

# **Chuo Mitsui Trust Group Management Strategies**

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February 2009

**Chuo Mitsui Trust Group**

# Agenda

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. Management Direction

. Status of Profit

. Status of Assets

. Strategic Business Operations

. Status of Capital

"CMTH"	: Chuo Mitsui Trust Holdings, Inc.
"CMTB"	: The Chuo Mitsui Trust & Banking Co., Ltd.
"CMAB"	: Chuo Mitsui Asset Trust & Banking Co., Ltd.
"CMTB+CMAB"	: Combined totals for "CMTB" and "CMAB", Non-consolidated

## . *Management Direction*

- *Management Direction*

## Chuo Mitsui Trust Group

### Management Actions

**Enhancement  
of  
Profitability**

**Recomposition  
of revenue  
structure**

**Concentration on high  
margin & high growth  
areas within strategic  
businesses**

**Increase of  
gross  
operating  
profit**

**Strengthening  
of the  
Balance Sheet**

**Continuous focus on the maintenance  
and improvement of the financial base**

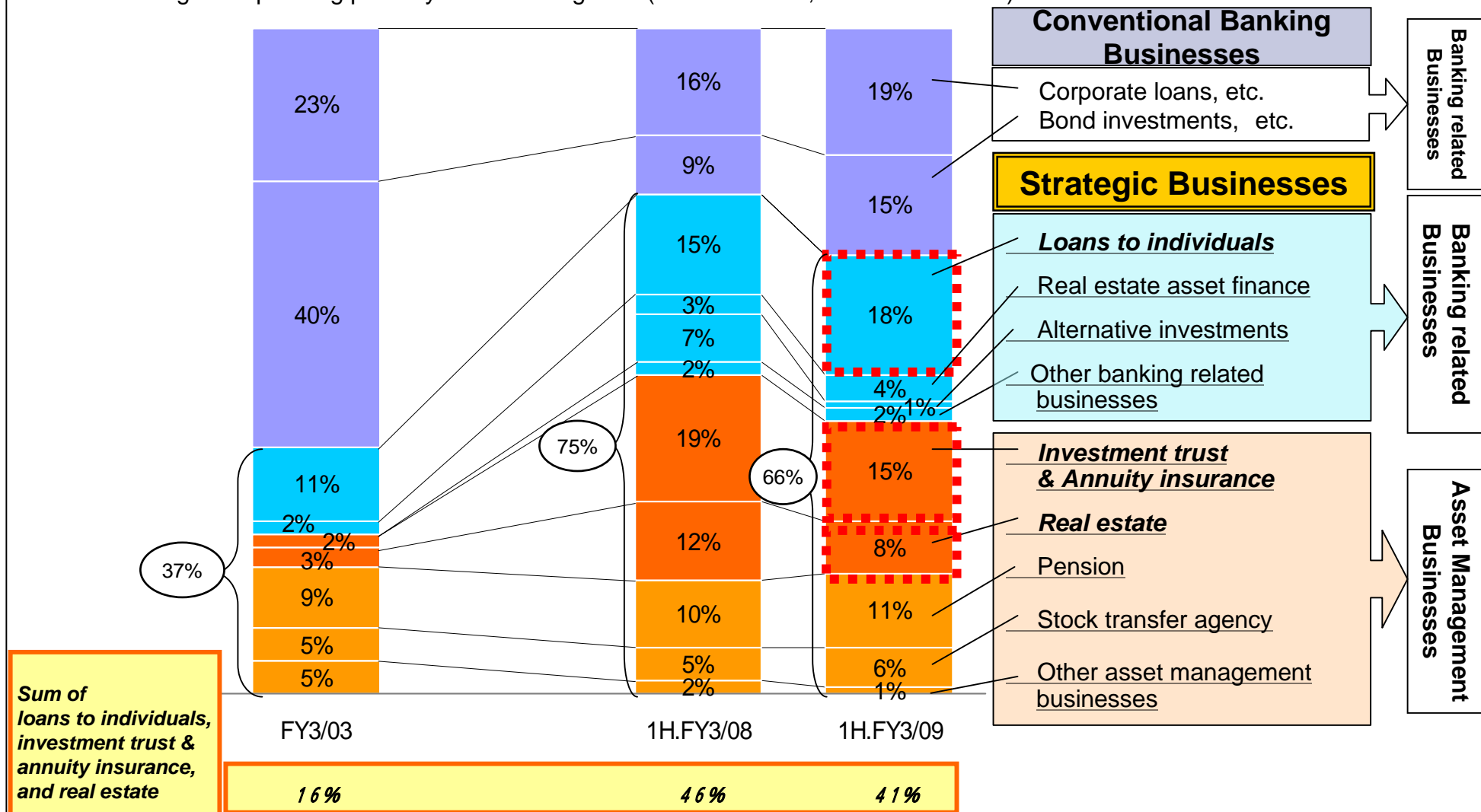
## . Status of Profit

- *Recomposition of Revenue Structure*
- *Revenue Trends*
- *Factors of Increase / Decrease in Gross Operating Profit*
- *Revenues by Business Unit*
- *Expense Situation*
- *Financial Summary*

