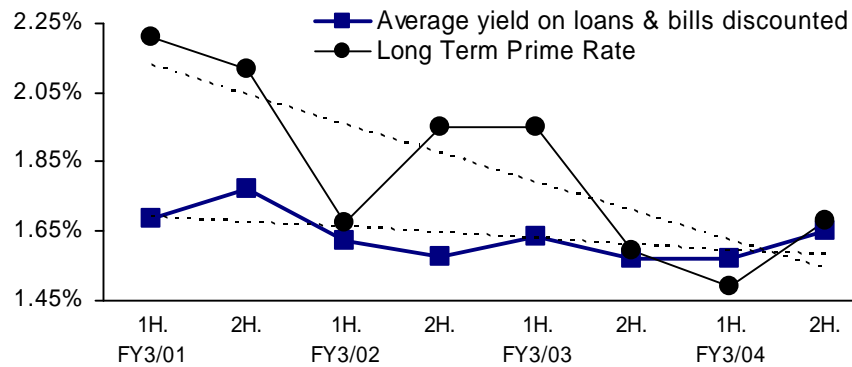
*Fund investment type: Real estate fund investment, Securitization type: Off-balance real estate of corporations  
Development type: Build new office buildings and large condominiums  
REIT type: Loans to REIT (to investment company)*



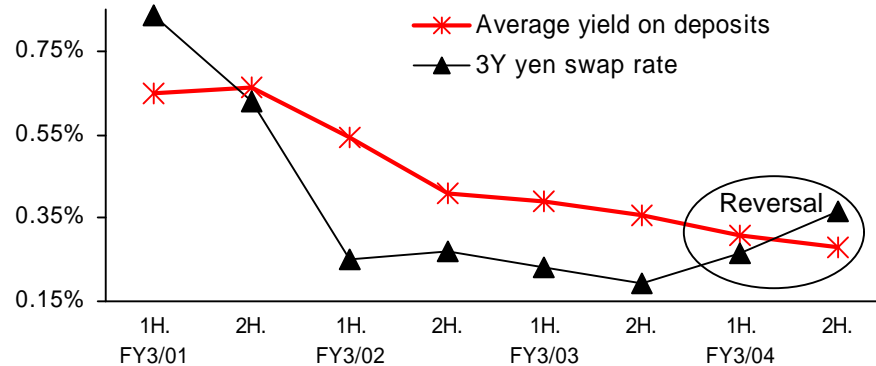
# Yields and Margin

- With successful focus on loans to individuals, resulting in higher yield than other trust banks
- Funding yield continues to decline  
0.10% improvement in time deposits during FY 3/04 and further 0.1% decline targeted for FY 3/05

### Loan Yield \*1



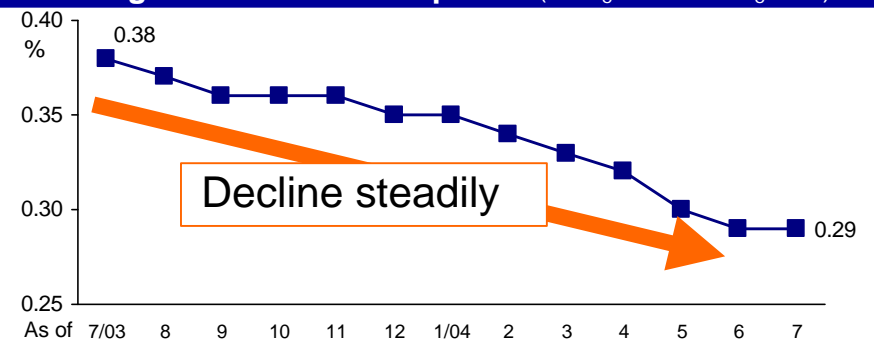
### Deposit Yield \*1



### Yield Comparison \*2

	Average yield on loans FY3/03	FY3/04	Chg.
CMTB	1.60%	1.61%	0.01%
4 other trust banks	1.44%	1.34%	(0.09)%
4 large banks	1.65%	1.62%	(0.03)%
<b>Average yield on deposits</b>			
CMTB	0.37%	0.29%	(0.07)%
4 other trust banks	0.26%	0.22%	(0.04)%
4 large banks	0.08%	0.05%	(0.03)%
<b>Average yield on margin</b>			
CMTB	1.22%	1.31%	0.09%
4 other trust banks	1.17%	1.12%	(0.05)%
4 large banks	1.57%	1.57%	0.00%

