

The 9th Japanese Financial Service Conference

# Mitsui Trust Financial Group Management Strategies

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September 12, 2007

**Mitsui Trust Holdings, Inc.**

# Agenda

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<b>. Overview of the Mitsui Trust Financial Group</b>	<b>2</b>
<b>. Investment Trust &amp; Annuity Insurance related Business</b>	<b>10</b>
<b>. Real Estate related Business</b>	<b>14</b>
<b>. Asset Management Business</b>	<b>17</b>
<b>. Lending Business</b>	<b>20</b>
<b>. Solid Financial Base</b>	<b>25</b>

## **. Overview of the Mitsui Trust Financial Group**

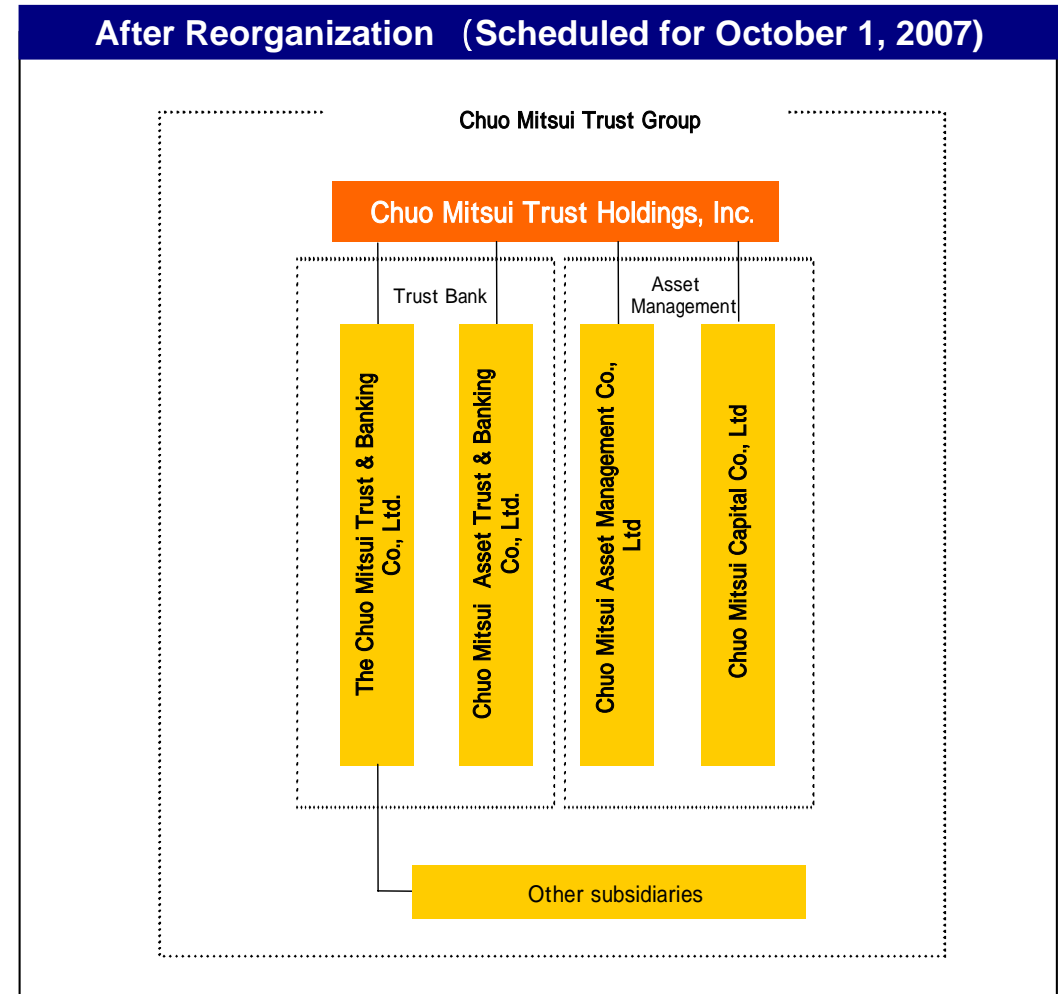
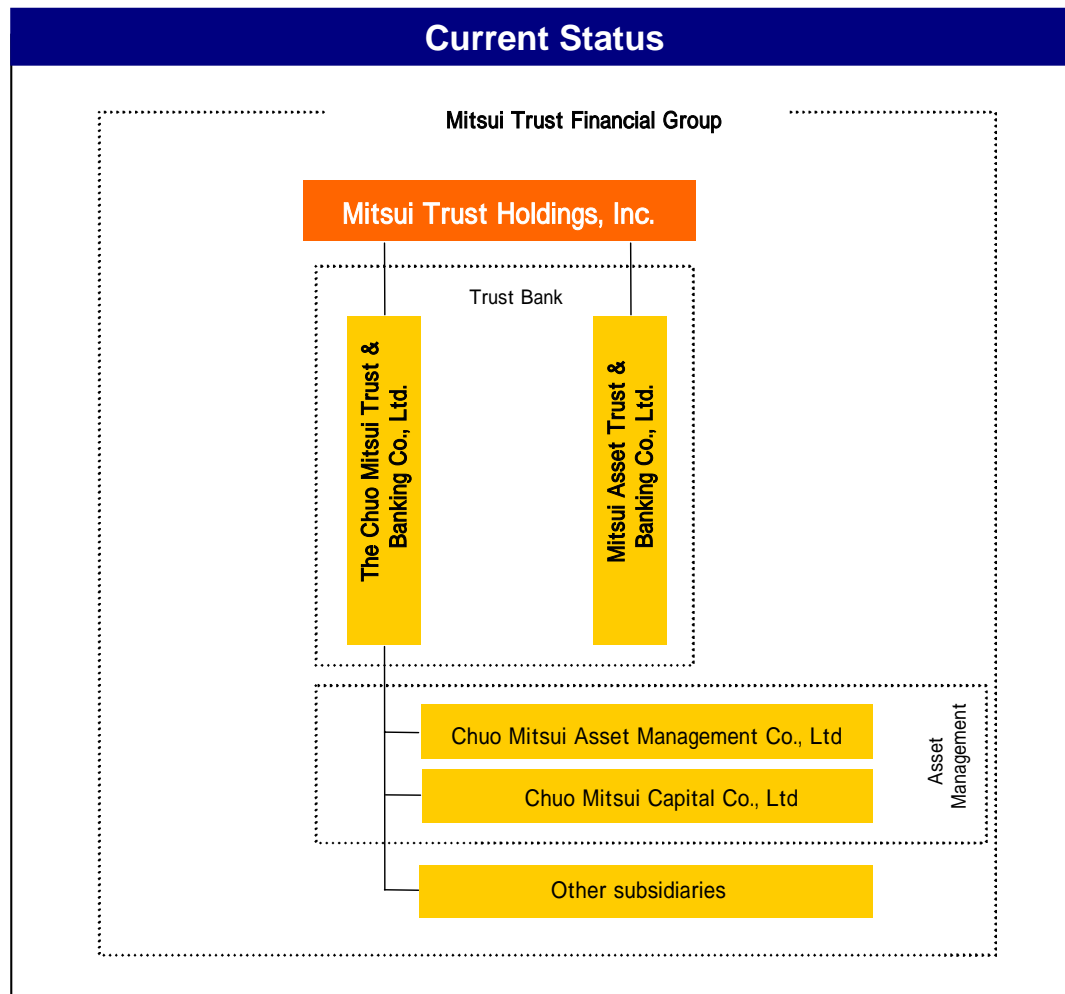
- **Reorganization within the Group and Strengthening of the Group's Brand Awareness**
- **Management Direction**
- **Recomposition of Our Revenue Structure**
- **Expenses**
- **Profitability and Efficiency**
- **Financial Summary**

# Reorganization within the Group and Strengthening of the Group's Brand Awareness

## ■ Reorganization within the Group ( Chuo Mitsui Asset Management Co., Ltd. & Chuo Mitsui Capital Co., Ltd.)

-Convert into direct wholly-owned subsidiaries to develop strategic business operations and to bolster the Group's internal control system

## ■ Unify our Group brand into "Chuo Mitsui" to strengthen our brand awareness



## *Mitsui Trust Financial Group*

### *Management Actions*

**Enhancement  
of  
Profitability**

**Further  
promotion of  
recomposition  
of revenue  
structure**

**Concentration on high  
margin & high growth  
business segments  
within strategic business**

**Expansion of overall  
investment in  
management resources**

**Increasing  
revenues**

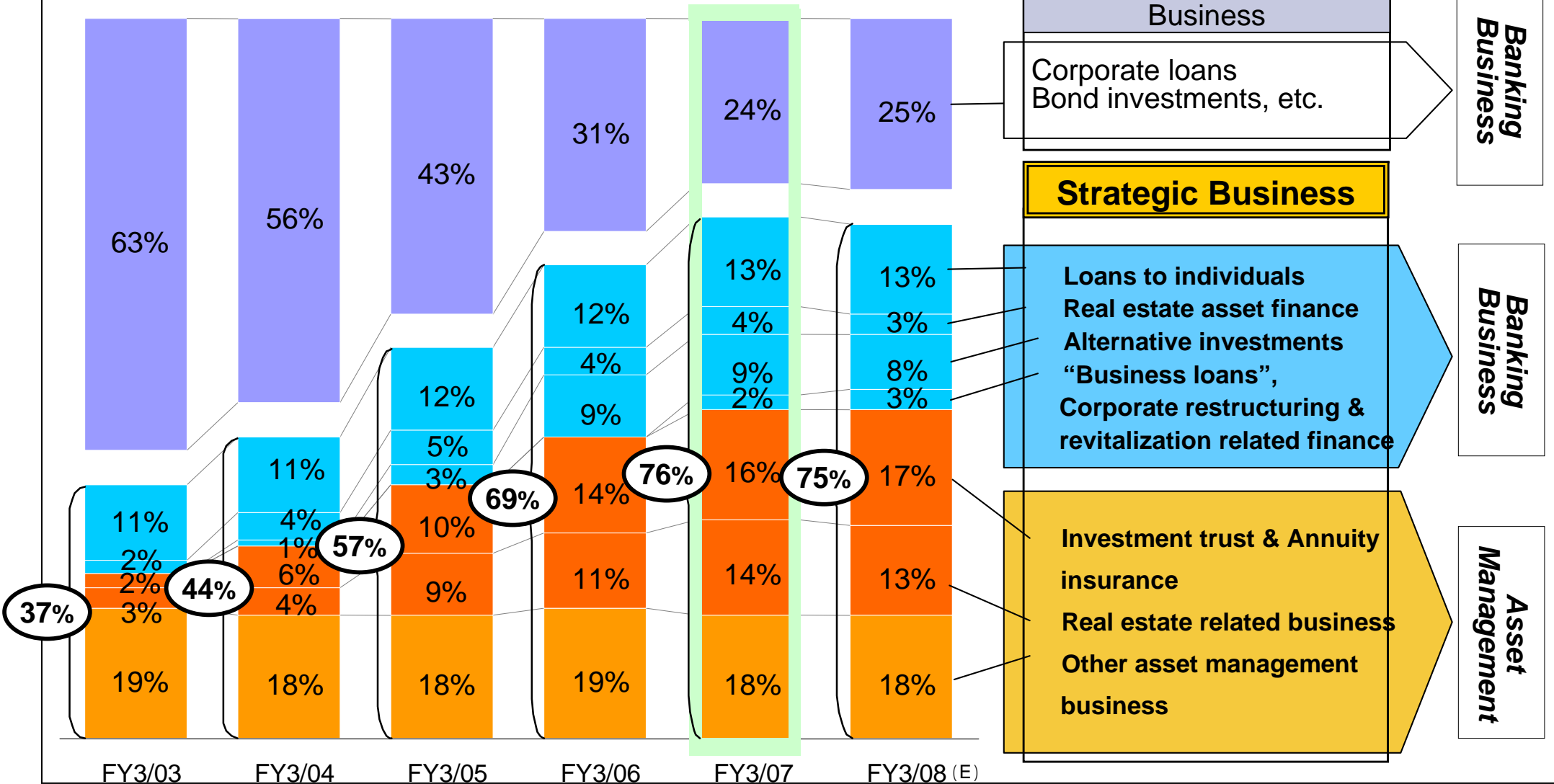
**Strengthening  
of  
Balance Sheet**

**Maintenance and improvement of sound financial base**

# Recomposition of Revenue Structure

## Recomposition of Revenue Structure

Composition of gross operating profit (CMTB+MATB, non-consolidated)