# Recomposition of Revenue Structure

## Recomposition of Revenue Structure

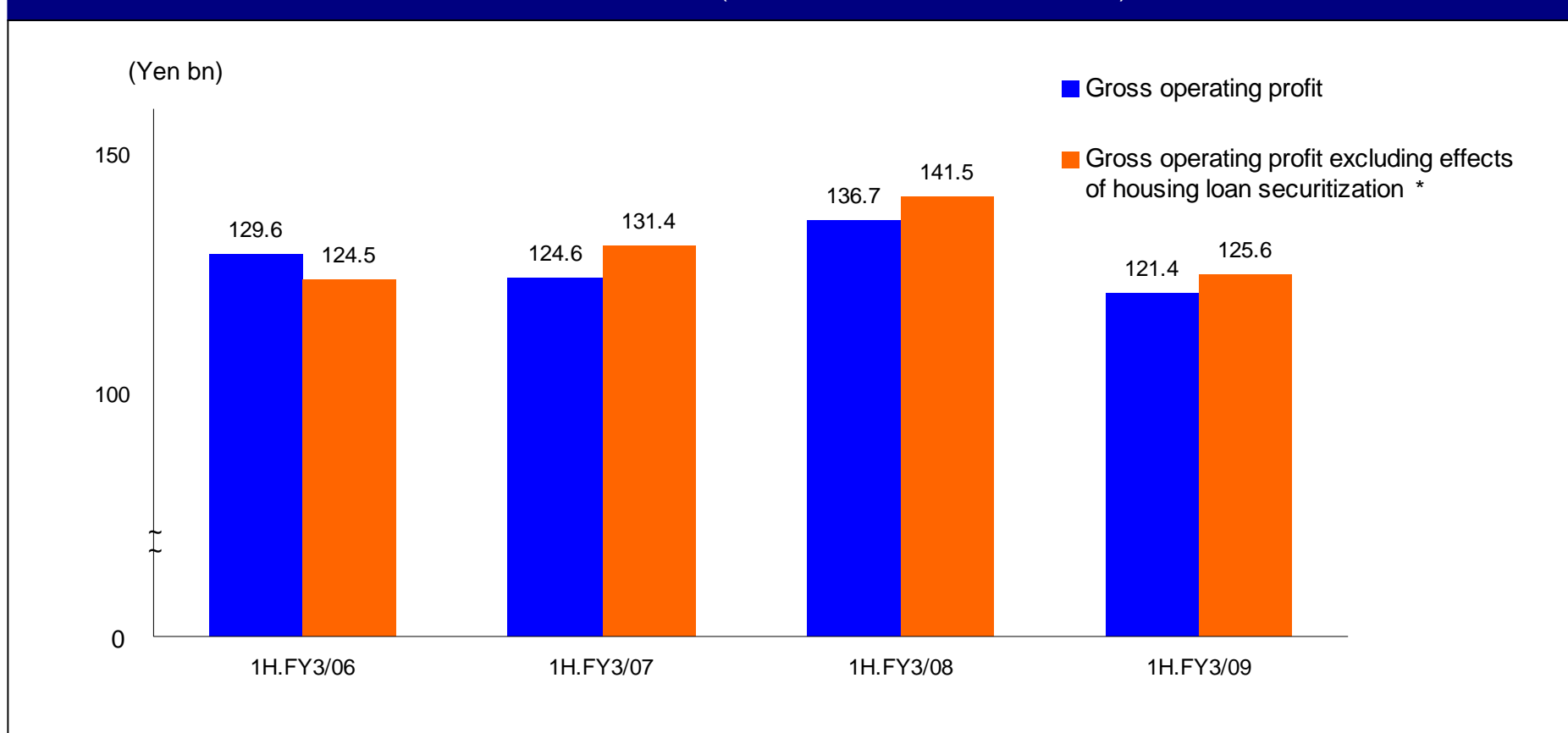
Breakdown of gross operating profit by business segment (CMTB+CMAB, non-consolidated)



# Revenue Trends

Revenues excluding effects of securitization showed a steady growth trend until 1H.FY3/08, but decreased in 1H.FY3/09 YoY

Revenue Trend (CMTB+CMAB, non-consolidated)



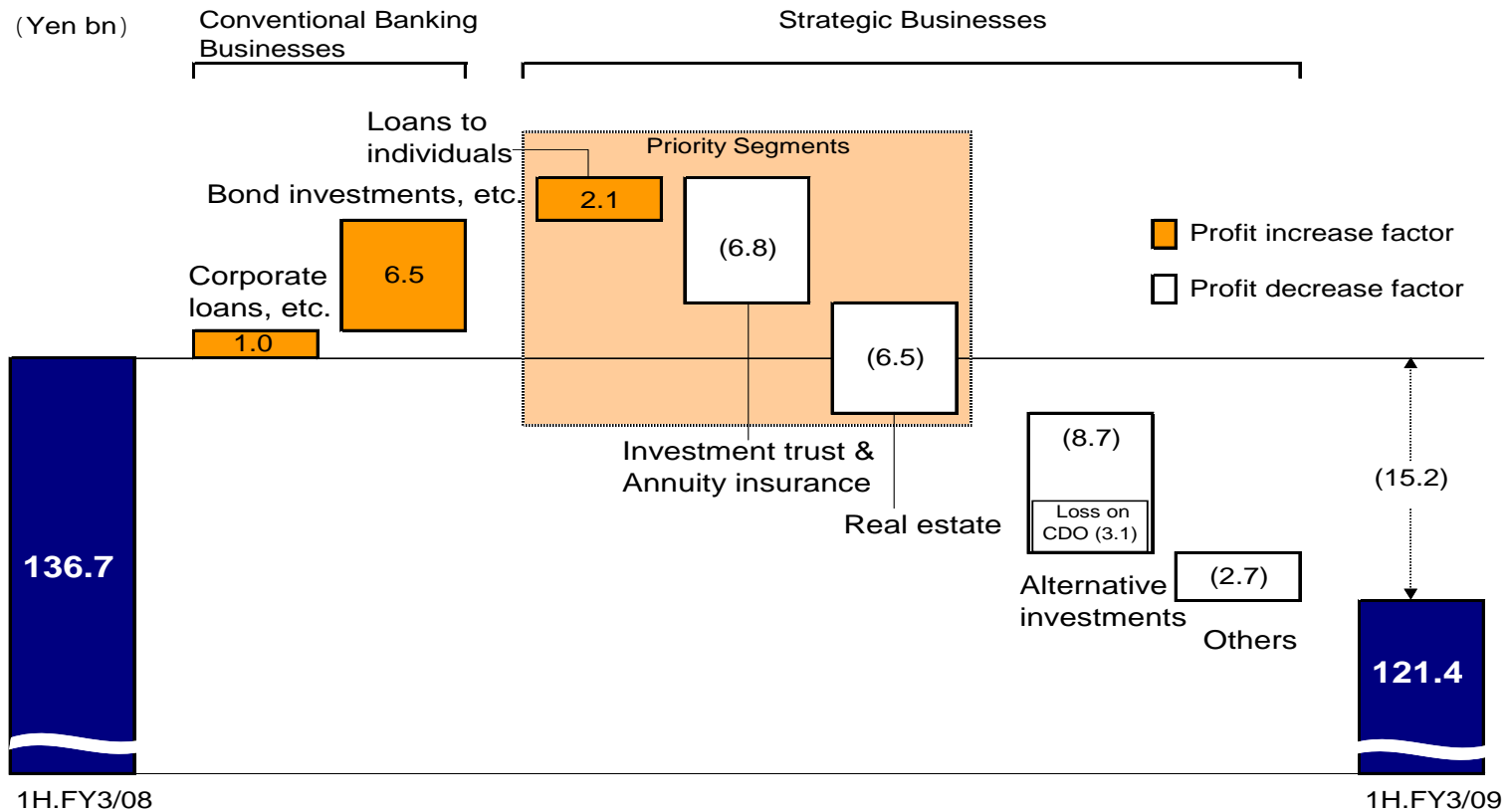
\* Excludes securitization profits which are posted upfront when securitization takes place, and amortization costs which are posted in the following years