### Average Yield on Time Deposits (Managerial accounting basis)

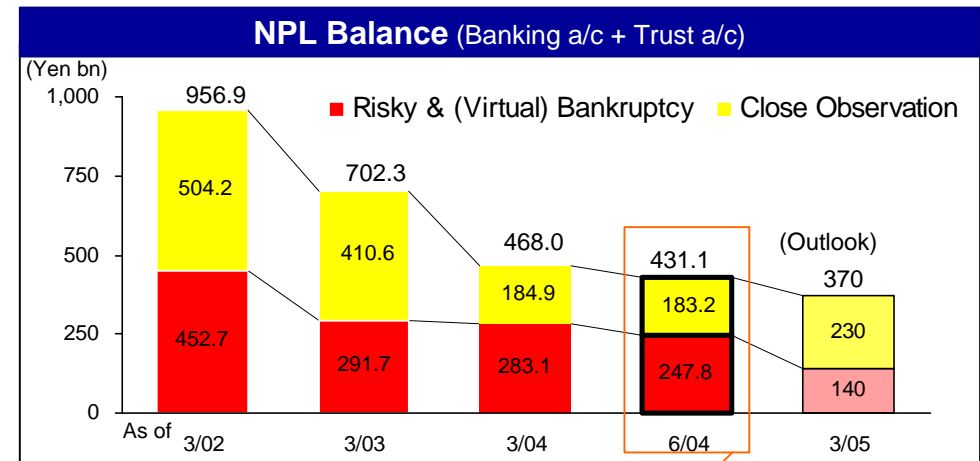
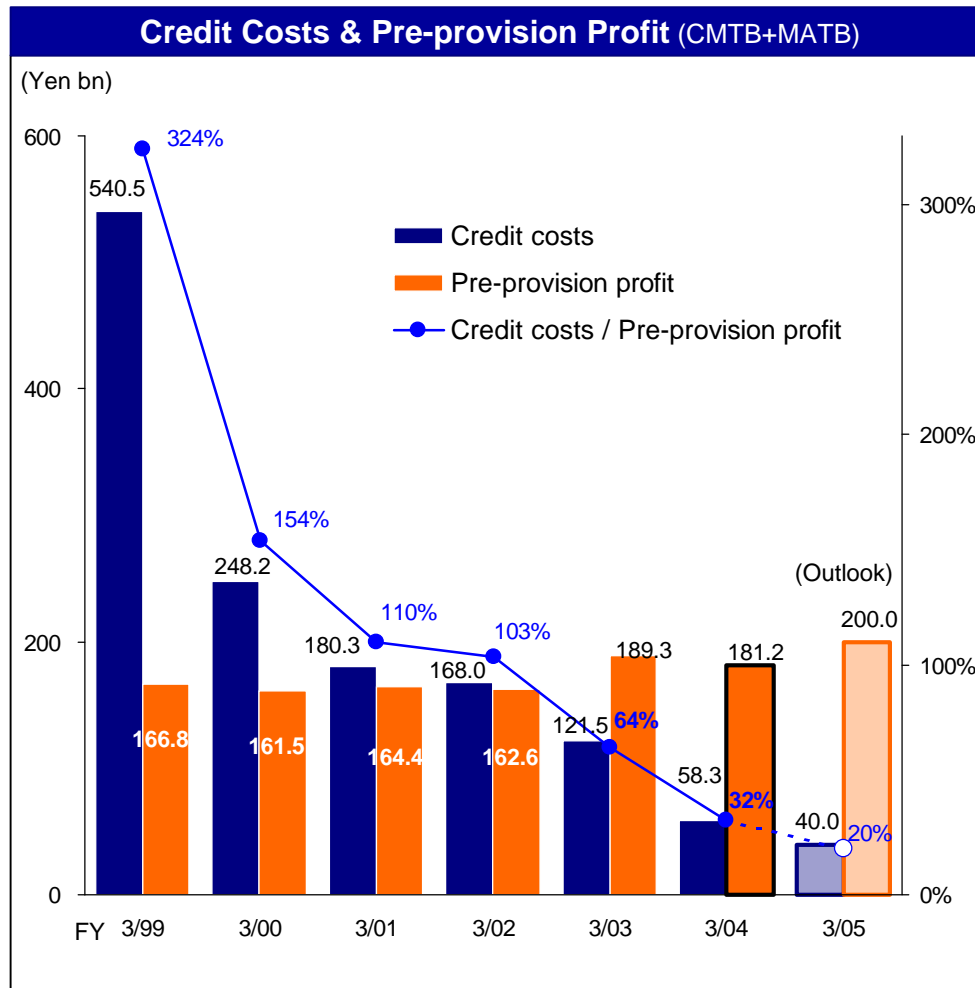


\*1 Banking a/c, Domestic Funds

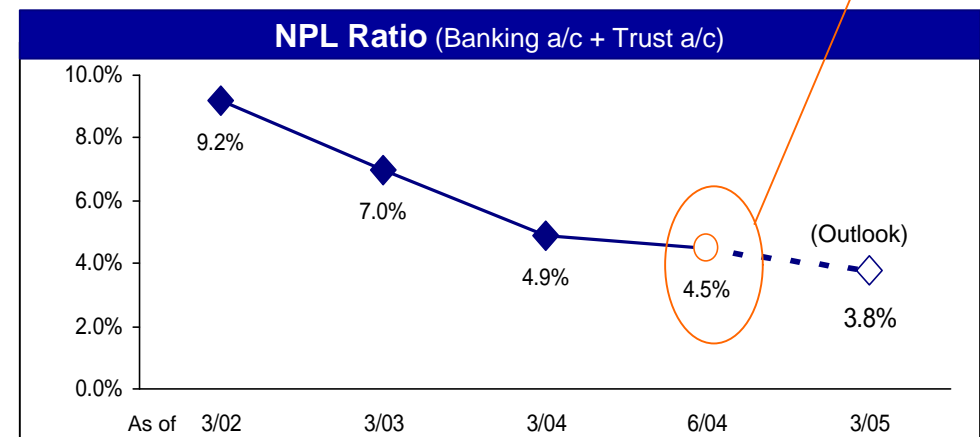
\*2 Banking a/c, Domestic funds, Figures of other banks are simple average

# Credit Costs, NPL Balance, NPL Ratio

- FY3/04 Results: Credit costs decline for 5 consecutive years, to 32% of pre-provision profit
- FY 3/05 Estimate: Credit costs to approx. ¥40bn, or 20% of pre-provision profit



Reference: Preliminary figures (unaudited)