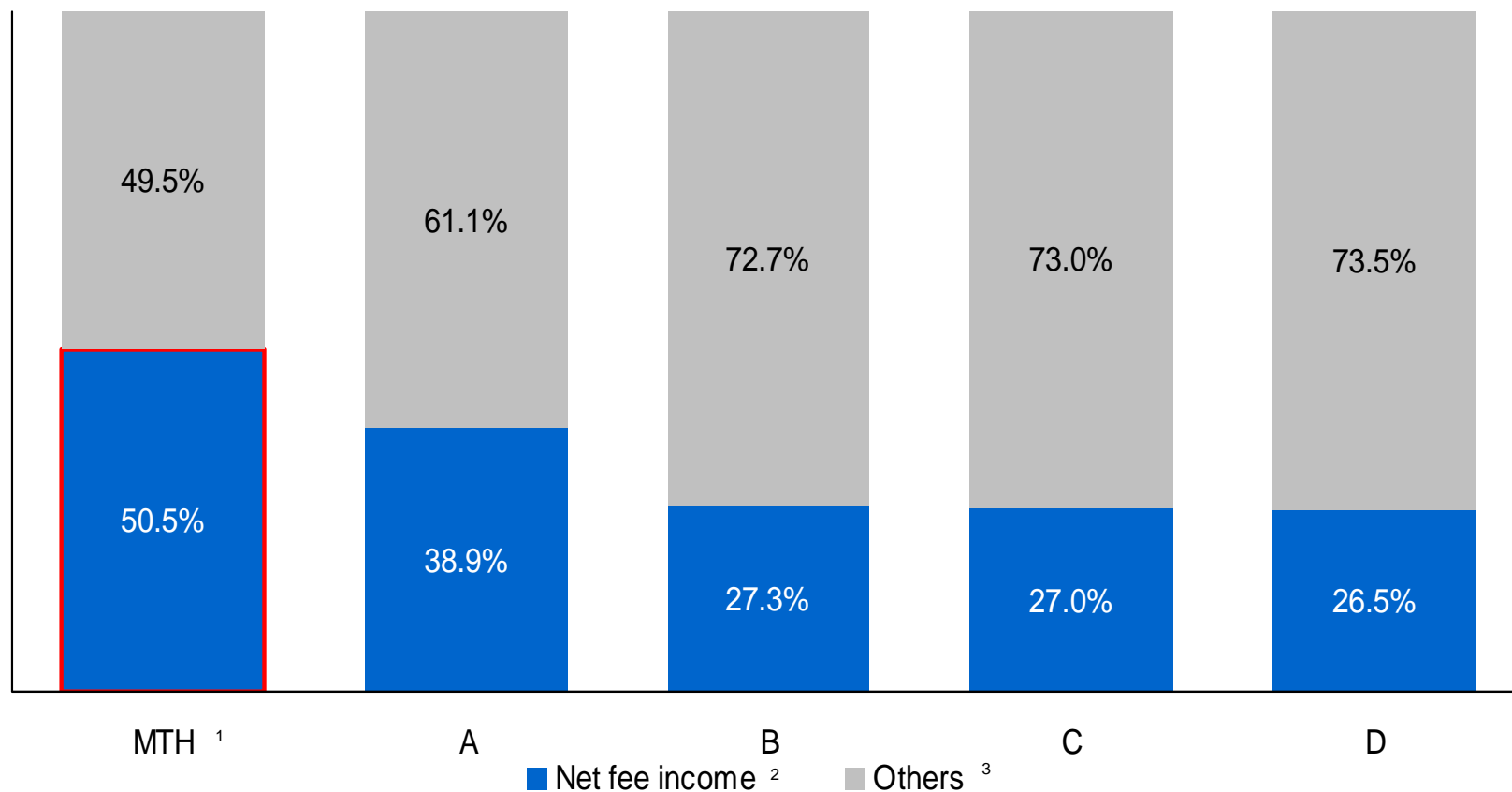


# Recomposition of Revenue Structure ~ Various sources

Successful recomposition of revenue focusing on high growth-potential strategic businesses in recent years. Top amongst Japan's major bank groups in net fee income contribution

## Net Fee Income as % of Gross Operating Profit among Major Japanese Bank Groups

FY3/07, Combined non-consolidated operating bank basis



Notes:

1 Combined non-consolidated basis for CMTB and MATB

2 Sum of net fees and commissions income and trust fees excluding loan trust and JOMTs divided by gross operating profit before trust account credit costs

3 Sum of net interest income, loan trust fees, JOMTs fees, net trading income, and net other operating income divided by gross operating profit before trust account credit costs

Source: Publicly available company data

# Expenses

## Operating Expenses (CMTB+MATB, non-consolidated)

### Strategy

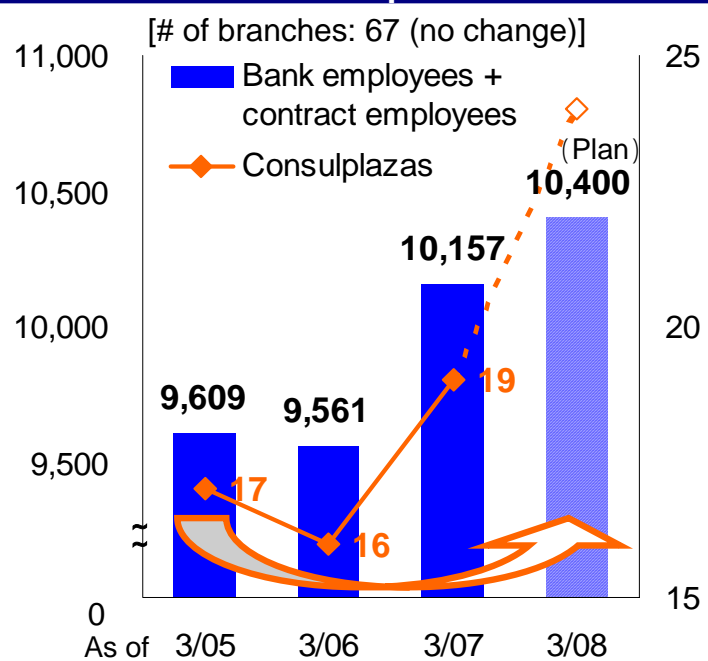
Operating Expenses  
Personnel

Proactive increase of operating expenses for  
high margin & high growth business segments

OHR

Thorough low-cost operation to maintain current efficiency level

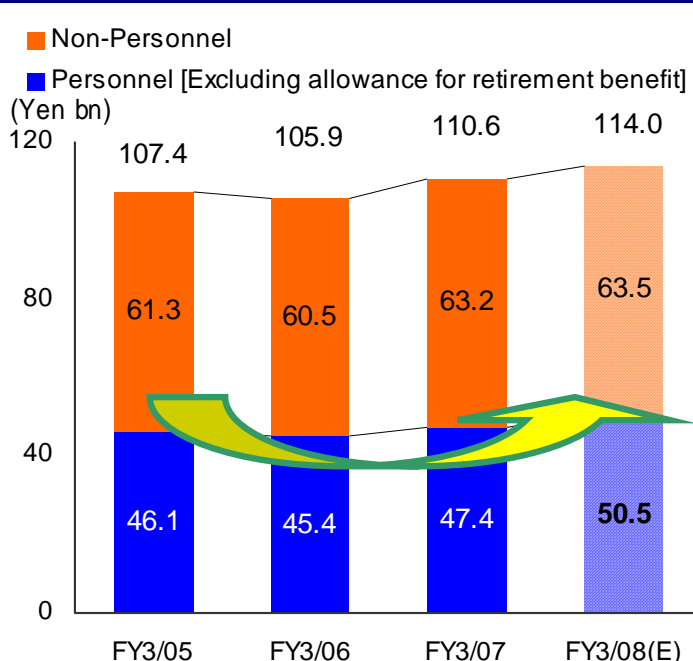
### # of Group total employees & # of Consulplazas \*



\*in-store mini branch

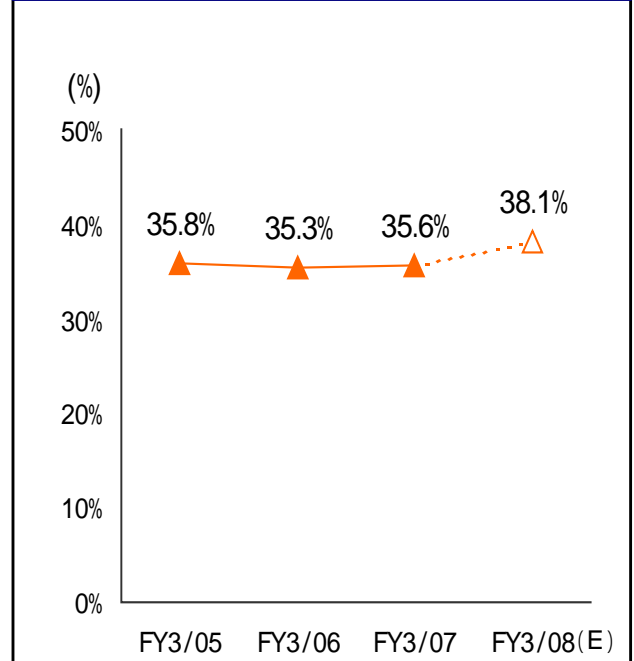
Mitsui Trust Holdings, Inc.

### YoY Comparison of Strategic Expenses \* (CMTB+MATB, non-consolidated)



\* Personnel [excluding allowance for retirement benefit] + Non-Personnel

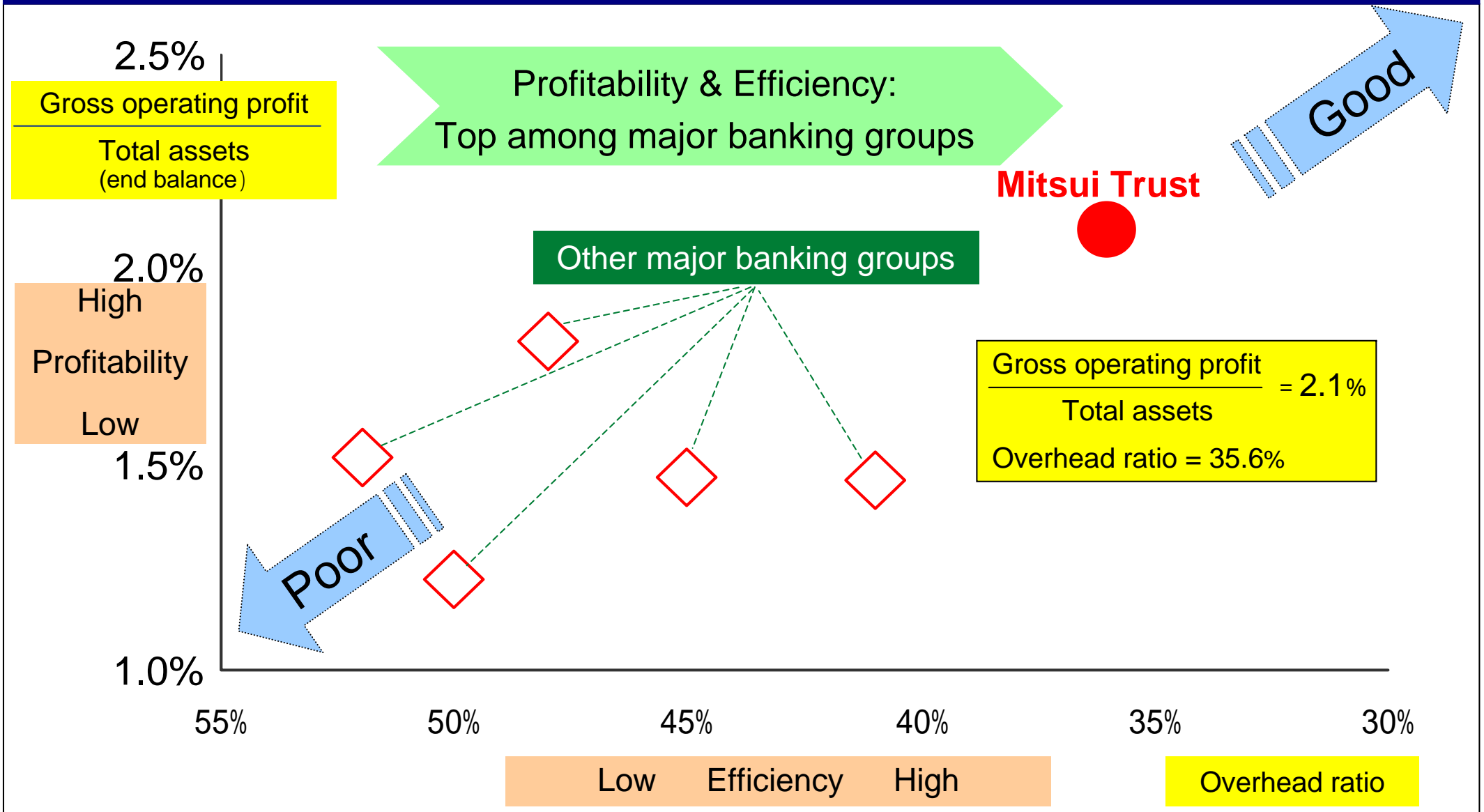
### Over Head Ratio (CMTB+MATB, non-consolidated)