# Factors of Increase / Decrease in Gross Operating Profit

1H.FY3/09

Reflecting the market turmoil, fee income on Investment trust and Real estate decreased. As a result, gross operating profit decreased by JPY15.2bn YoY

Factors of Increase / Decrease in Gross Operating Profit ( CMTB+CMAB, non-consolidated )





# Revenues by Business Unit

Revenues by Business Unit							
				3Q.FY3/09 Accumulated total (9 months)			
	1Q (3 months)	2Q (3 months)	3Q (3 months)	a 3Q.FY3/08	b 3Q.FY3/09	c:b-a Change	%
CMTB+CMAB, non-consolidated							
<b>Asset management businesses</b>	<b>22.9</b>	<b>27.2</b>	<b>18.3</b>	<b>94.0</b>	<b>68.5</b>	<b>(25.5)</b>	<b>(27)%</b>
Investment trust & Annuity insurance	8.7	9.5	5.6	36.1	23.9	(12.2)	(34)%
Real estate	2.5	7.7	1.6	23.1	11.8	(11.2)	(49)%
Pension	6.6	6.3	5.7	20.2	18.7	(1.4)	(7)%
Stock transfer agency	4.5	2.7	4.6	11.4	11.9	0.4	4%
<b>Banking related businesses</b>	<b>34.4</b>	<b>36.7</b>	<b>36.0</b>	<b>107.7</b>	<b>107.2</b>	<b>(0.4)</b>	<b>(0)%</b>
Conventional banking businesses	-	-	-	52.6	64.0	11.4	22%
[Corporate loans, etc.]	-	-	-	[30.6]	[34.4]	[3.8]	[12%]
[Bond investments, etc.]	-	-	-	[21.9]	[29.5]	[7.6]	[35%]
Loans to individuals	-	-	-	29.1	32.7	3.5	12%
Real estate asset finance	-	-	-	6.9	7.2	0.2	4%
Alternative investments	-	-	-	13.9	0.4	(13.5)	(97)%
[Investment return]	-	-	-	[13.9]	[4.8]	[(9.0)]	[(65)%]
[CDO loss disposition]	-	-	-	[-]	[(4.4)]	[(4.4)]	[-]
Other banking related businesses	-	-	-	5.0	2.8	(2.2)	(44)%
<b>Gross operating profit</b>	<b>57.4</b>	<b>63.9</b>	<b>54.3</b>	<b>201.8</b>	<b>175.8</b>	<b>(26.0)</b>	<b>(13)%</b>

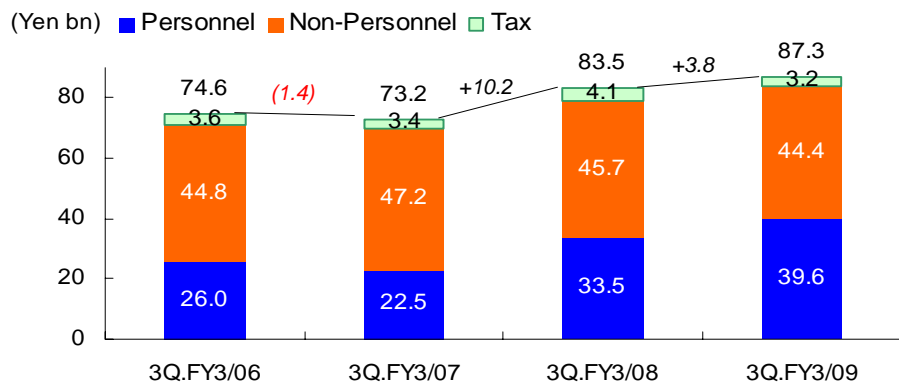
# Expense Situation

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

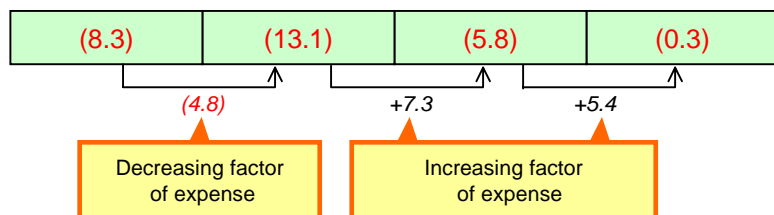
### Operating expenses

Policy of restraining total amount of operating expenses  
 Excluding the increase in retirement benefit cost,  
 operating expense remained almost flat

### Trend of Operating Expenses (CMTB+CMAB, non-consolidated)



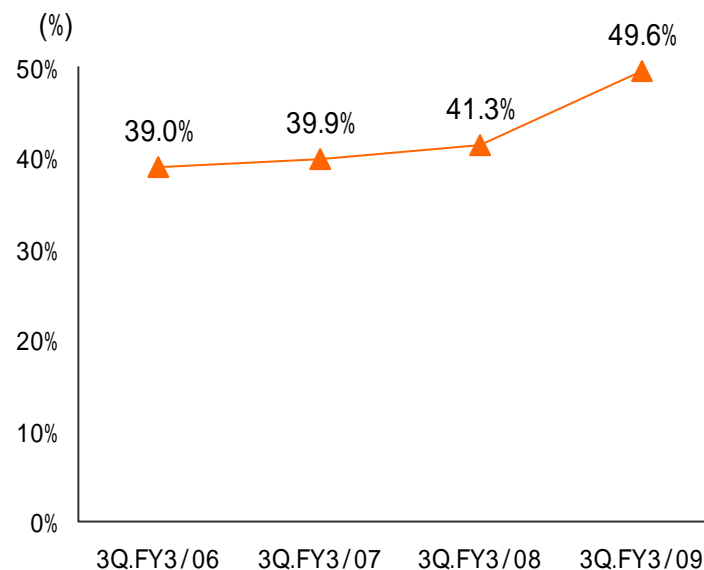
Net periodic retirement benefit cost within personnel expense



### OHR

OHR increased YoY, due to both the decreased  
 gross operating profit and increased operating  
 expenses