## 2. Enhancement of Fee Business

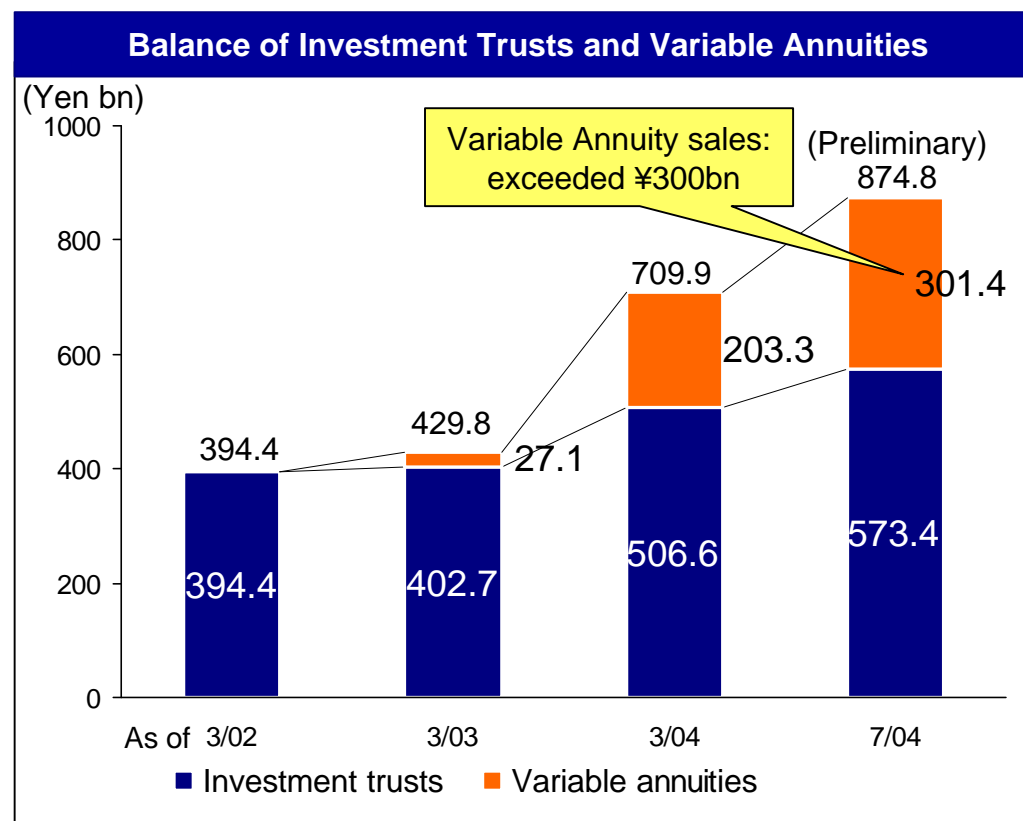
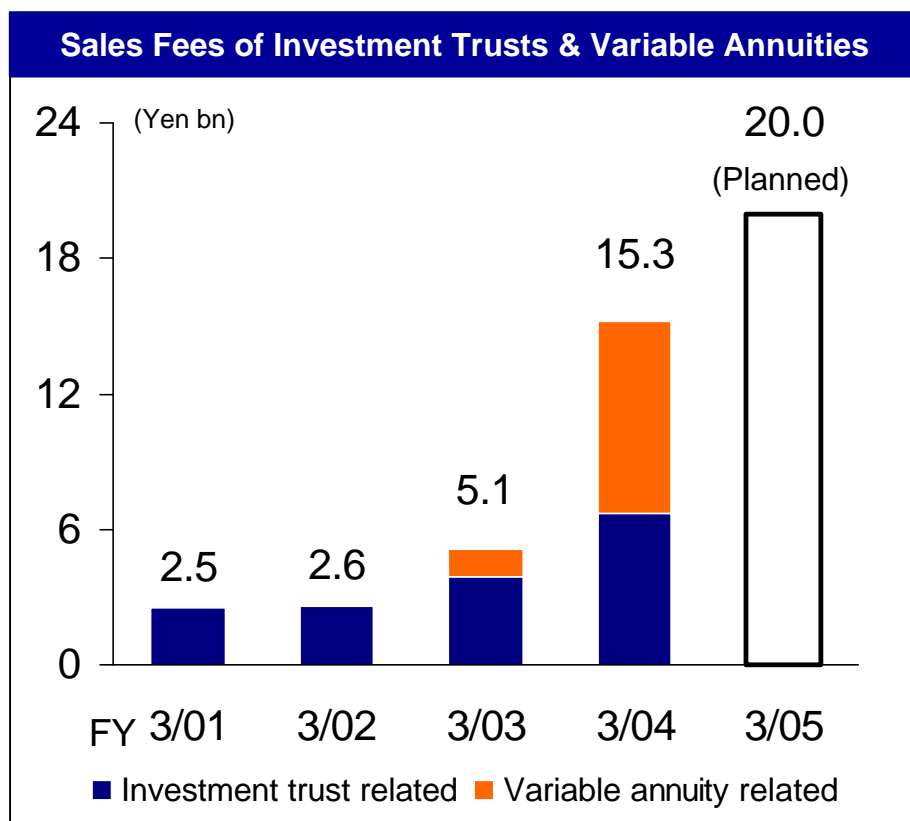
- *Investment Trust & Variable Annuity Sales*
- *Real Estate Business*
- *Stock Transfer Agency Business*
- *Pension & Securities Business in Mitsui Asset T/B*



# Investment Trust & Variable Annuity Sales (i) Results & Target

**FY3/05 Target: Sales fees to reach ¥20bn, by providing high quality consultation and introducing new products**

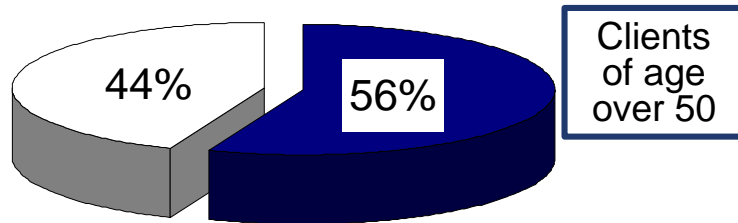
Sales fees in 4 months (April,04 - July, 04): Approx. ¥7.6bn, already achieved nearly 50% of last FY result



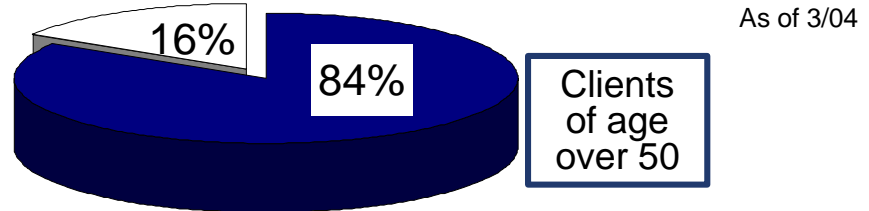
# Investment Trust & Variable Annuity Sales (ii) Our Strength -1

Our franchise value: High composition of elder, wealthy individual clients with high interest in investment trusts ("I/T") and variable annuities ("V/A")