# Profitability and Efficiency

Profitability & Efficiency: FY3/07 Comparison of Major Banking Groups



# Financial Summary

Gross operating profit and pre-provision profit on continuing growth trend, excluding effect of securitization of housing loans in FY3/06

Operating Results FY3/07 (CMTB + MATB, non-consolidated)					
(JPY bn)	a	b	Increase/ Decrease	d	Increase/ Decrease
	FY3/06	FY3/07	%	Outlook FY3/08	%
CMTB+MATB, non-consolidated					
Combined totals					
Gross operating profit <sup>1</sup>	283.3	275.3	(3)%	291.0	6%
Of which housing loan securitization profit	16.2			-	
Operating expenses <sup>2</sup>	100.2	98.2	(2)%	111.0	13%
Pre-provision profit <sup>3</sup>	183.0	177.0	(3)%	180.0	2%
Credit Costs	65.6	29.7		20.0	
Net stock related profit	26.5	8.6		-	
Net other profit	(18.7)	(1.8)		(10.0)	
Recurring profit	125.2	154.1	23%	150.0	(3)%
Extraordinary Profit	1.7	18.1		-	
Of which gain on partial withdrawal of employee retirement benefit trust	-	15.8		-	
Deferred income taxes	0.1	43.3		47.5	
Net income	118.2	118.4	0%	90.0	(24)%
MTH, Consolidated					
Recurring profit	138.3	159.9	16%	155.0	(3)%
Net income	119.6	112.7	(6)%	85.0	(25)%

Notes:

- 1 Before trust account credit costs
- 2 Excluding extraordinary items
- 3 Before trust account credit costs and provision (reversal) of general allowance for possible loan losses

Gross Operating Profit by Business Activity <sup>1</sup> (CMTB + MATB, non-consolidated)					
(JPY bn)	a	b	Increase/ Decrease	d	Increase/ Decrease
	FY3/06	Actual FY3/07	%	Outlook FY3/08	%
CMTB+MATB, non-consolidated					
<b>Asset management business</b>	<b>125.9</b>	<b>132.8</b>	<b>5%</b>	<b>141.0</b>	<b>6%</b>
Investment trust & Annuity insurance related	40.5	43.0	6%	50.5	17%
Of which investment trust related <sup>2</sup>	18.3	30.0	64%	36.5	22%
Real estate related	30.3	38.7	28%	40.0	3%
Pension <sup>3</sup>	24.5	26.1	7%	28.5	9%
Stock transfer agency	16.7	14.5	(13)%	14.5	0%
<b>Banking business</b>	<b>157.4</b>	<b>142.5</b>	<b>(9)%</b>	<b>150.0</b>	<b>5%</b>
Corporate loans, Bond investments, etc.	70.7	65.8	(7)%	71.0	8%
Loans to individuals	33.8	37.0	9%	39.0	5%
Real estate asset finance	11.5	9.6	(17)%	8.0	(17)%
Alternative investments	24.5	25.3	3%	23.5	(7)%
Business loans and Corporate restructuring & revitalization related finance	0.6	4.8	700%	8.5	77%
Housing loan securitization profit	16.2	-	-	-	-
<b>Gross operating profit</b>	<b>283.3</b>	<b>275.3</b>	<b>(3)%</b>	<b>291.0</b>	<b>6%</b>

Notes:

- 1 Managerial accounting-based
- 2 Includes fees related to sales, administration and management of investment trusts
- 3 Managerial accounting basis changed as of April 2007. Figures as of FY3/06 and FY3/07 above are classified on the new basis for comparison purpose

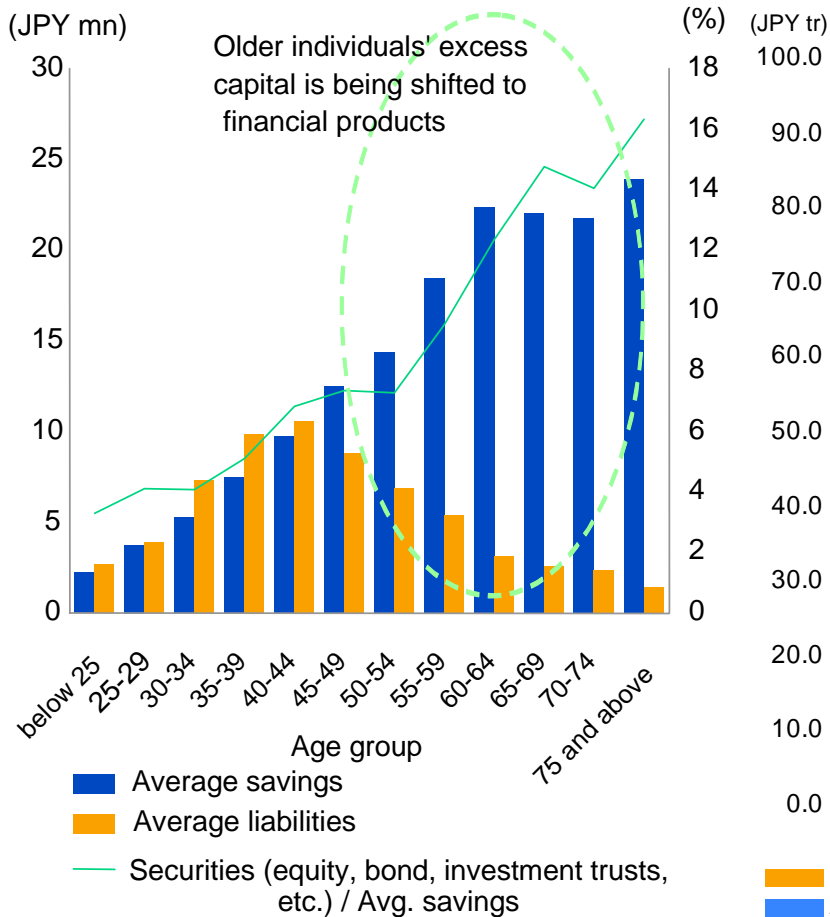
## **. Investment Trust and Annuity Insurance related Business**

- **Macro Fundamentals of Financial Assets of Japanese Individuals**
- **Sales of Investment Trust and Annuity Insurance**
- **Group's approach to Investment Trust and Annuity Insurance Markets**

# Macro Fundamentals of Financial Assets of Japanese Individuals

## Increasing trend in the flow of individual assets from savings to investment

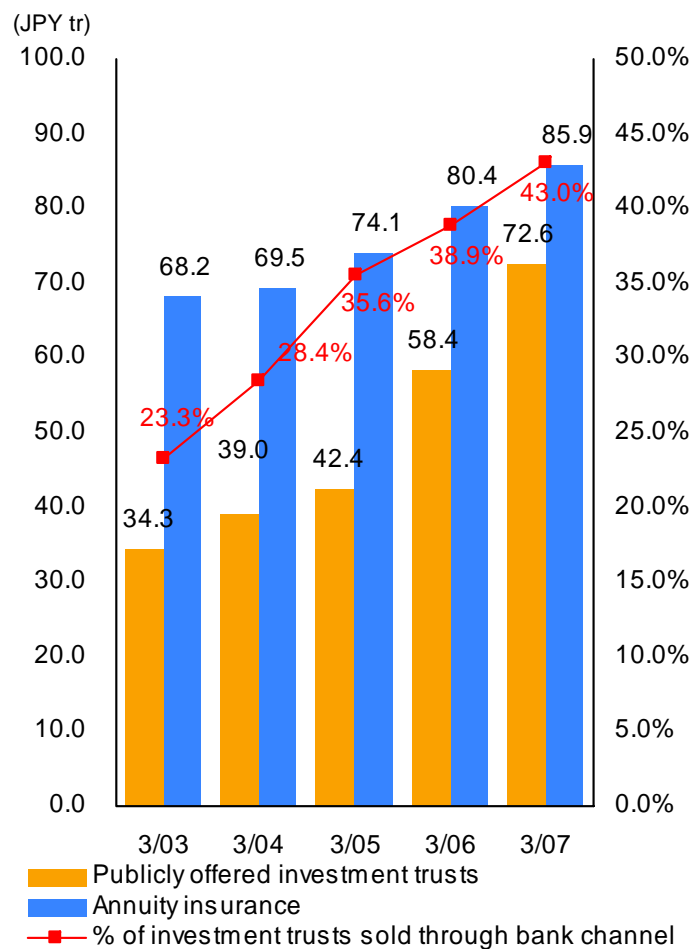
**Average Savings, Liabilities and Percentage of Securities to Average Savings per Household<sup>1</sup>**



Source: National Survey of Family Income and Expenditure (FY 2004) from the Statistics Bureau (Ministry of Internal Affairs and Communications)

Note: 1 Households with 2 or more people

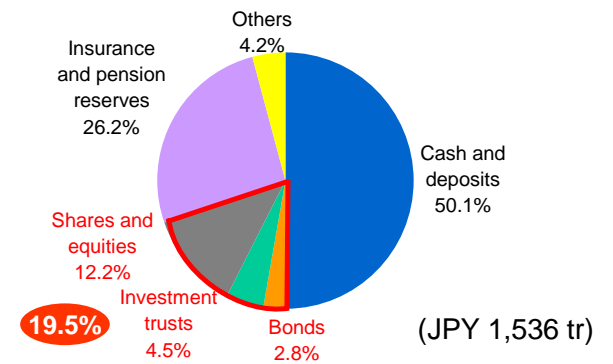
**Growth Trend in the Balance of Investment Trusts and Annuity Insurance**



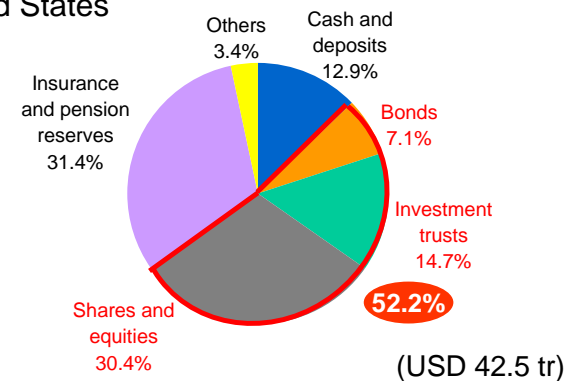
Sources: The Investment Trusts Association, The Life Insurance Association of Japan