### Trend of OHR \* (CMTB+CMAB, non-consolidated)



\* operating expenses / gross operating profit

# Financial Summary

## 2Q.FY3/09 and 3Q. FY3/09 Highlights & FY3/09 Outlook

	2Q.FY3/09 (6 months)			3Q.FY3/09 (9 months)			FY3/09 Outlook			
	a	b	c:b-a	d	e	f:e-d	g	h	i:h-g	(Yen bn)
CMTB+CMAB, non-consolidated	Actual			Actual			Outlook Revised on Jan 30, 2009			
	2Q.FY3/08	2Q.FY3/09	Change	3Q.FY3/08	3Q.FY3/09	Change	FY3/08	FY3/09	Change	%
Gross operating profit <sup>*1</sup>	136.7	121.4	(15.2)	201.8	175.8	(26.0)				
Operating expenses (minus)	55.1	59.0	3.8	83.5	87.3	3.8				
[Net periodic retirement benefit cost] (minus)	[(3.8)]	[(0.2)]	[3.6]	[(5.8)]	[(0.3)]	[5.4]				
Pre-provision profit <sup>*2</sup>	81.5	62.4	(19.1)	118.3	88.5	(29.8)	154.4	130.0	(24.4)	(16)%
Net other profit (loss) and other	(17.8)	(35.0)	(17.2)	(13.7)	(80.6)	(66.9)				
[Losses on devaluation of stocks]	[(1.6)]	[(16.2)]	[(14.6)]	[(1.6)]	[(56.4)]	[(54.8)]				
Ordinary profit	63.7	27.3	(36.3)	104.6	7.8	(96.7)	126.8	40.0	(86.8)	(68)%
Extraordinary profit	3.0	9.8	6.8	4.1	10.4	6.2				
Deferred income taxes (minus)	20.6	15.7	(4.9)	31.2	(1.3)	(32.6)				
Net income	40.5	17.1	(23.4)	69.7	14.0	(55.7)	81.9	35.0	(46.9)	(57)%
Credit Costs (minus)	16.9	0.3	(16.6)	17.6	3.9	(13.6)	9.5	10.0	0.5	
CMTH, consolidated	2Q.FY3/08	2Q.FY3/09	Change	3Q.FY3/08	3Q.FY3/09	Change	FY3/08	FY3/09	Change	%
Ordinary profit	64.0	26.9	(37.1)	105.2	7.6	(97.5)	125.3	40.0	(85.3)	(68)%
Net income	35.5	13.7	(21.7)	63.0	9.1	(53.9)	71.8	30.0	(41.8)	(58)%
Dividend per share							¥7	¥7		

\*1 Before trust a/c credit costs

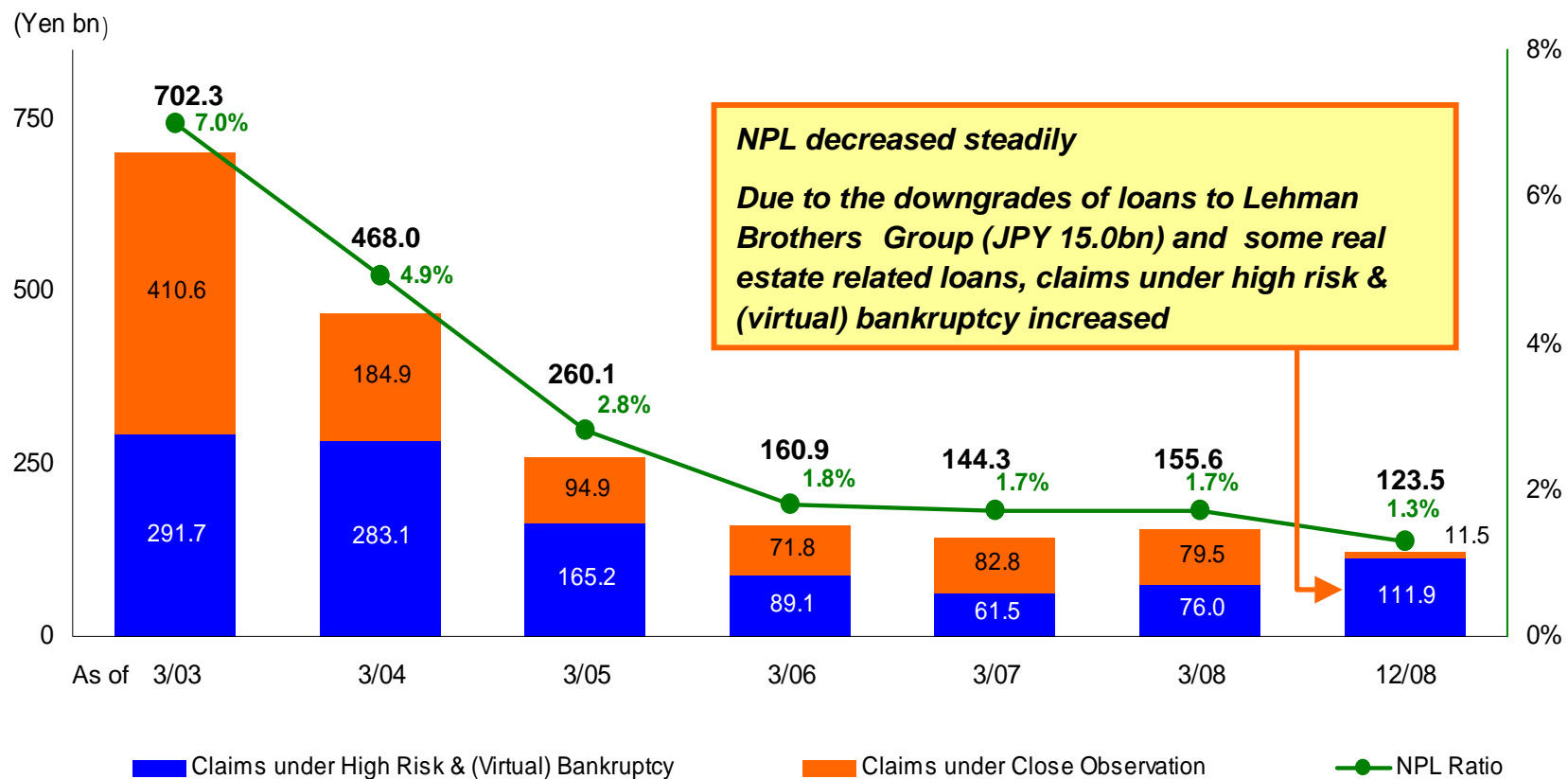
\*2 Effective net operating profit before trust a/c credit costs & provision(reversal) of general reserve

## . *Status of Assets*

- *NPL*
- *Status of Loan Portfolio*
- *Credit Costs Situation*
- *Overseas Investments / Lending*

## NPL ratio remain at the 1% level

Balance of NPL and NPL Ratio  
(CMTB, non-consolidated, Bank a/c + Trust a/c)



# Status of Loan Portfolio

High quality loan portfolio leads to limited downside risk

Loans by Industry \*1 (As of 9/08)