## Composition of Our Clients by Ages

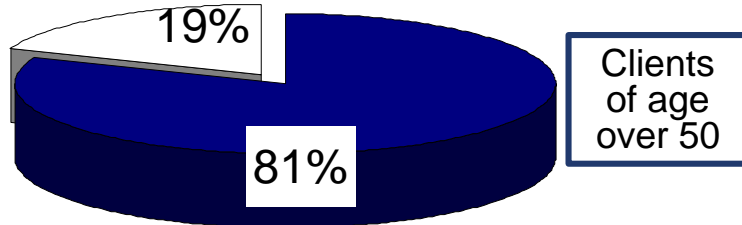


In number of all clients

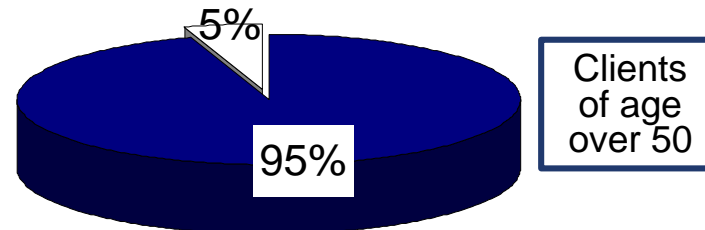


In number of clients with AuM<sup>\*1</sup> of over ¥10 million

\*1 Asset under Management



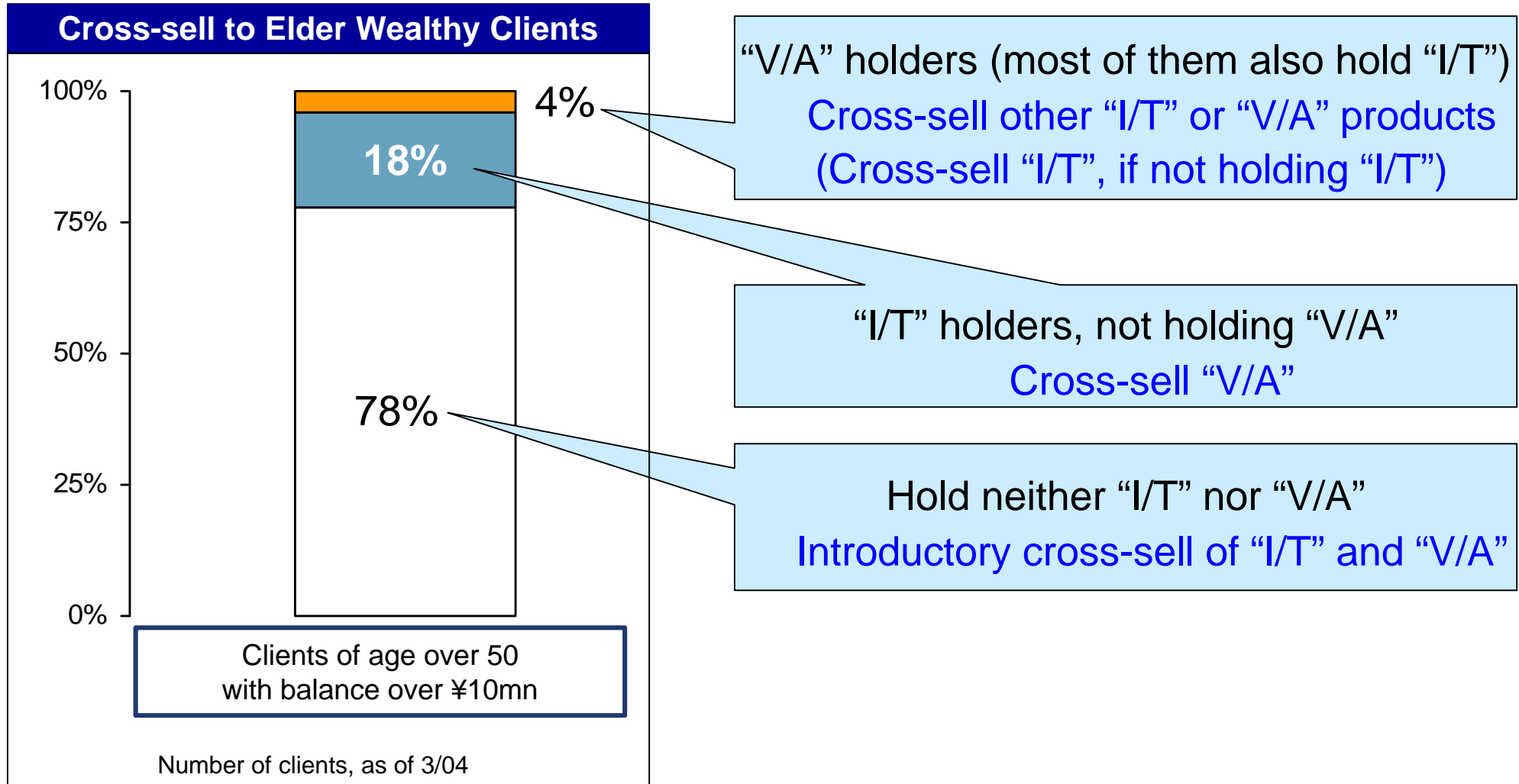
In number of clients of "I/T" and/or "V/A"



In number of clients of "V/A"

# Investment Trust & Variable Annuity Sales (ii) Our Strength -2

Enhance cross-sell of investment trusts "I/T" and variable annuities "V/A"