**Composition of Financial Assets of Individuals in Japan and the United States**

### Japan



### United States

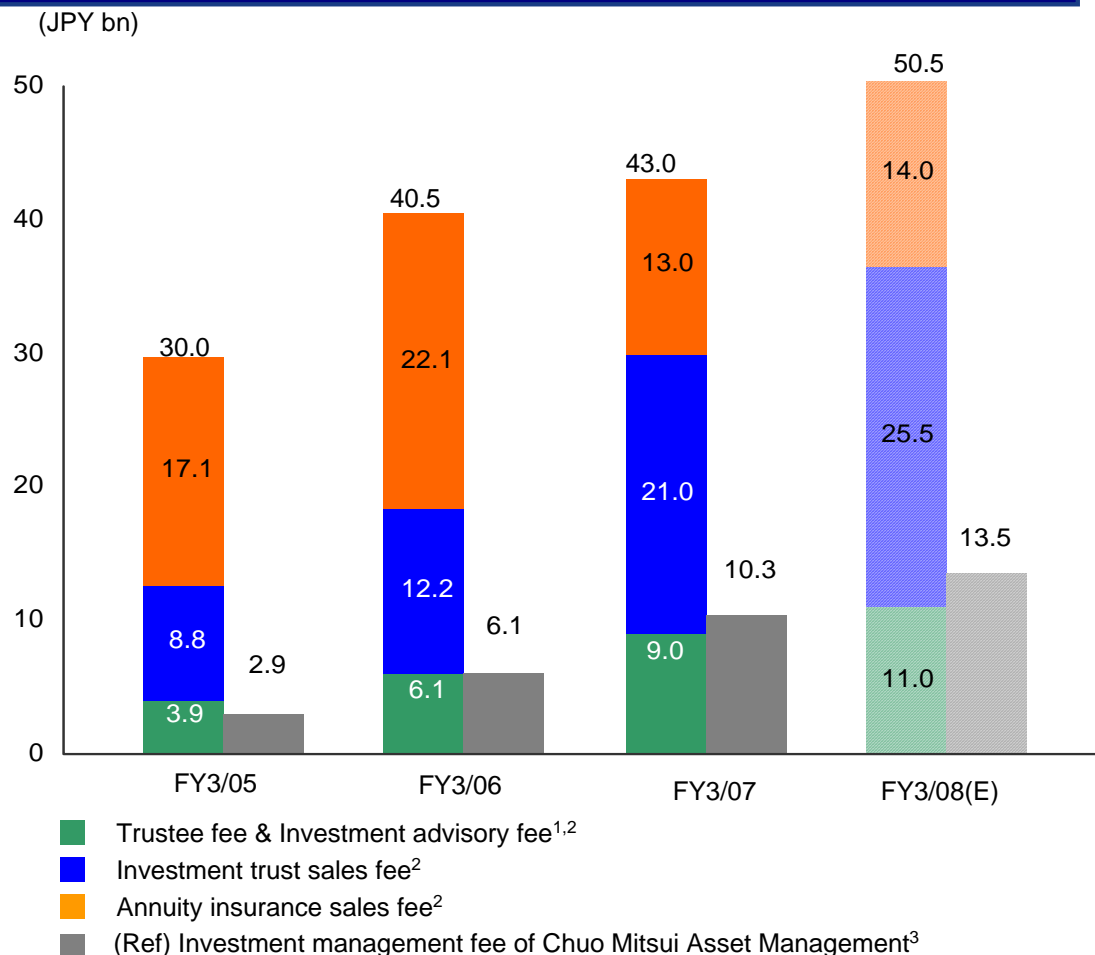


Source: Flow of Funds from the Bank of Japan (3/07)

# Sales of Investment Trust and Annuity Insurance

Focus on distribution of products in growing markets. Aim to steadily increase revenue from investment advisory fees and investment management fees

## Investment Trust and Annuity Insurance-Related Revenue <sup>2</sup>

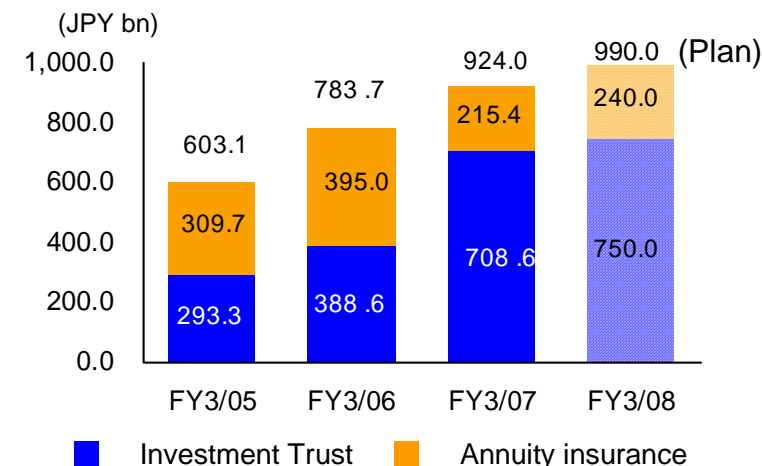


Notes:

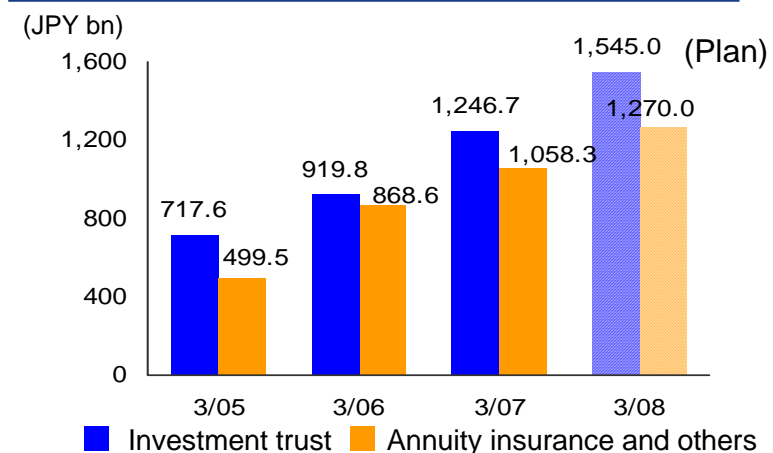
1 Including investment management fee from Chuo Mitsui Asset Management as follows: FY3/05: JPY0.7bn, FY3/06: JPY1.9bn, FY3/07: JPY3.4bn

2 CMTB + MATB (non-consolidated)    3 CMAM (non-consolidated)

## Annual Sales of Investment Trust and Annuity Insurance (CMTB, non-consolidated)



## Investment Trust and Annuity Insurance Balance (CMTB, non-consolidated)



# Group's Approach to Investment Trust and Annuity Insurance Markets

Expansion of investment trust and annuity insurance markets positively affecting all aspects of sales, administration, and management contributing to each group member company's earnings

 Chuo Mitsui Trust and Banking

Revenue composed of both flow-based sales commission and stock-based agent commission

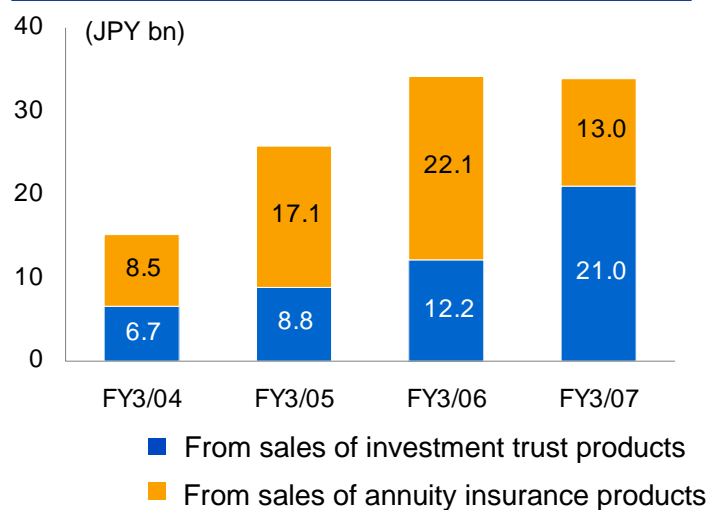
 Mitsui Asset Trust and Banking Company, Limited

Increase in stock-based trust fee, in proportion to increase in aggregate balance

 CMAM  
Chuo Mitsui Asset Management

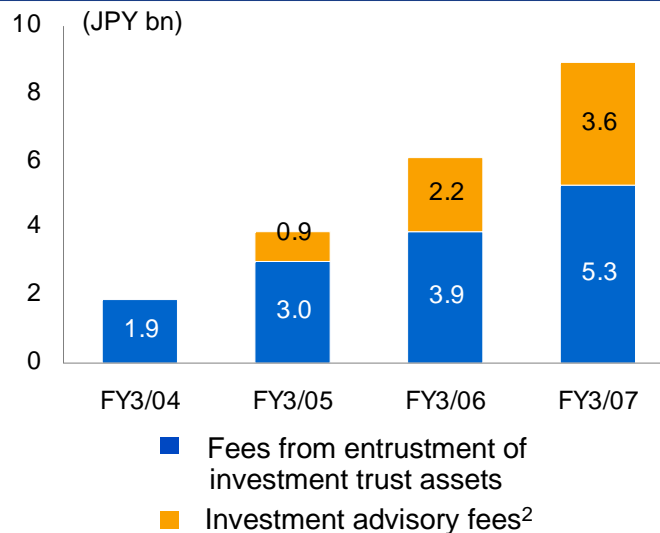
Increase in portfolio balance and revenue from closer collaboration between Chuo Mitsui Trust and Mitsui Asset Trust

Investment trust and annuity insurance sales fees and commissions<sup>1</sup>  
(CMTB, non-consolidated)



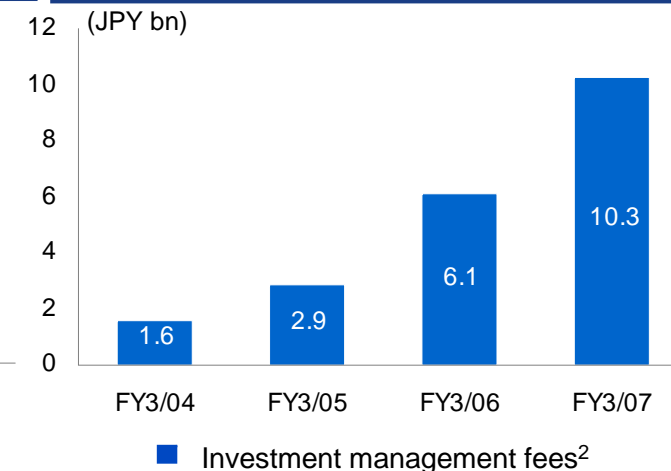
Note:  
1 Managerial accounting-based

Investment advisory fees<sup>1</sup> and fees from entrustment of investment trust assets<sup>1</sup>  
(MATB, non-consolidated)



Notes:  
1 Managerial accounting-based  
2 Largely made up of amount received from CMAM

Investment management fees<sup>1</sup>, etc.  
(CMAM, non-consolidated)



Notes:  
1 Managerial accounting-based  
2 Includes investment advisory fees paid to MATB