Loans by Size of Borrowers (As of 9/08)

Companies

**Consumer finance\*2: 2%**

We have curtailed our exposure to consumer finance companies, including sales finance companies and credit card companies.  
Ratio of loans to consumer finance companies to total loans: 0.3%

**Construction: 1%**

**Real estate companies: 8%**

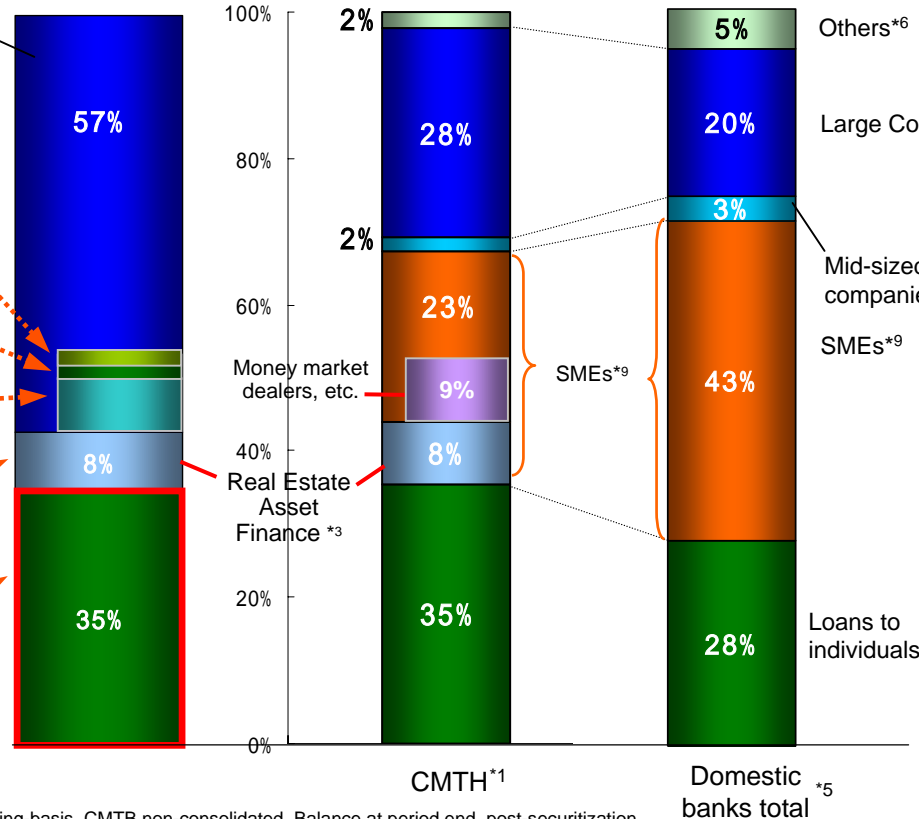
Ratio of loans to large companies and their group companies to total loans: 4.8%

**Real Estate Asset Finance\*3**

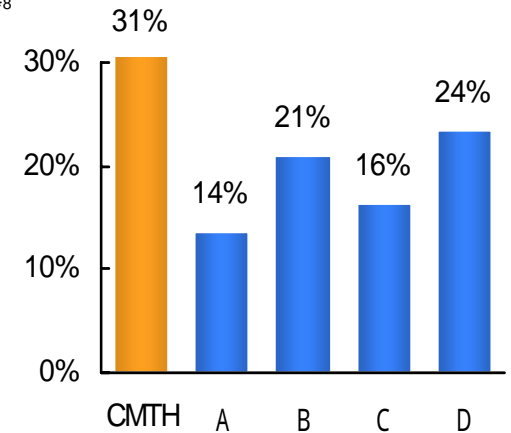
- LTV of 70% and below: 96%
- DSCR of 2.0x and above: 92%

**Loans to Individuals**

Loss rate\*4 on housing loans, which are the main type of loans to individuals: 0.07%



Ratio of Housing Loans to Total Loans\*10 (Comparison of Major Banking Groups) (As of 9/08)