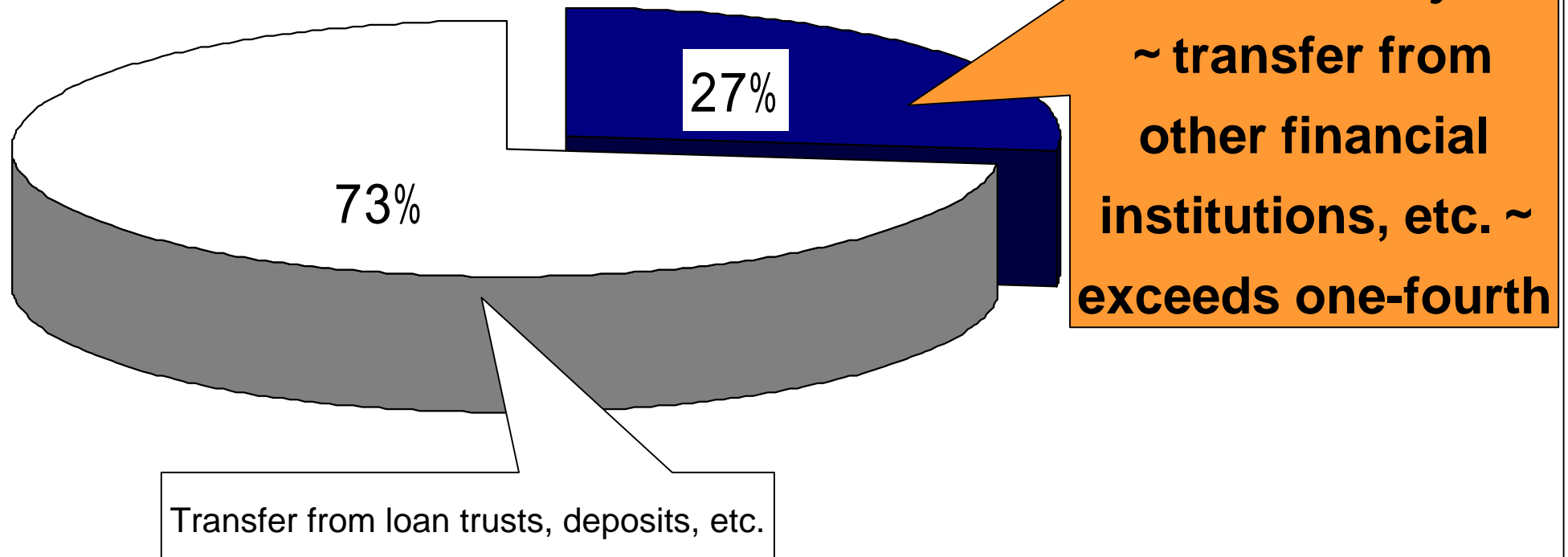


# Investment Trust & Variable Annuity Sales (ii) Our Strength -3

Acquire new clients through sales of invest trusts and variable annuities

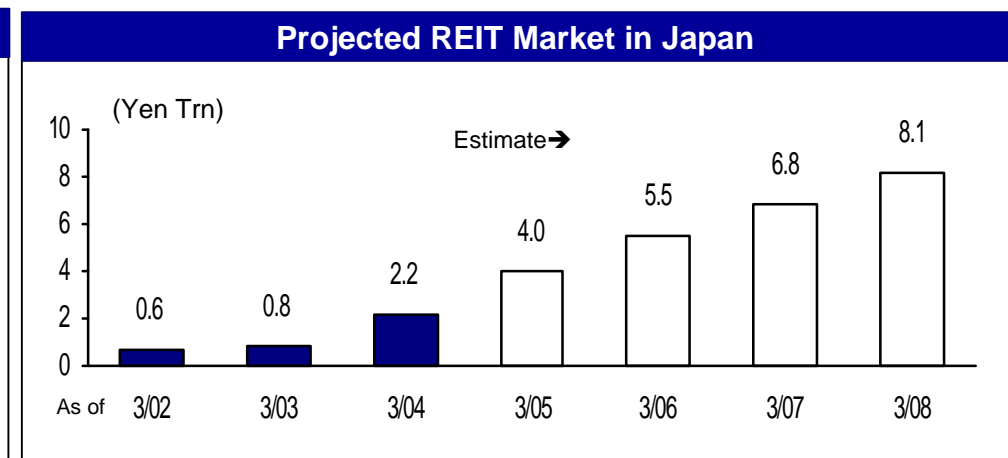
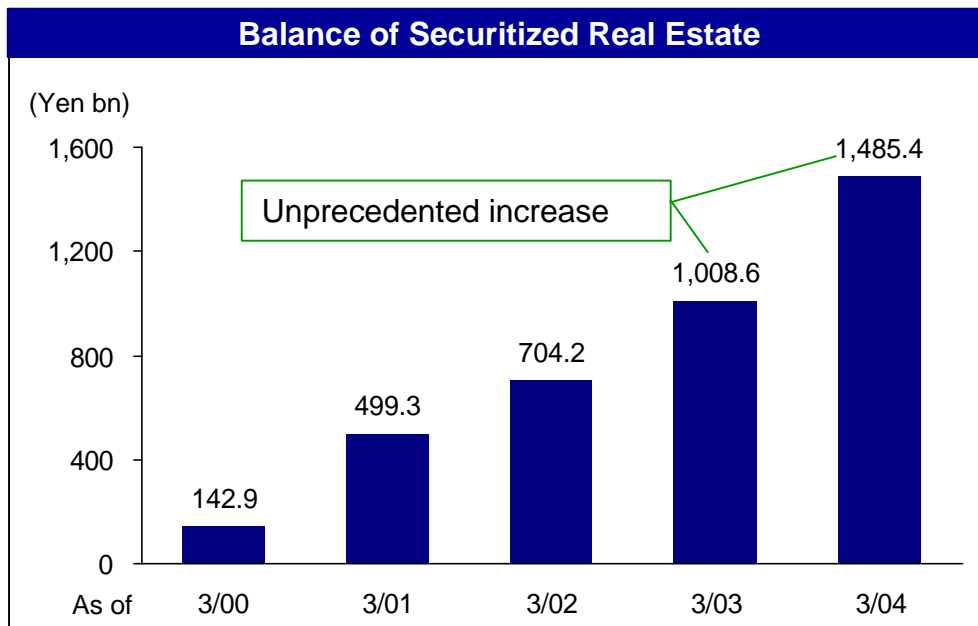
## Origination of Investment Trusts and Variable Annuities

Surveyed in 4/04 to 7/04



# Real Estate Business

- Strong performance in brokerage business driven by market expansion and strengthened sales forces
- Large REIT deals and real estate funds contribute for achieving revenue increase
- Surely acquire the enlarged business chances brought by structural changes of real estate market (REIT, IPO of private funds)
- Co-established real estate consultation company with SMBC “Asset Business Consulting Inc.”



- Private funds market
  - # of funds: approx. 50
  - Asset size estimated to have grown to be ¥1trn mark

- The current of pension funds
  - Estimated investment size of ¥50-100bn (equity base)
  - Growth of investment expected

# Stock Transfer Agency Business

- FY3/05 Target: Increase revenue by increasing # of shareholders under administration, capturing cross shareholdings unwinding and increase of individual shareholders

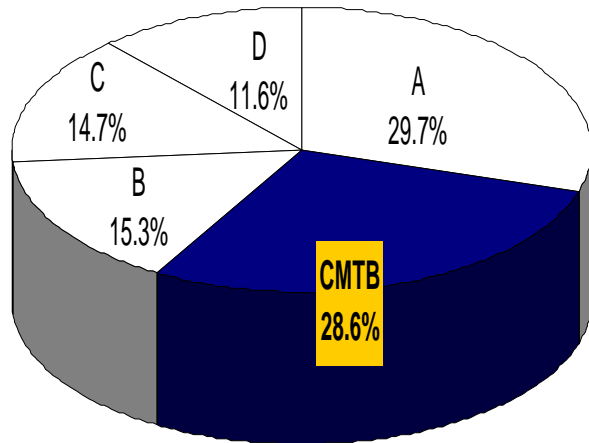
Three large contracts in June brought increase of approx. 280 thousand shareholders under administration.