# Agenda

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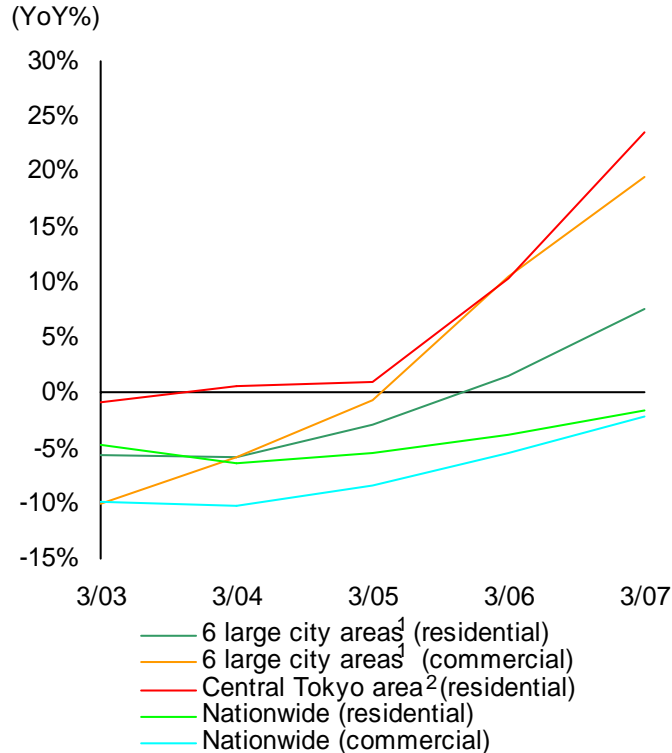
## **. Real Estate related Business**

- **Macro Fundamentals of the Japanese Real Estate Market**
- **Real Estate-related Operations**

# Macro Fundamentals of the Japanese Real Estate Market

## Transaction volume expected to increase in the Japanese real estate market

### Real Estate Prices



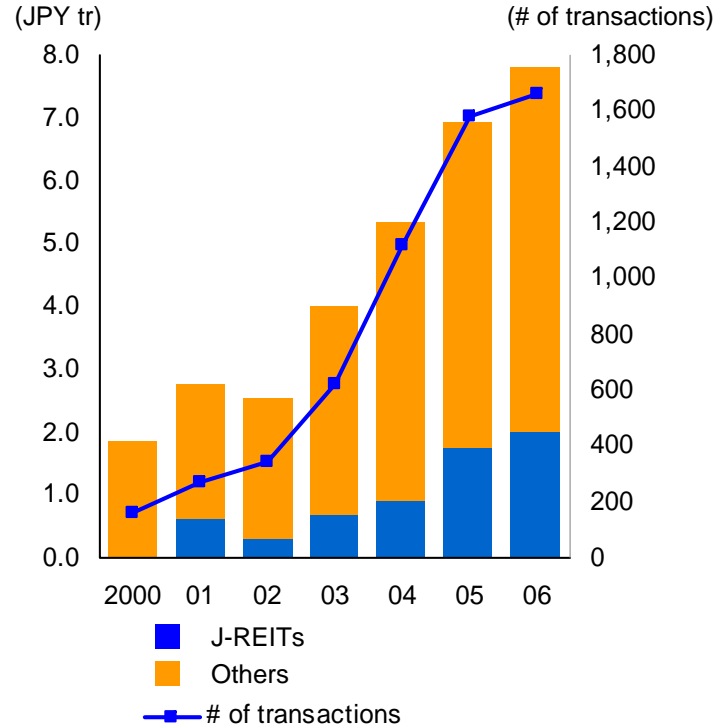
Source: *Urban Land Price Index* from Japan Real Estate Institute, *Land-price Trends* from Ministry of Land, Infrastructure and Transport

Notes:

- 1 23 Tokyo wards, Yokohama, Nagoya, Kyoto, Osaka, and Kobe
- 2 Chuo-ku, Chiyoda-ku and Minato-ku

- ◆ Positive YoY growth for housing and business real estate in the 6 large city areas
- ◆ Appreciation rate for prices has increased in the Central Tokyo area

### Real Estate Securitization Market

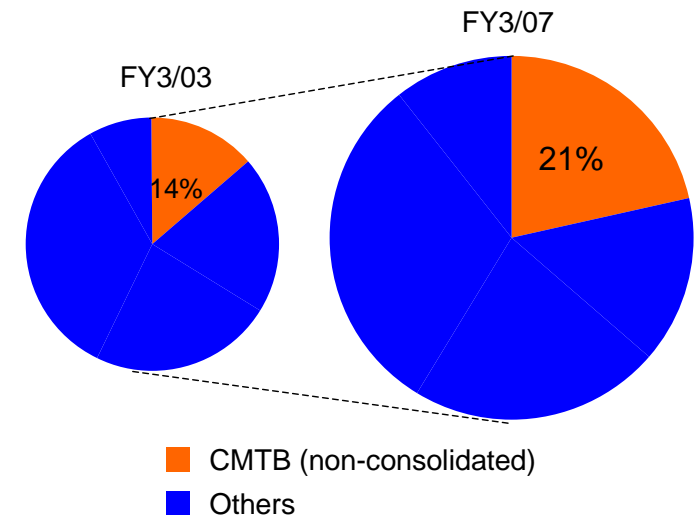


Source: *Survey of Real Estate Securitization (FY06)* from the Ministry of Land, Infrastructure and Transport

- ◆ Real estate securitization market has been expanding rapidly given the development of real estate funds and J-REITs

### Share of Real Estate Related Revenue of Japanese Trust Banks<sup>1</sup>

- Real estate revenues among Japanese trust banks have increased in part as a result of the growing real estate market
- MTH continues to expand its market share



Source: Company data

Notes:

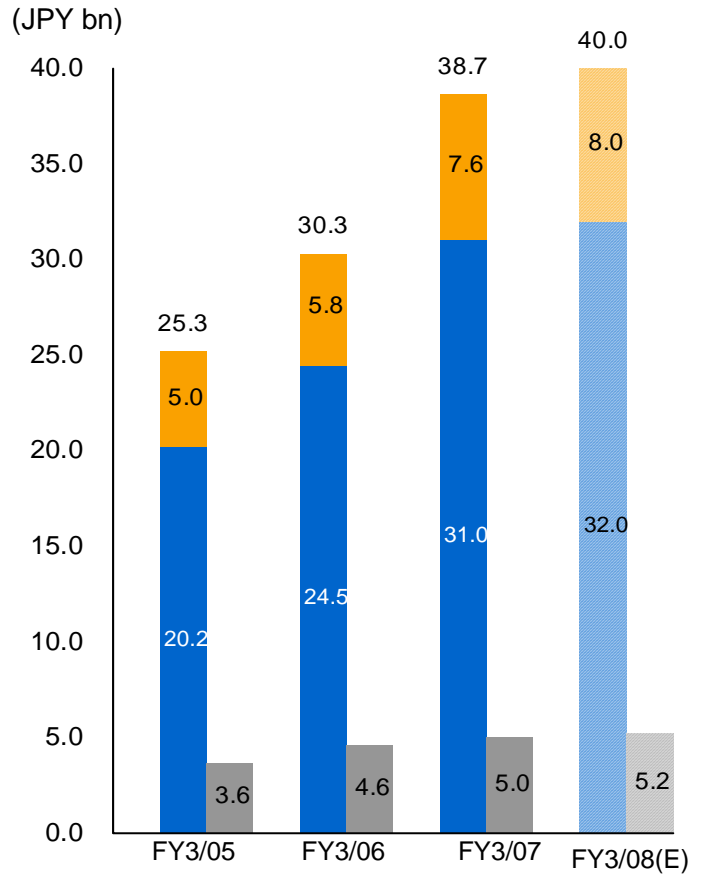
- 1 Based on the aggregate of real estate related revenue of Japanese trust banks



# Real Estate-related Operations

Steady growth in real estate earnings supported by growing number of real estate transactions and increase in liquidity

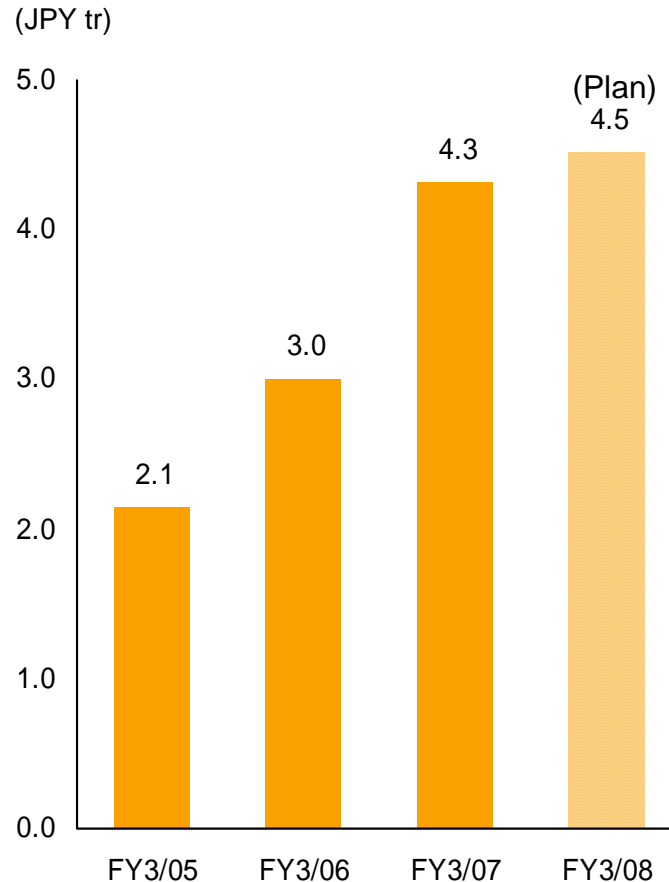
**Real Estate Related Income<sup>1</sup> (CMTB and Chuo Mitsui Realty, non-consolidated)**



- Real estate brokerage fees
- Real estate trust fees
- (Ref) Real estate brokerage fees (Chuo Mitsui Realty)

Notes:  
1 Managerial accounting-based

**Balance of Securitized Real Estate (CMTB, non-consolidated)**



**Strong Relationship with Funds**

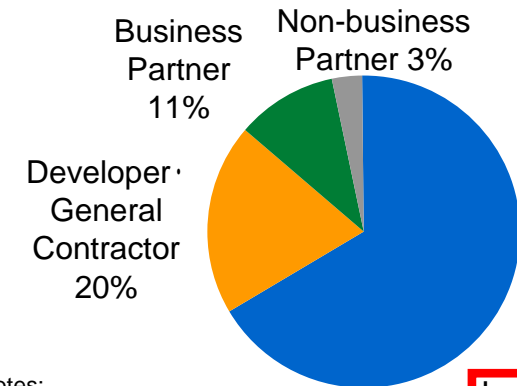
- Allocated larger resources to increase revenue

- Specialized business units established to meet increasing investor demands



Number of employees dedicated to real estate unit  
 325 (3/05) **+24%** 406 (3/07)

**Track Record for Transactions through Relations with Fund Related Players<sup>1,2</sup> (3/07)**



Notes:  
 1 Percentages represent brokerage fees received by CMTB  
 2 CMTB, non-consolidated  
 3 Real estate funds, etc

**Investors<sup>3</sup>  
66%**

# Agenda

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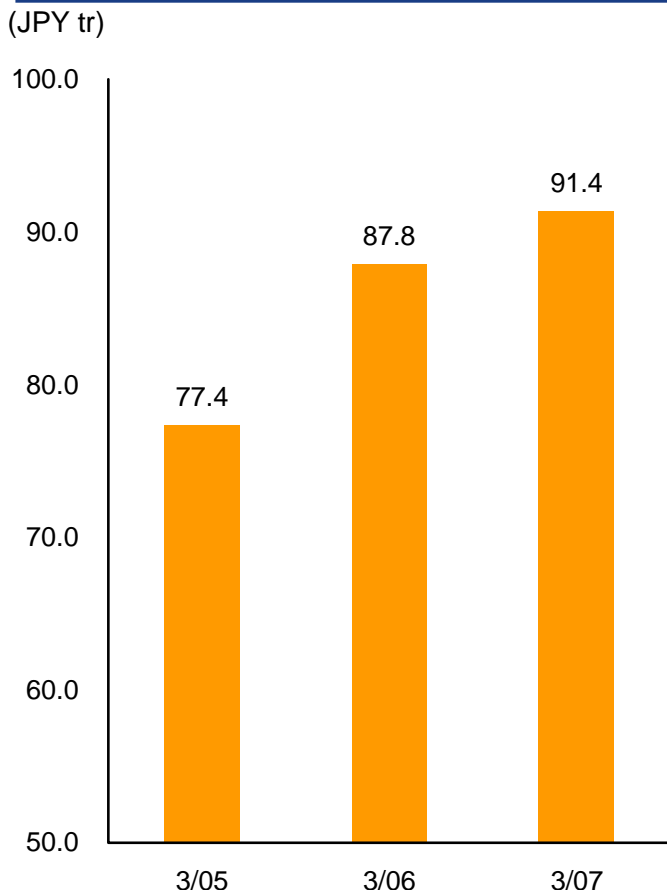
## **.Asset Management Business**