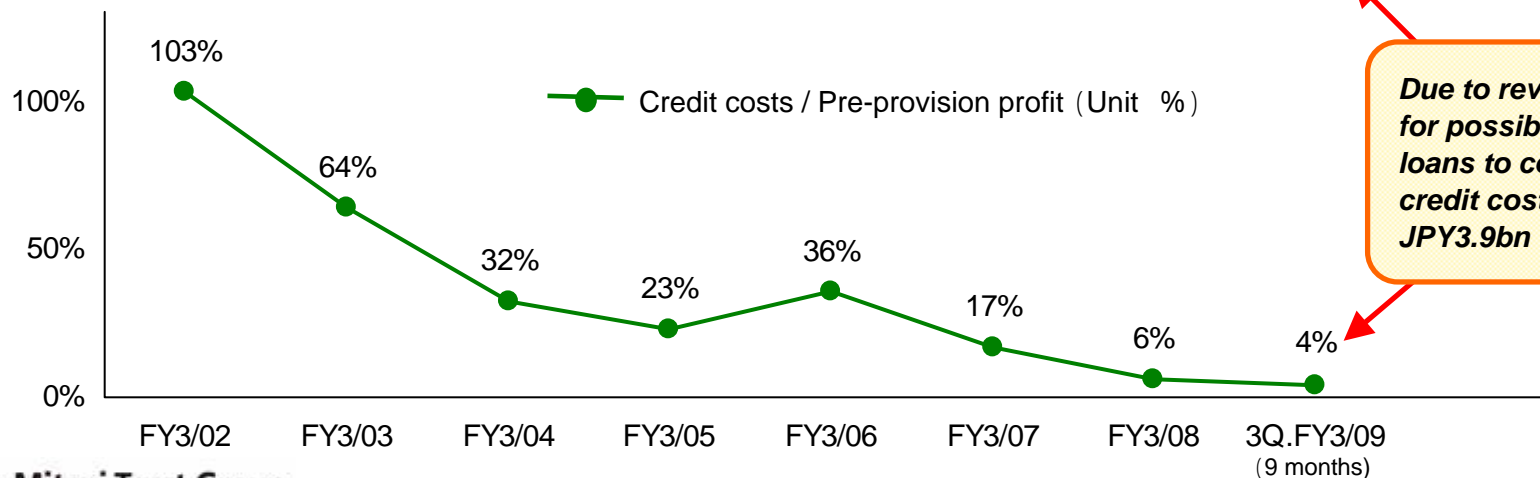
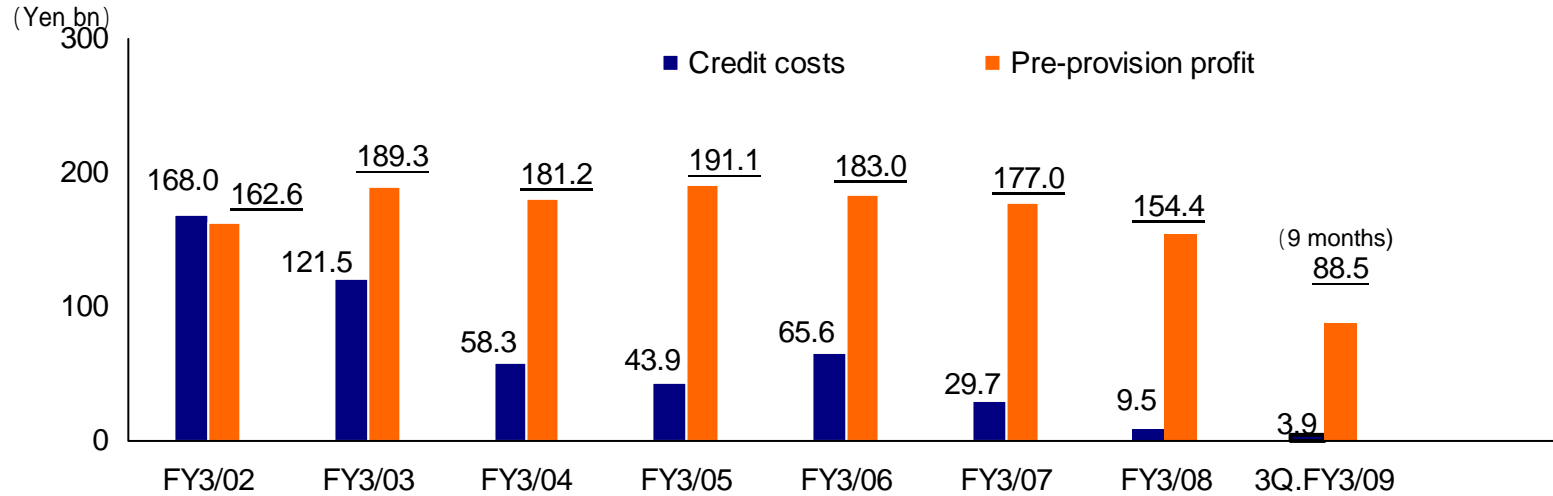
\*1. Managerial accounting-basis, CMTB non-consolidated. Balance at period end, post-securitization  
 \*2. Loan providers that apply interest rates in excess of the upper limit set by the Interest Rate Restriction Law ("Grey Zone" Interest Rates)  
 \*3. Does not include bond-types  
 \*4. Annualized rate of pay-out on guarantees by Chuo Mitsui Guarantee in 1H.FY3/09 (based on number of pay-outs)

\*5. Source: Bank of Japan  
 \*6. Local governments + Overseas yen loans, Domestic loans transferred overseas  
 \*7. Large companies: capital of JPY 1bn or more and with more than 300 employees  
 \*8. Mid-sized companies: companies that are not large companies or SMEs  
 \*9. SMEs: capital of JPY 300 mn or less or less than 300 employees  
 \*10. Source: Company disclosures  
 As of 9/08, non-consolidated, post-securitization

# Credit Costs Situation

Credit costs decreased steadily

Credit Costs and Pre-Provision Profit ( CMTB+CMAB, non-consolidated )



**Due to reversal of reserves for possible loan losses for loans to certain borrowers, credit costs remained at JPY3.9bn**

# Overseas Investments / Lending

No Exposure to ABS & CDOs backed by Sub-prime Loans

## Portfolio with Market Value

(Yen bn)	As of 12/08		3Q.FY3/09	FY3/08	Note
	Acquisition cost	Unrealized gain (loss)	Loss disposition	Loss disposition	
Sub-prime Loans and Investments	None (*1)				
Others					
CDOs (*2)	10.0	(*)	(4.4)	(5.0)	Managed synthetic CDO Investments mainly to public and corporate bonds, domestic and foreign Investments mainly to bank loans towards US companies Market neutral funds of US equities, etc. Overseas corporate bonds, etc.
Investment Trusts (Bond Funds)	9.8	(0.3)	-	(0.2)	
Investment Trusts (Credit Funds)	24.9	(7.5)	-	-	
Investment Trusts (Equity Funds, etc.)	10.7	(1.2)	-	-	
Foreign Bonds, etc.	379.0	(35.7)	-	-	
<b>Total</b>	<b>434.7</b>	<b>(44.9)</b>	<b>(4.4)</b>	<b>(5.2)</b>	
Foreign Government Bonds	70.5	0.7			
US Agency Mortgage-Backed Securities	315.4	0.1			
<b>Total</b>	<b>386.0</b>	<b>0.9</b>			

No exposure to sub-prime mortgage loans or "Alt-A" loans

Limited exposure to securitized assets, etc.

## Portfolio without Market Value

(Yen bn)	As of 12/08
Sub-prime Loans and Investments	None (*1)
Others	
Corporate Loans	119.4
Unlisted Stocks	7.9
Acceptances and Guarantees (Corporate)	2.3
<b>Total</b>	<b>129.7</b>

(\*1) No exposure to "Alt-A" loans

(\*2) Credit derivative portion of this CDO is bifurcated, and unrealized loss for the credit derivative portion is JPY9.4bn. Since JPY5.0bn of that was already posted as derivative cost last fiscal year, JPY4.4bn is posted as derivative cost for the accumulated amount of the 3Q.FY3/09.



# . Strategic Business Operations

- *Investment Trust & Annuity Insurance related Business*
- *Real Estate Business*
- *Pension Business & Stock Transfer Agency Business*
- *Fees from Asset Management Business*
- *Loans to Individuals*
- *Loan Portfolio & Yields*
- *Strengthening Asset Management Subsidiaries*      *-Chuo Mitsui Asset Management-*
- *Strengthening Asset Management Subsidiaries*      *-Chuo Mitsui Capital-*

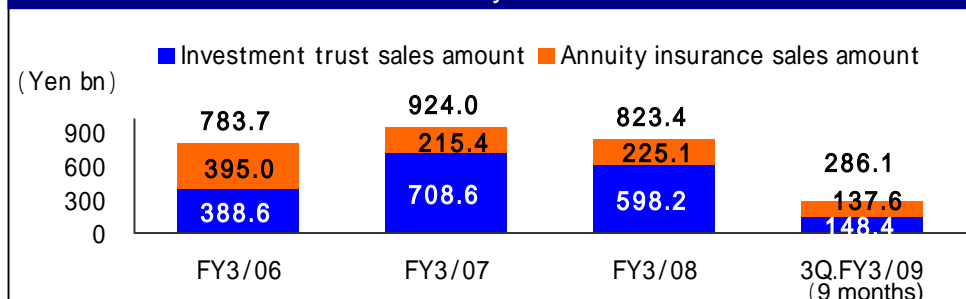
# Investment Trust & Annuity Insurance related Business

With the slump of the financial market, sales fee decreased. On the other hand, the stock-based fees from the sales balance and the entrusted balance maintained a certain level. Since we expect the shift from savings to investments will continue, we will continue to focus on this business as a priority segment.