- Plan: Increase # of shareholders under administration by utilizing trust agent function with SMBC

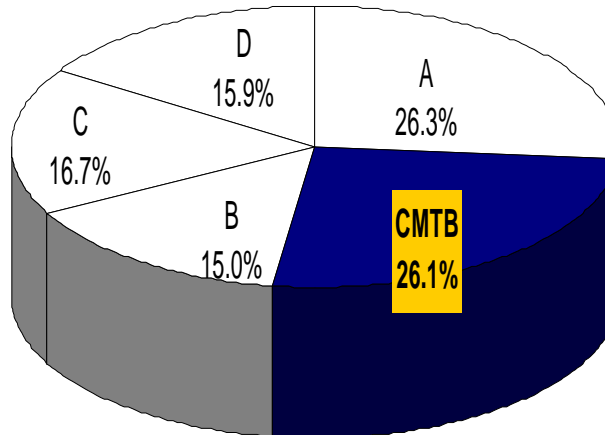
## Share among Trust Banks

(Preliminary)

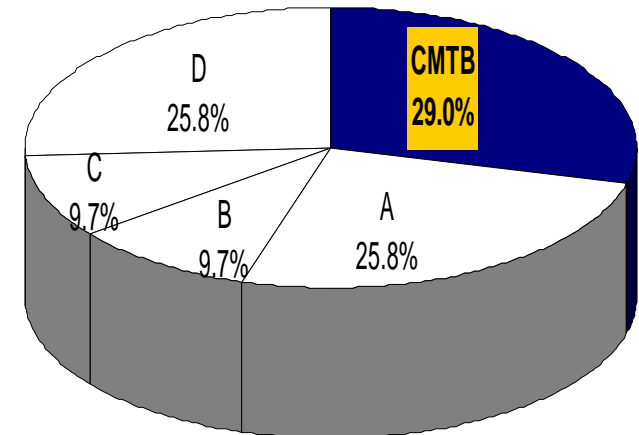
**Shareholders under Administration** (As of 6/04)



**Listed Companies** (As of 6/04)

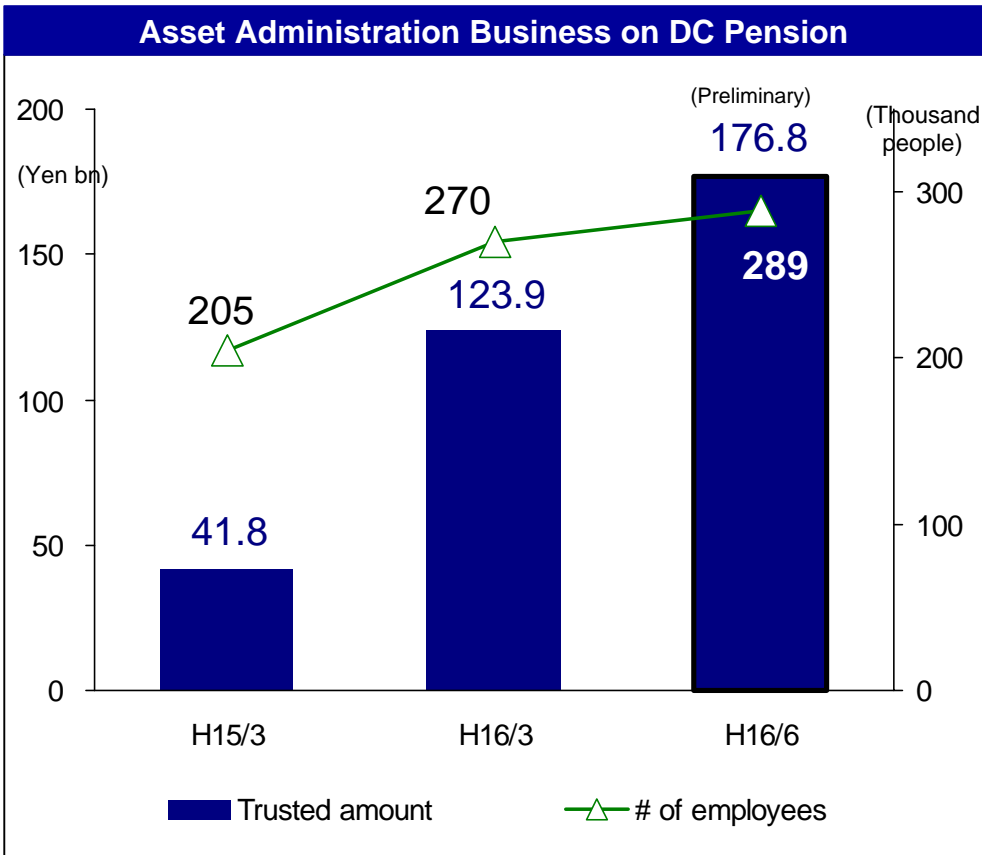
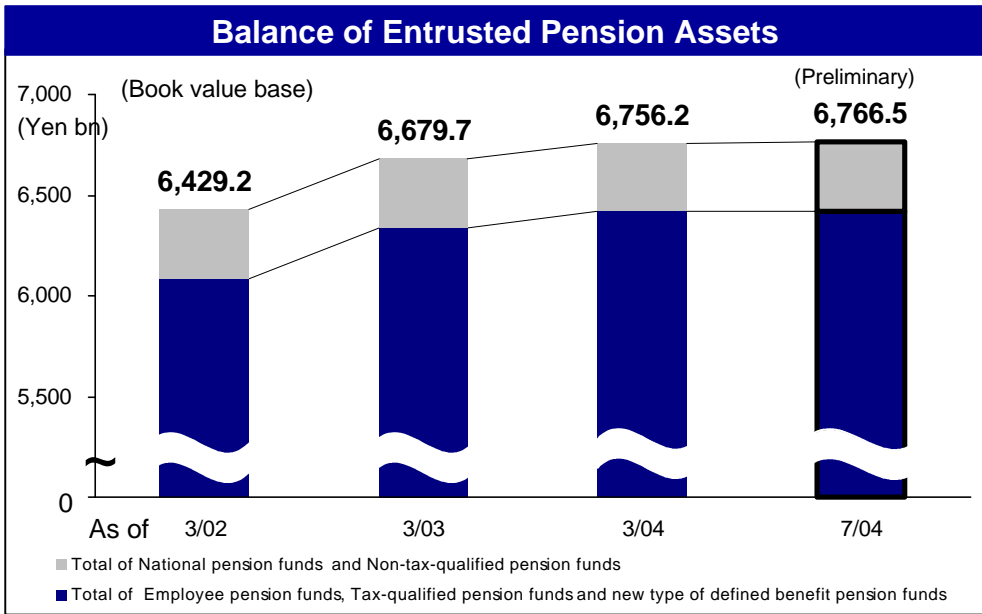


**IPO Companies** (During 4/04-6/04)



# Pension & Securities Business in Mitsui Asset T/B

Enhance cross-sell of highly profitable alternative products etc., by utilizing competitive advantage of asset management expertise and high quality consultation



### Clients' Evaluation of Institutions

Among trust banks: No.1  
 Among all institutions: No.5  
 No.1 among institutions which acquired more than 100 replies to the questionnaire  
 (Source: Nikkei Financial Daily as of 12/24/03)