- **Pension Trusts**
- **Enhancement of Asset Management Capabilities**

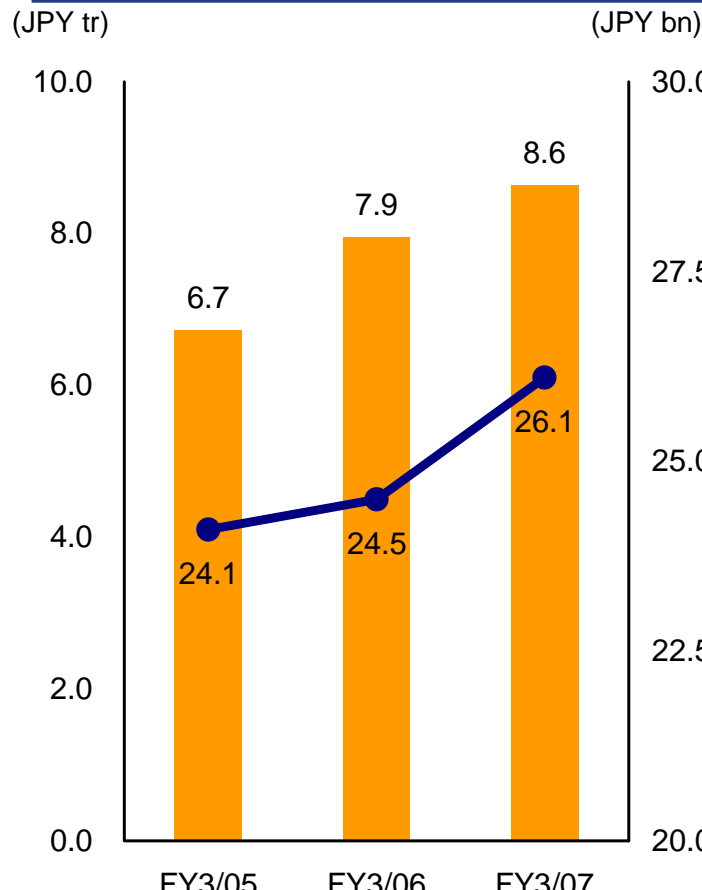
# Asset Management Business ~ Pension Trusts

Steady growth in earnings from stable increases in pension trust assets under management

**Corporate Pension Fund Market  
(Market value)<sup>1</sup>**



**Aggregate Balance<sup>1,2</sup> on Market Value Basis and  
Pension Trust Revenues (MATB, non-consolidated)**



**Expansion of Market Share**

• Highly Regarded Asset Management and Consulting Service



“Mercer MPA (Japan) Award”

- Awarded 4 consecutive years as domestic equity fund
- Awarded 2 consecutive years as domestic bond fund

• One of the Largest Asset Management Firms in Japan, MATB possesses Skill and Expertise

- Hire and retain high quality professionals
- Enhancement of training program for asset management and consulting skills

• Provide Value-Added Products

Provide value-added products such as real estate and private equity through collaboration with real estate consulting services of Chuo Mitsui Trust and Chuo Mitsui Capital

Source: The Life Insurance Association of Japan

Notes:  
1 Balance of life insurance companies, trust banks and the JA Group

Aggregate balance of pension trust (Left)  
Income from pension trust (Right)

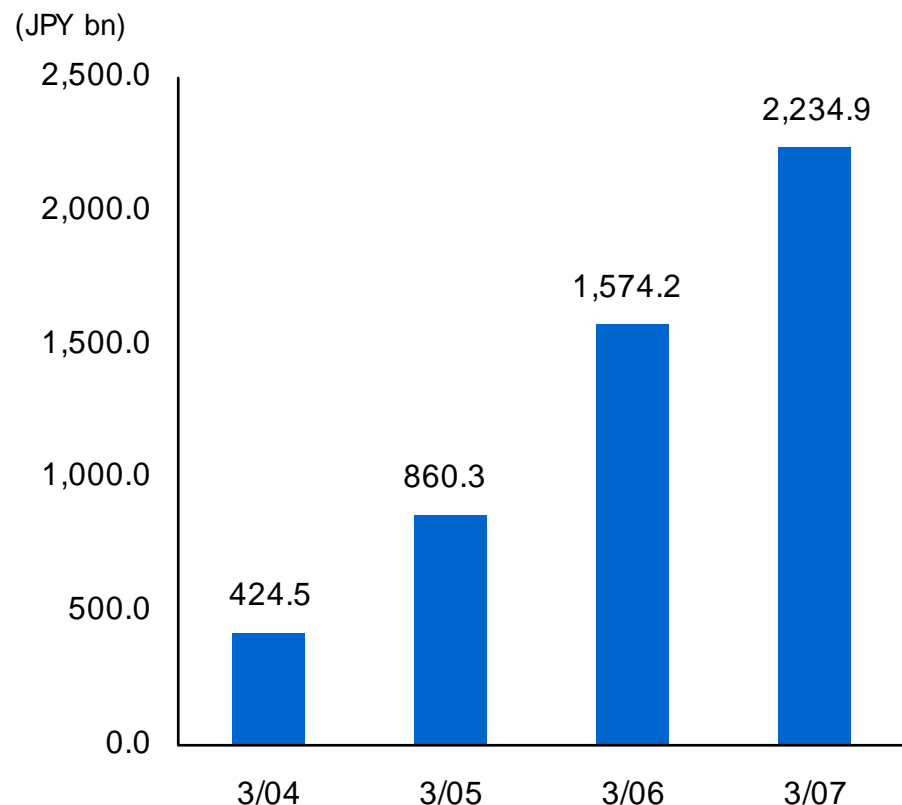
Notes:  
1 Managerial accounting-based  
2 After change of management accounting

# Enhancement of Asset Management Capabilities

Strengthen earnings of 2 strategic subsidiaries by implementing know-how developed within the group

**Chuo Mitsui Asset Management:  
Investment Trust Management Business (CMAM, non-consolidated)**

**Aggregate balance of Chuo Mitsui Asset Management<sup>1</sup>**

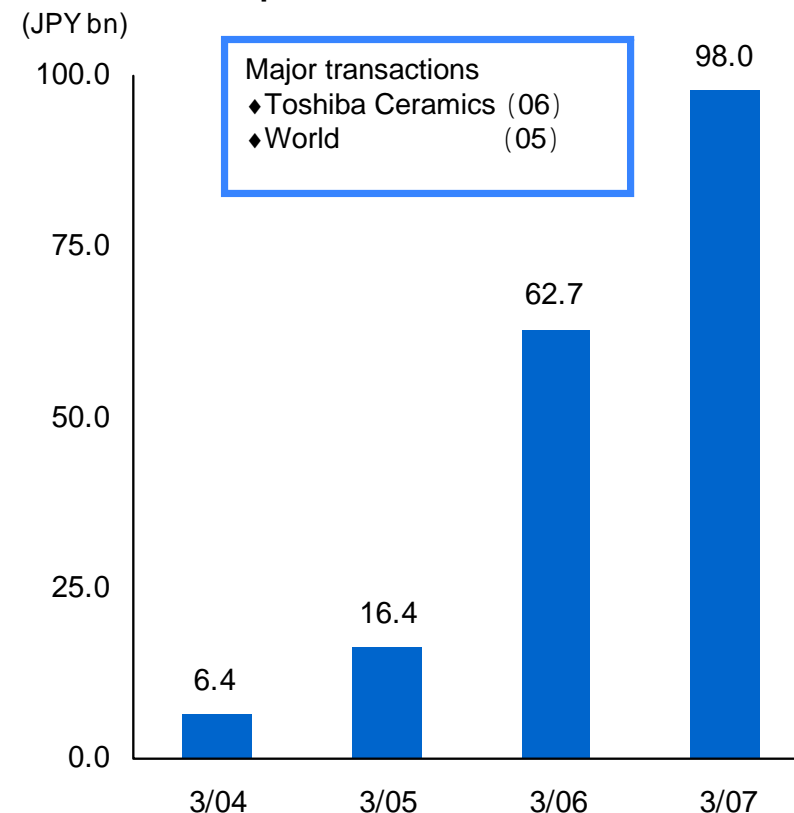


Note:

<sup>1</sup> Investment trust: market price basis  
Investment management: principal basis

**Chuo Mitsui Capital : Private Equity Business  
(CMTB, non-consolidated)**

**CMTB's balance of investments in funds managed by Chuo Mitsui Capital**



# Agenda

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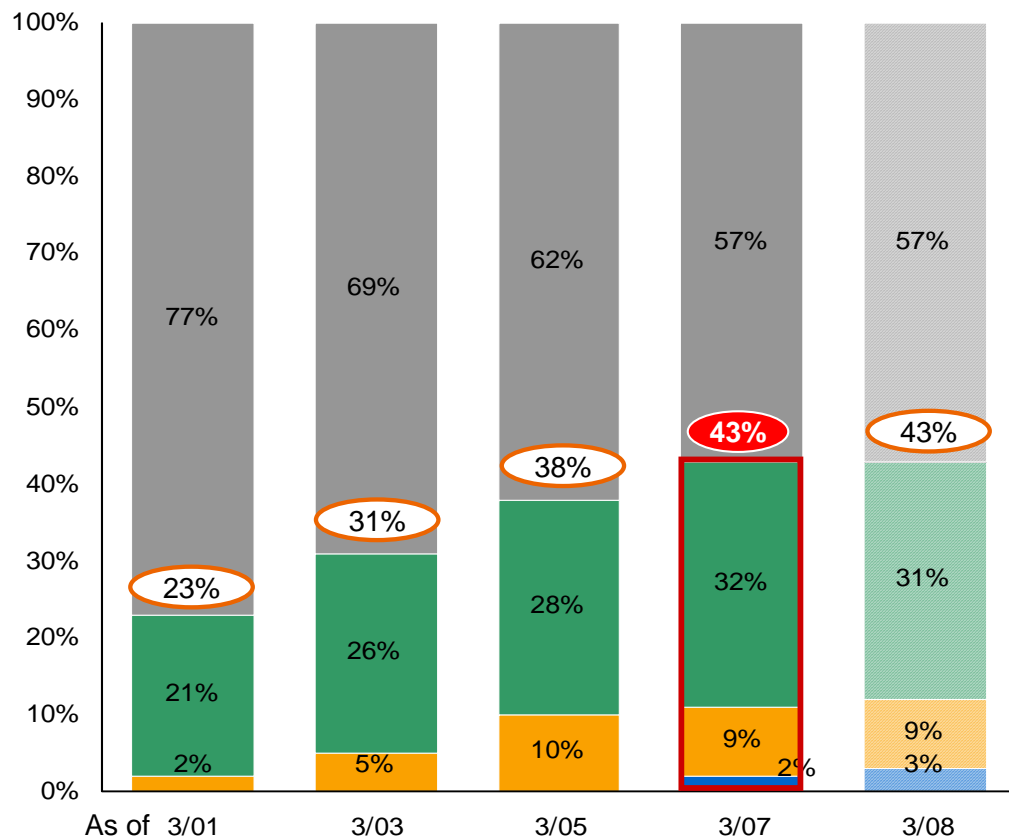
## **. Lending Business**