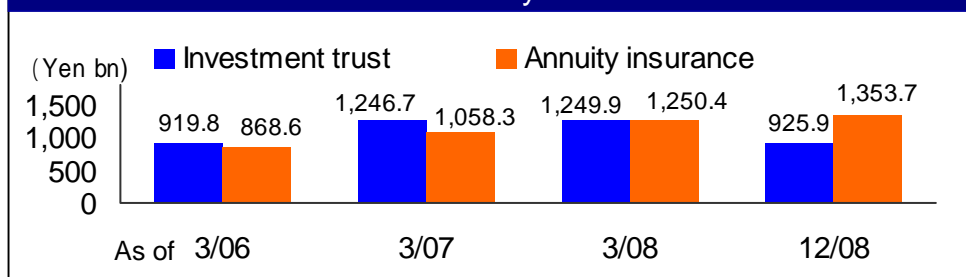
## Breakdown of Investment Trust & Annuity Insurance related Revenue

CMTB+CMAB, non-consolidated				(Yen bn)		Chg.
	1Q (3 months)	2Q (3 months)	3Q (3 months)	a 3Q.FY3/08 (9 months)	b 3Q.FY3/09 (9 months)	
Sales Fee						
Investment trust sales fee	3.2	3.2	1.9	17.0	8.5	(8.5)
Annuity insurance sales fee	3.0	3.9	1.8	10.8	8.9	(1.9)
<b>Total</b>	<b>6.3</b>	<b>7.2</b>	<b>3.8</b>	<b>27.9</b>	<b>17.4</b>	<b>(10.5)</b>
Trustee Fee & Investment Advisory Fee for Investment Trust						
Trustee fee	1.4	1.4	1.0	4.8	3.9	(0.9)
Investment advisory fee	0.9	0.9	0.7	3.3	2.5	(0.7)
<b>Total</b>	<b>2.4</b>	<b>2.3</b>	<b>1.7</b>	<b>8.2</b>	<b>6.5</b>	<b>(1.7)</b>
<b>Grand total</b>	<b>8.7</b>	<b>9.5</b>	<b>5.6</b>	<b>36.1</b>	<b>23.9</b>	<b>(12.2)</b>

## Investment Trust & Annuity Insurance Sales Amount



## Investment Trust & Annuity Insurance Balance\*1

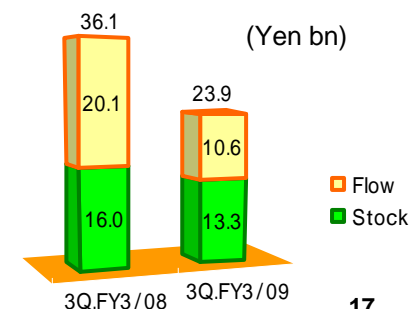


\* 1 Investment trust: market value basis.  
Annuity insurance: book value basis.

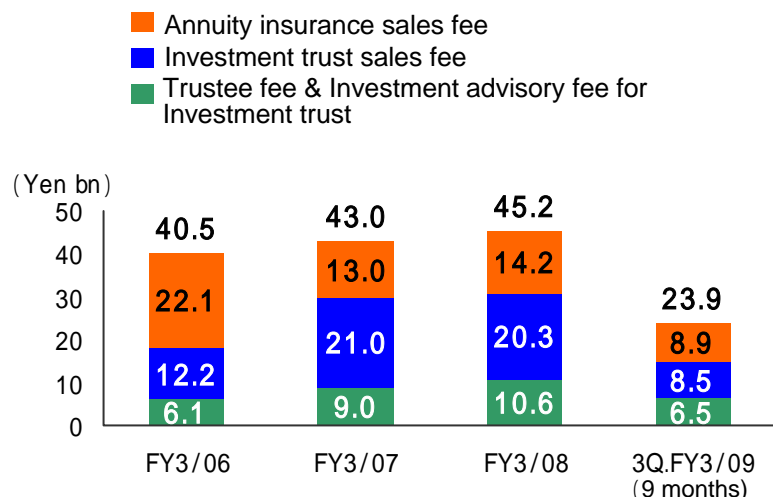
Breakdown of Investment trust & Annuity insurance related revenues\*2 by "flow-based" and "stock-based"

Although flow-based fees decreased sharply, stock-based fees supported the revenue.

\* 2 Total of Annuity insurance sales fee, Investment trust sales fee and Trust fee & Investment advisory fee for Investment trust



## Investment Trust & Annuity Insurance related Revenues



# Real Estate Business

## Breakdown of Real Estate Revenue

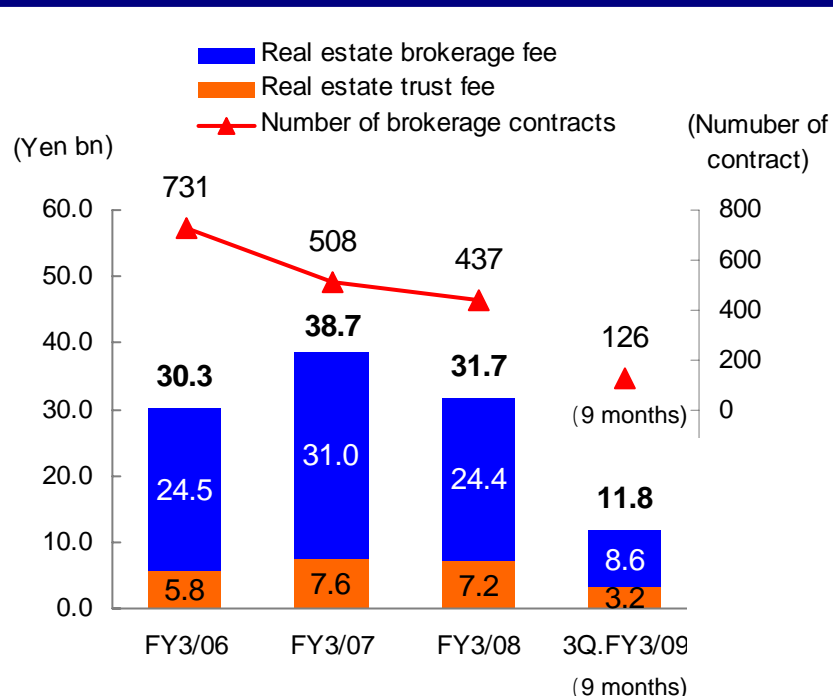
CMTB, non-consolidated				(Yen bn)		c:b-a
	1Q (3 months)	2Q (3 months)	3Q (3 months)	a 3Q.FY3/08 (9 months)	b 3Q.FY3/09 (9 months)	
Real estate brokerage fee	1.5	6.5	0.5	17.5	8.6	(8.9)
Real estate trust fee	1.0	1.1	1.0	5.5	3.2	(2.3)
<b>Total</b>	<b>2.5</b>	<b>7.7</b>	<b>1.6</b>	<b>23.1</b>	<b>11.8</b>	<b>(11.2)</b>