## . *Strengthening of Balance Sheet*

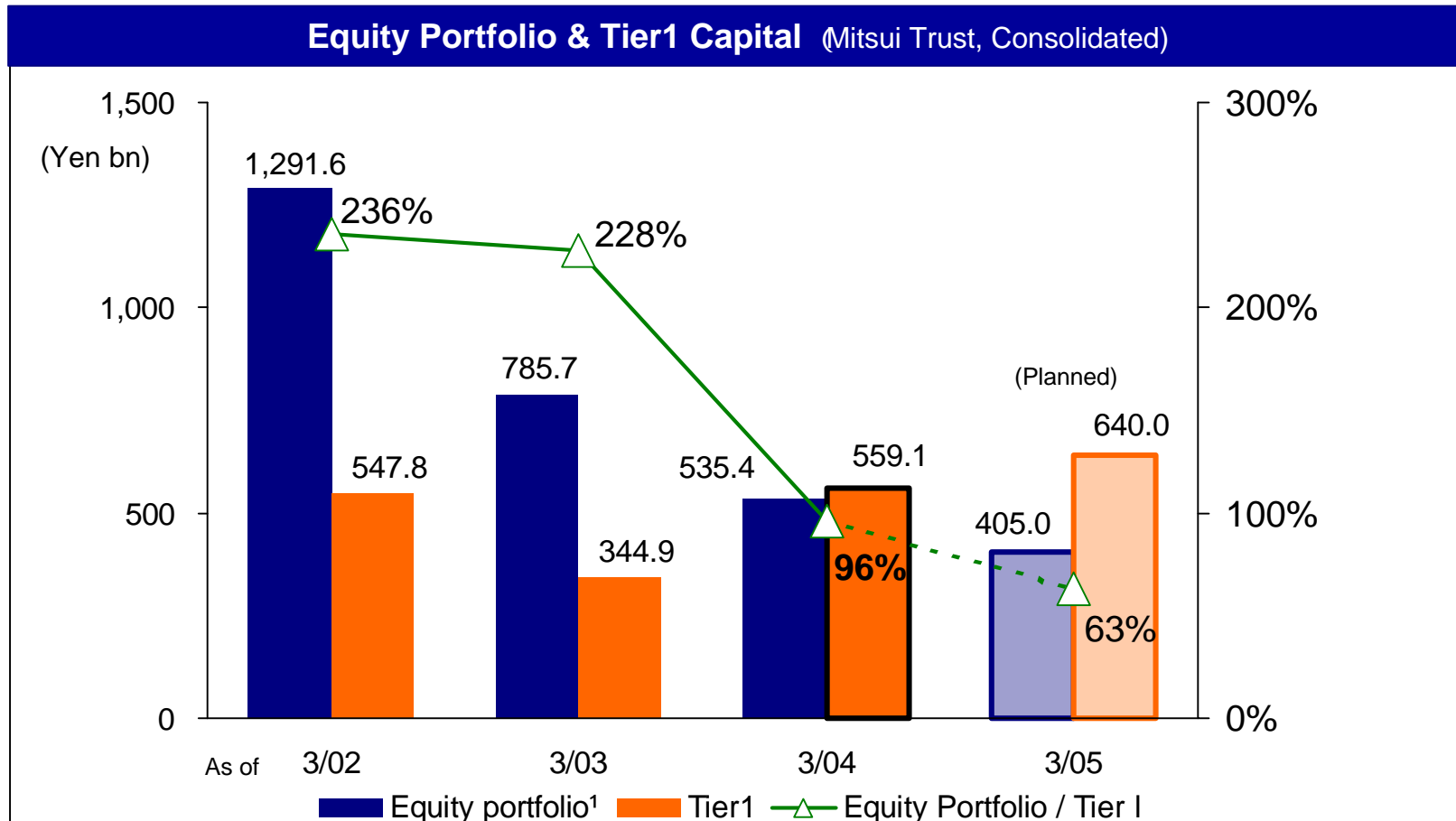
- *Reduction of Equity Portfolio*
- *Bond Portfolio*
- *Reduction of Deferred Tax Assets*



# Reduction of Equity Portfolio

## Balance of Equity portfolio

- FY3/04 Results: Within Tier1 capital
- FY3/05 Target: Further reduction of ¥130bn, to approx. 63% of Tier1 capital

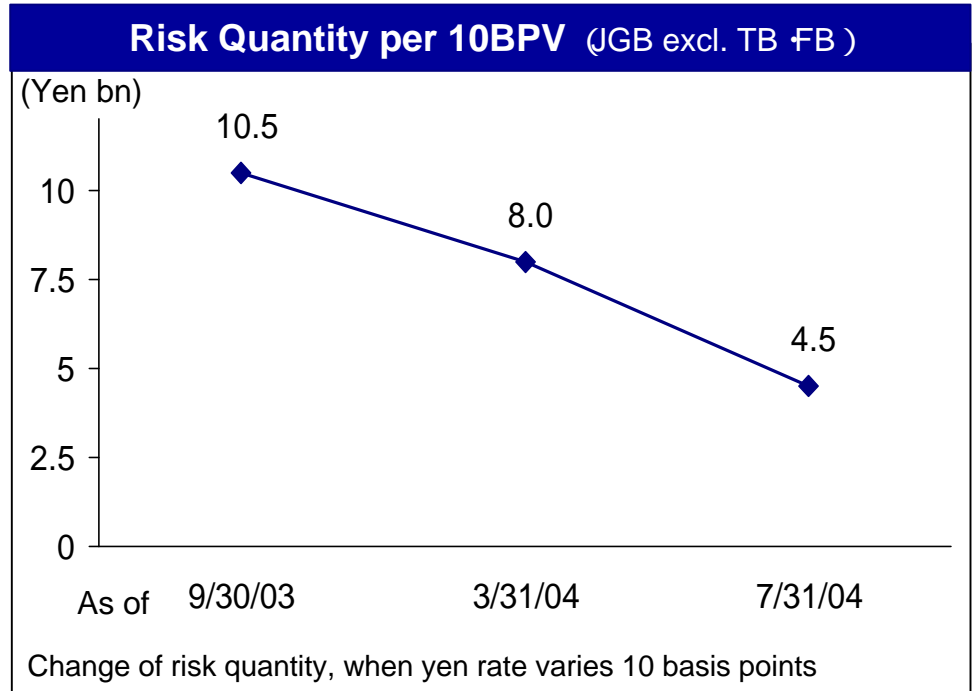
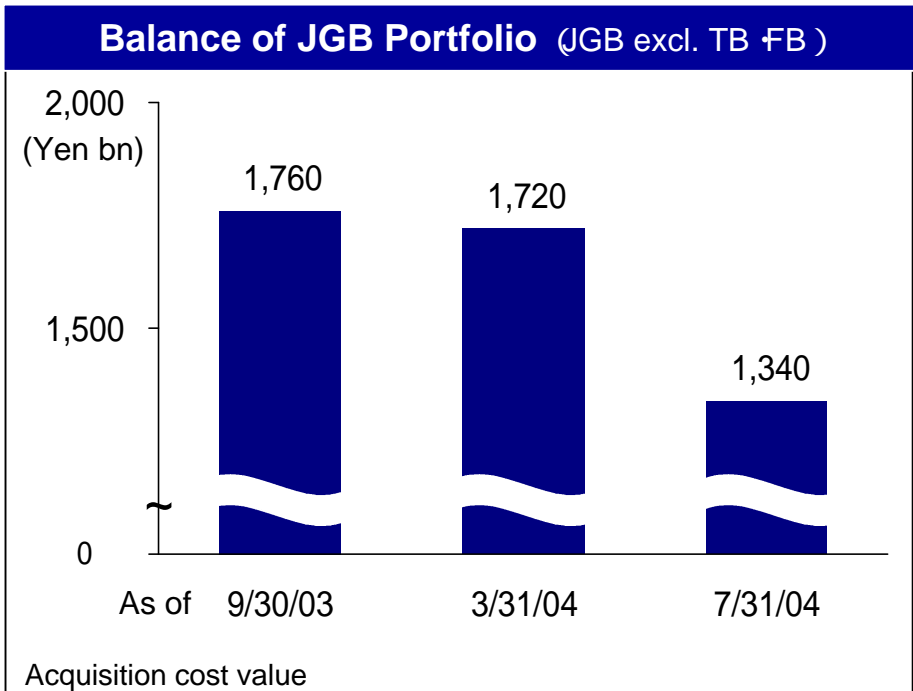