- **Loan Portfolio and Lending Margin**
- **Loans to Individuals**
- **Real Estate Asset Finance**
- **“Business Loans”**

# Lending Business ~ Loan Portfolio and Lending Margin

Building a profitable loan portfolio. Net yield and net interest margin has turned around in the second half of FY2006

Loan Portfolio Composition<sup>1, 2, 3</sup> (CMTB, non-consolidated)

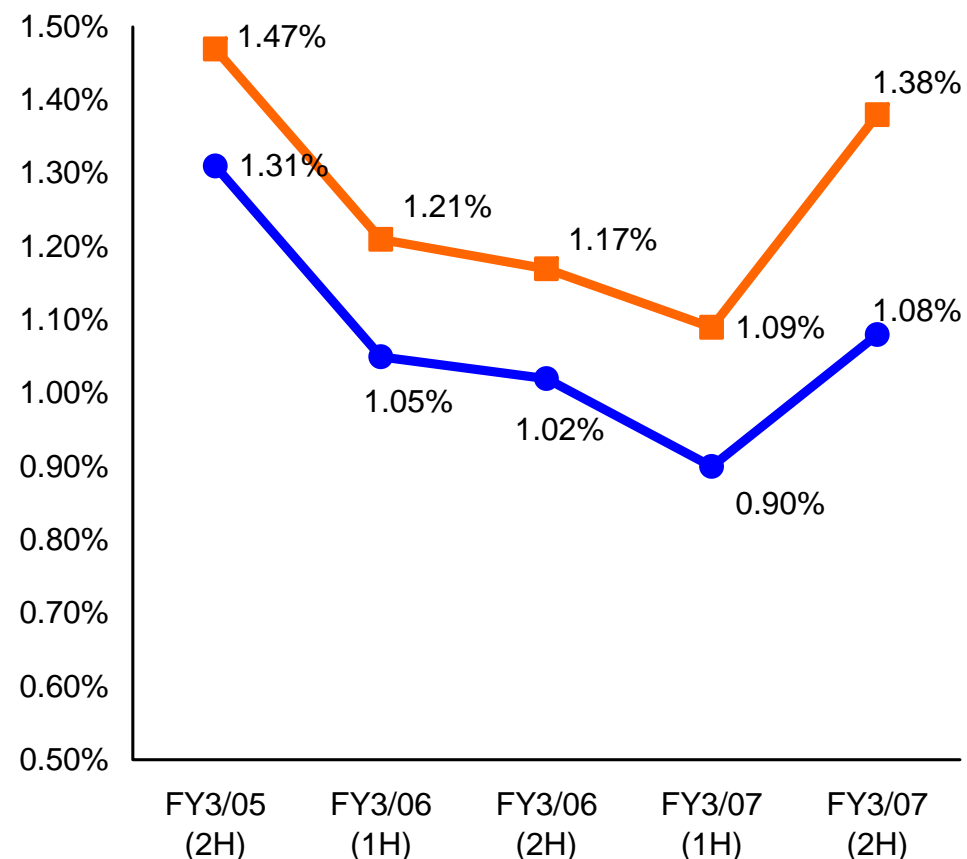


■ Loans to traditional corporate borrowers    ■ Loans to individuals  
■ Real estate non-recourse loans  
■ "Business loans", loans in the restructuring and revitalization business

Notes:

- 1 Managerial accounting-based
- 2 After securitization of housing loans and real estate non-recourse loans
- 3 Excluding Japan offshore market accounts

Net Yield and Net Interest Margin<sup>1</sup> (CMTB, non-consolidated)



—■— Net yield on loans and bills discounted    —●— Net interest margin

Note:

- 1 Calculated based on the banking account (domestic funds) + Loan Trusts + JOMTs

# Lending Business ~ Loans to Individuals

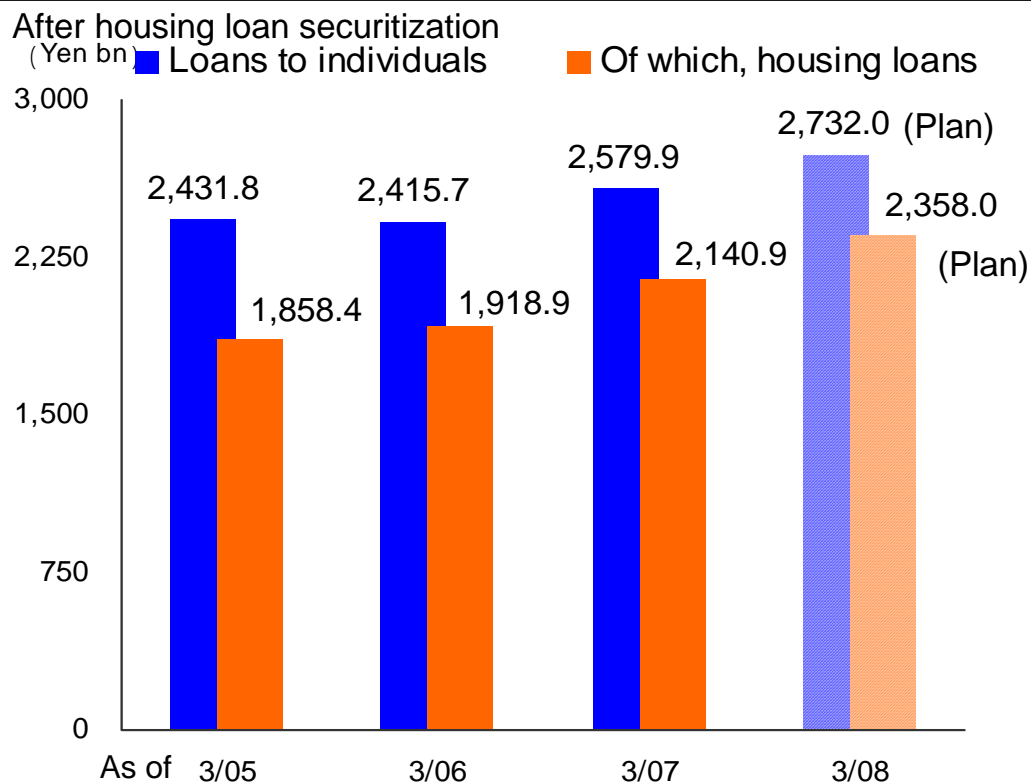
**Continue to focus on high margin loans to individuals**  
Consistent growth in balance

**Achieved effective hedging of interest rate risk through securitization of housing loans**  
No plan for further securitization

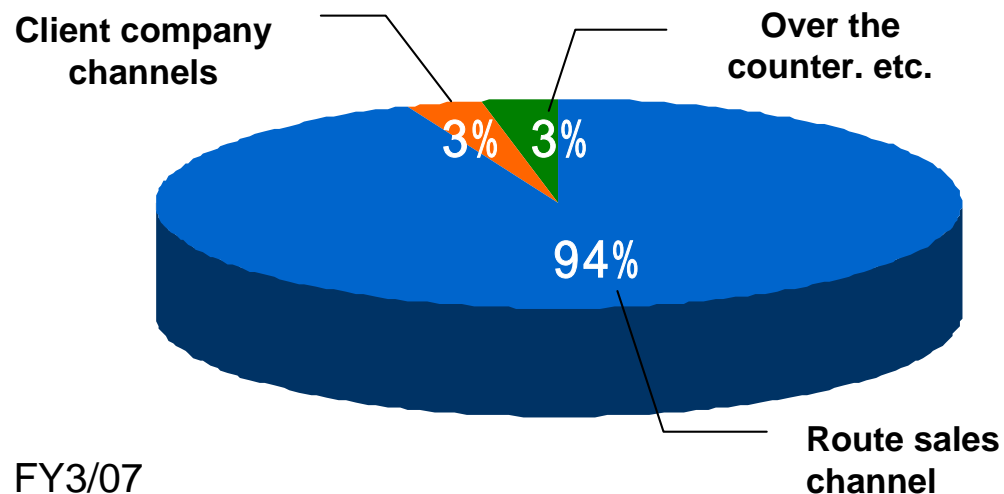
■ **New housing loan origination: ¥480.0bn**  
■ **Net increase: ¥222.0bn**

*“Route sales (Major home builders, real estate agents and developers channel)” strategy brings in successful differentiation with competitors*

Balance of loans to individuals



Housing loans origination by channel



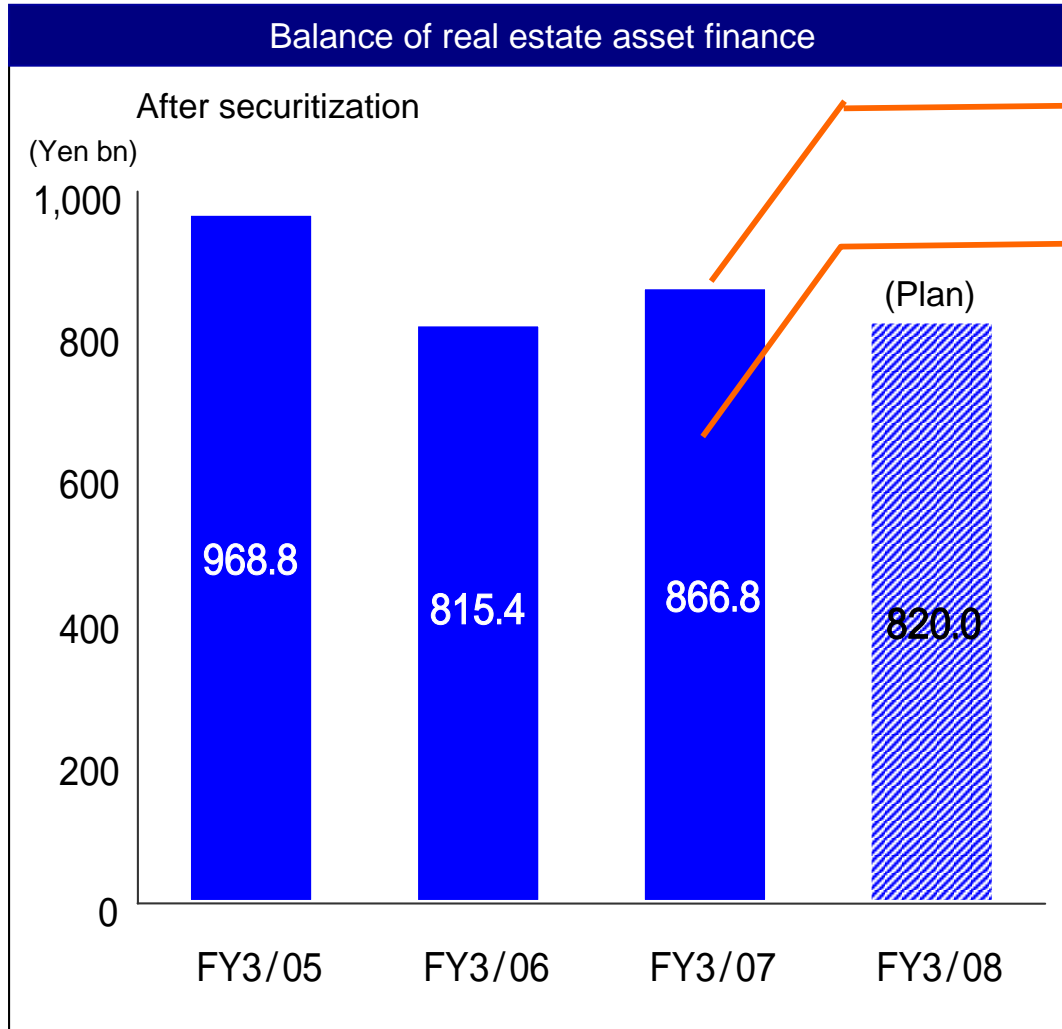
**Expand client base by introducing competitive products**

# Lending Business ~ Real Estate Asset Finance

Market: Increased competition led to decrease in profitable originations that meet our risk-return criteria