\*1 3/02, 3/04 and 3/05 figures are acquisition cost base. 3/03 figure is book value base, due to net unrealized losses

# Bond Portfolio

Execution of

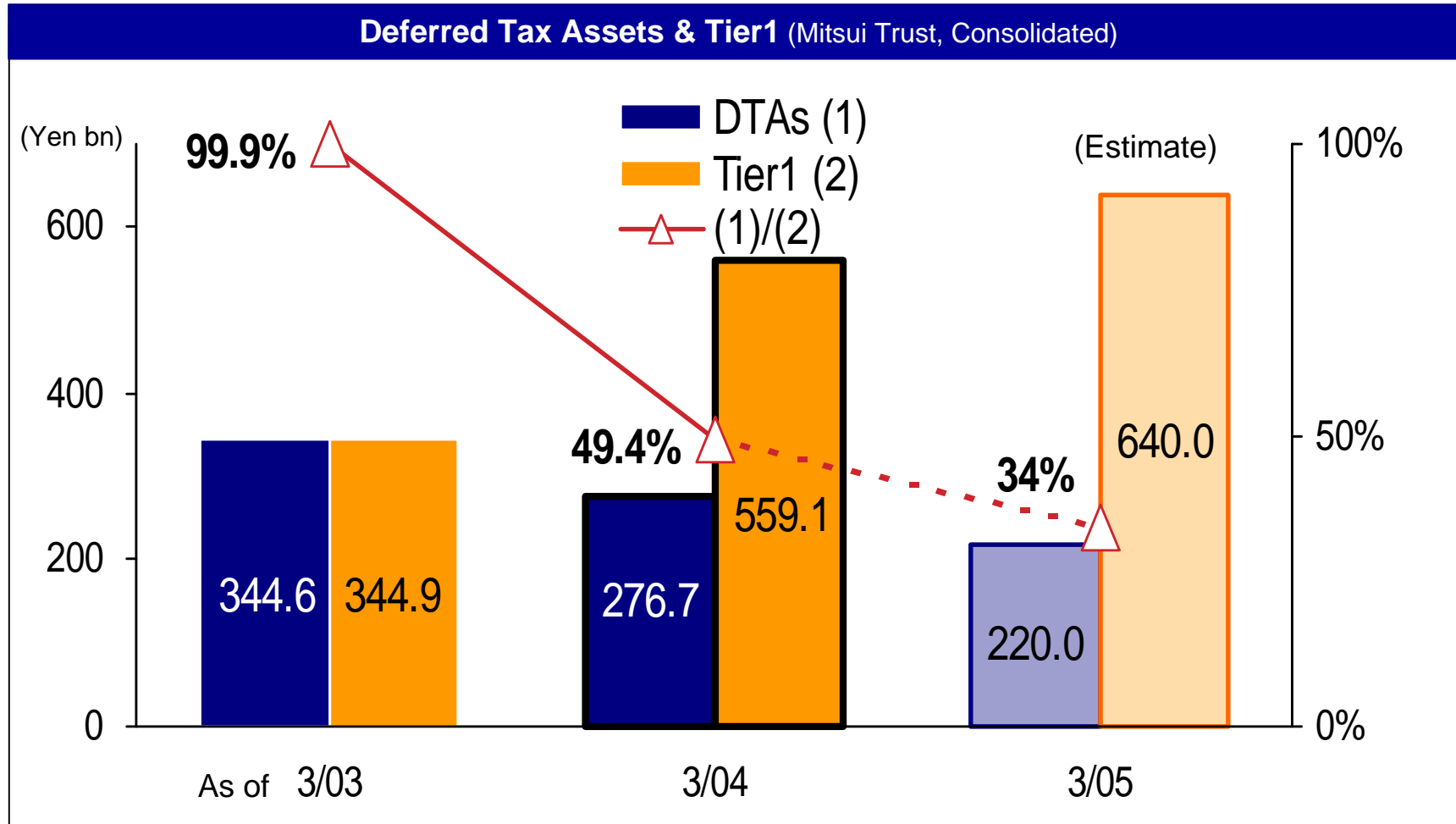
1. Reduction of balance of JGB portfolio
2. Reduction of risk quantity to avoid risk of yen interest rate rise



# Reduction of Deferred Tax Assets (DTAs)

FY3/04 Results: To half of Tier1

FY3/05 Estimate: To approx. one-third of Tier1





This material contains certain forward-looking statements. These statements are not guarantees of future performance, and involve risks and uncertainties. Actual results may differ from these forward-looking statements contained in the present material, due to various factors, including, but not limited, to changes in overall economic conditions.