Restrain aggressive balance increase

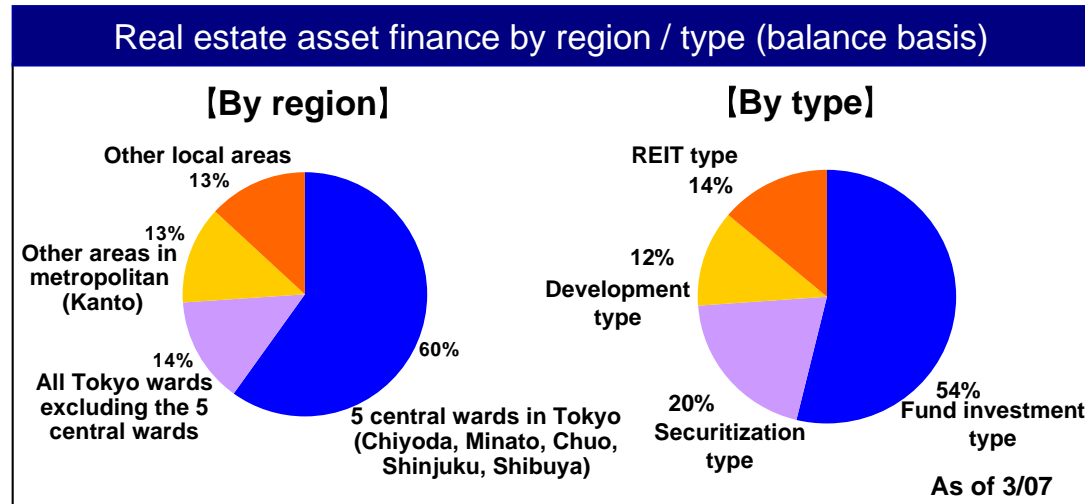
Shift to a “fee business model” by utilizing securitization capabilities



Securitized ¥42.5bn in FY3/07  
(Securitized ¥140.7bn in FY3/06)

Portfolio\* by LTV\*\* / DSCR\*\*\* (As of 3/07)  
LTV\* below 70%: 95.1% DSCR\* over 2.0x: 87.3%

\*Excluding REIT type and development type \*\*Loan to value  
\*\*\*Debt service coverage ratio



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)



# Lending Business ~ “Business Loans”

Pursue business opportunities in the market for lending to small to mid-size companies

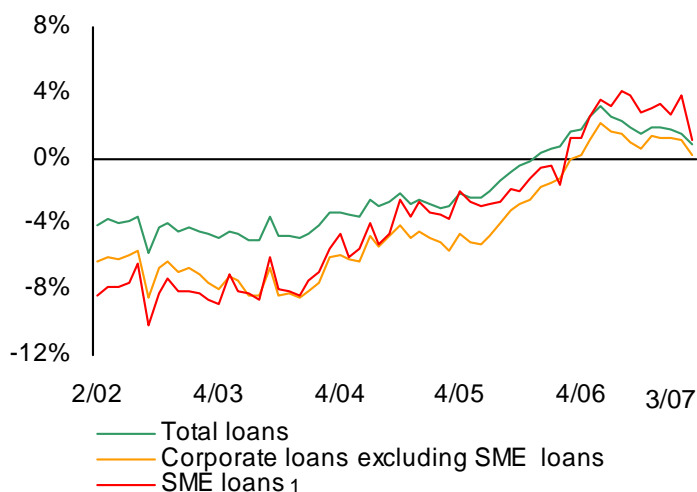
**Action Plan for Chuo Mitsui Trust**  
(Main Target Companies: Annual Revenue of over JPY 50 mn)

- Expand range of target clients
  - Expand business area to all prefectures of Japan
- Strengthen sales force
  - Improve and increase sales hubs, number of employees and call center
- Tighten risk management

**Action Plan for Chuo Mitsui Finance Service**  
(Main Target Companies: Annual Revenue of below JPY 50 mn)

- Focus on real estate financing with NIS Group (Formerly Nissin Co., Ltd. )
- Build up balance and earnings by further strengthening ties with Chuo Mitsui Trust

**Aggregate Balance of Loans to SMEs by Japanese Banks**

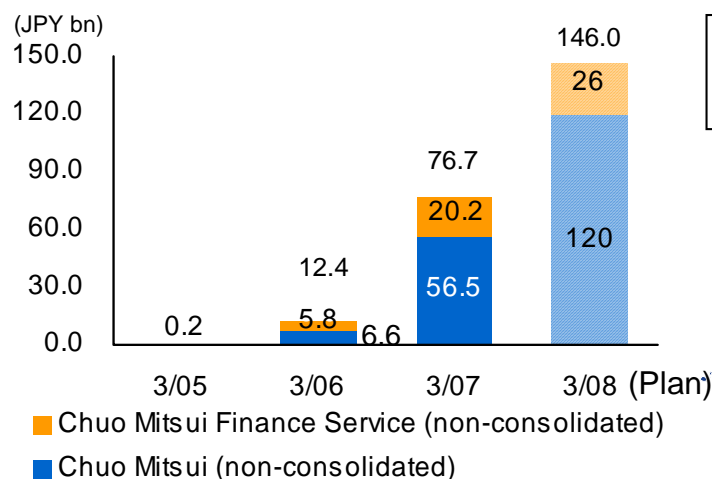


Source: *Loans and Discounts Outstanding by Sector* from the Bank of Japan

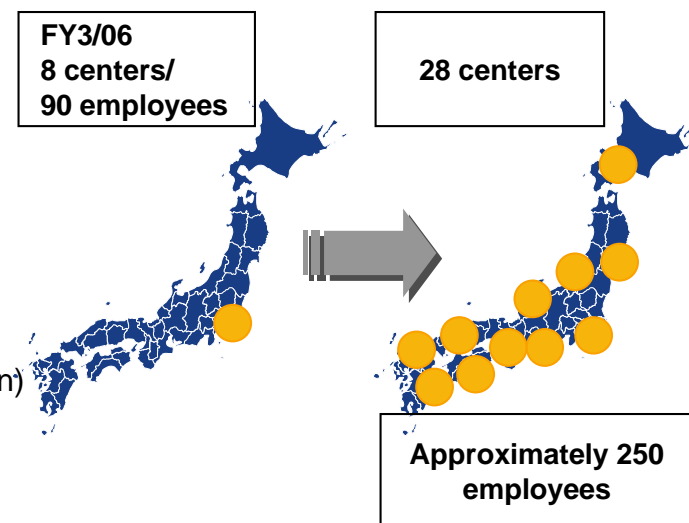
Notes:

<sup>1</sup> Corporations and private unincorporated enterprises with capital of JPY 300 mn or less or with regular employees of 300 persons or less (“Wholesale Trade” capitalized at JPY 100 mn yen or less or with regular employees of 100 persons or less, and “Retail Trade” and “Eating & Drinking Places” capitalized at 50 million yen or less or with regular employees of 50 persons or less and “Services” (excludes Eating and Drinking Places) capitalized at JPY 50 mn yen or less or with regular employees of 100 persons or less)

**“Business Loans” - Related Loan Balance**



**Employees and Center Network (CMTB, non-consolidated)**



# Agenda

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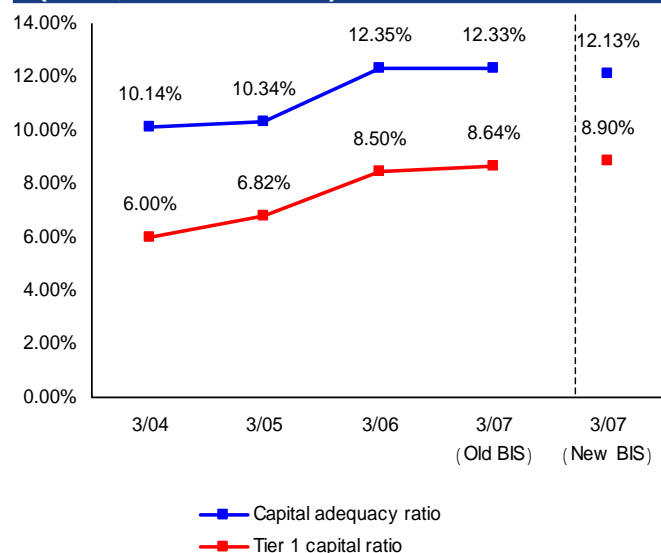
## **. Solid Financial Base**

- Status of Capital**

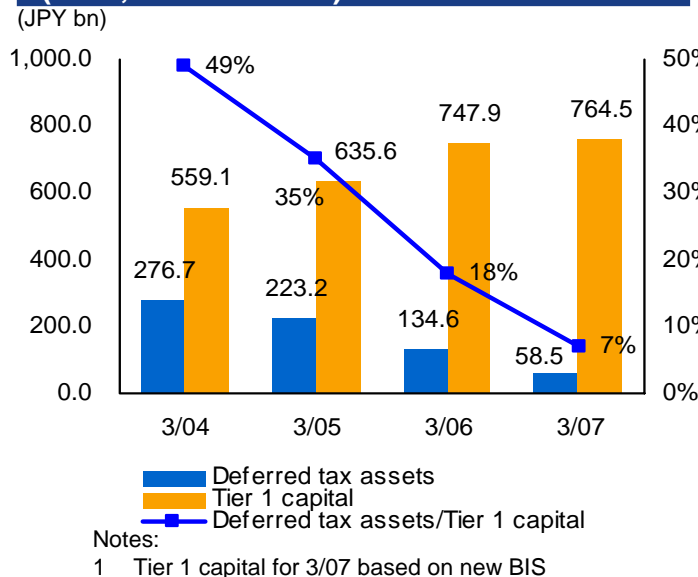
# Status of Capital

Steady accumulation of retained earnings resulting in high capital adequacy ratio. Impact from new BIS capital adequacy guidelines is limited

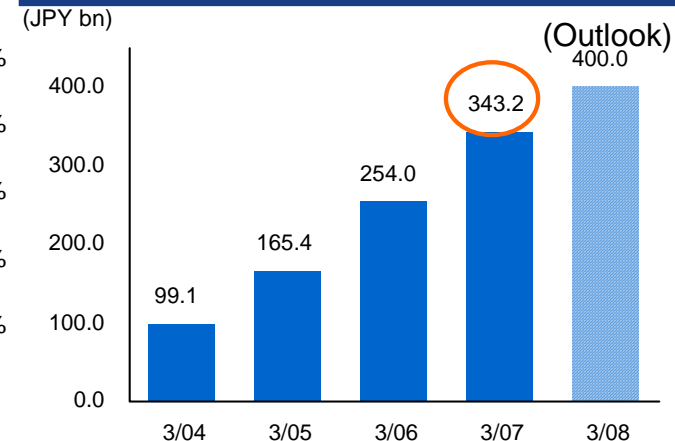
**Capital Adequacy Ratio and Tier 1 Capital Ratio (MTH, consolidated)**



**Deferred Tax Assets: Balance and % to Tier 1 Capital<sup>1</sup> (MTH, consolidated)**



**Group Retained Earnings<sup>1</sup> (JPY bn)**



Notes:  
1 Sum of the non-consolidated retained earnings of MTH, CMTB, and MATB less an appropriation for legal reserve and minority interests

## Overview of Preferred shares

	Amount (JPY bn)	Type	Month/Year of issue	Dividend rate (%)	Current conversion price (JPY)	Reset floor (JPY)	Annual reset date, upward/downward resets	Mandatory conversion date	Conversion price at mandatory conversion date	Final reset floor (JPY)
Class I	<Sold off all JPY32 bn Class I preferred shares in the market in July 2006>									
Class II	150.00	Convertible	3/99	0.90	450	450	August 1, Downward reset only	2009/8/1	Market price <sup>1</sup>	400
Class III	213.25	Convertible	3/99	1.25	450	450		2009/8/1	Market price <sup>1</sup>	400
	<Sold off JPY37 bn Class III preferred shares in the market in July 2007>									
<b>TOTAL</b>	<b>363.25</b>									

Note: 1 30 trading day average of common share price, starting from 45 trading days prior to mandatory conversion date



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.