Number of brokerage transactions, especially investor related deals, decreased as funding environment for the investors worsened due to market turmoil.

As a result, fees from real estate business decreased substantially.

Since underlying demand for real estates is robust, we will continue to focus on this business as a priority segment.

## Growth of Real Estate Revenue



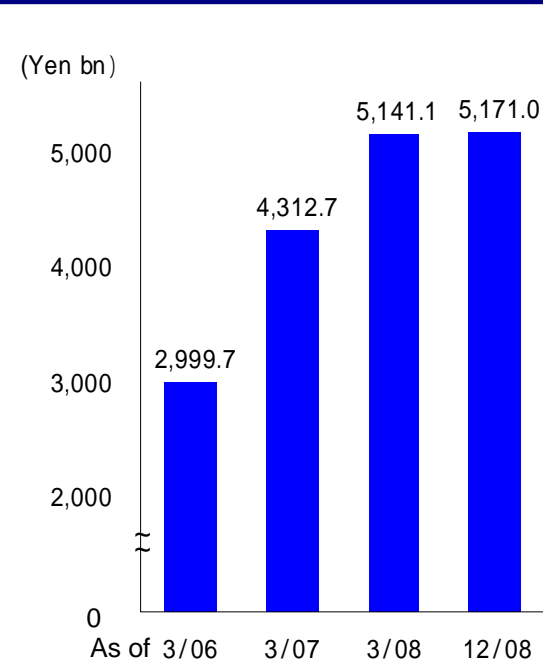
**Percentage of brokerage fee earned from investor related deals to total brokerage fee**

1H.FY3/08: 64%

2H.FY3/08: 53%

**1H.FY3/09: 46%**

## Balance of Securitized Real Estate



# Pension Business

Revenue declined YoY due to decrease of pension assets on a market value basis.  
We have attained higher reputation from third parties as an asset management company, and expect to retain constant level of revenue.

## Pension Business related Revenue

	a	b	(Yen bn) c:b-a
CMAB, non-consolidated	3Q.FY3/08	Actual 3Q.FY3/09	Chg.
Fees received	23.4	21.7	(1.6)
Fees paid (minus)	3.2	2.9	(0.2)
<b>Total</b>	<b>20.2</b>	<b>18.7</b>	<b>(1.4)</b>

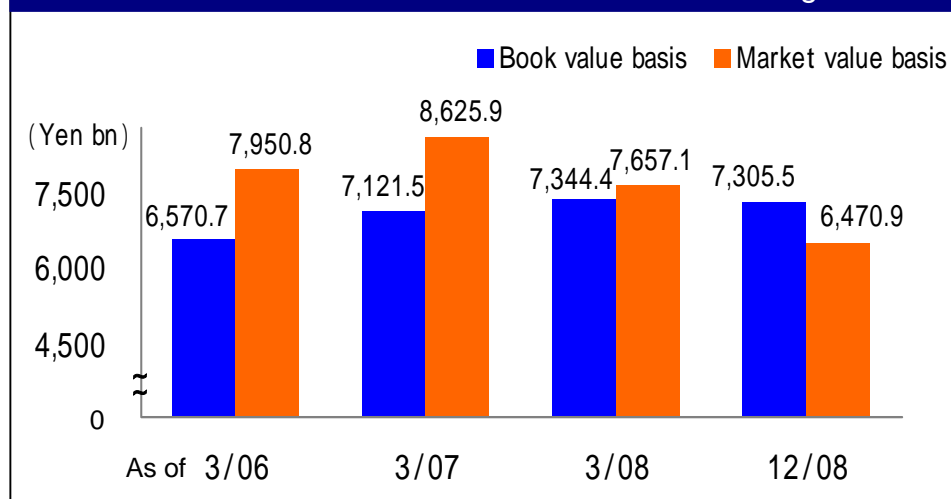
# Stock Transfer Agency Business

25% market share and YoY revenue level are maintained.  
Although revenue is expected to decline due to dematerialization of stock certificate (started Jan. 2009), we will shift to a low cost structure by utilizing a JV set up with Mizuho Trust, which is responsible for back office operations.

## Stock Transfer Agency Business related Revenue

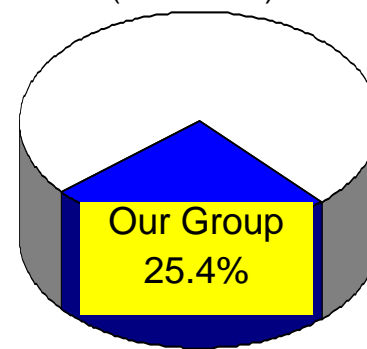
	a	b	(Yen bn) c:b-a
CMTB, non-consolidated	3Q.FY3/08	Actual 3Q.FY3/09	Chg.
Fees received	20.0	20.4	0.4
Fees paid (minus)	8.5	8.5	(0.0)
<b>Total</b>	<b>11.4</b>	<b>11.9</b>	<b>0.4</b>

## Balance of Entrusted Pension Assets\*1 under Management

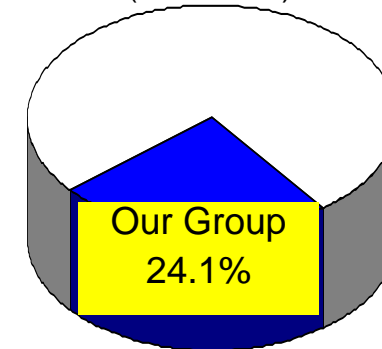


## Industry Share \*2

# of shareholders  
under administration  
(As of 9/08)

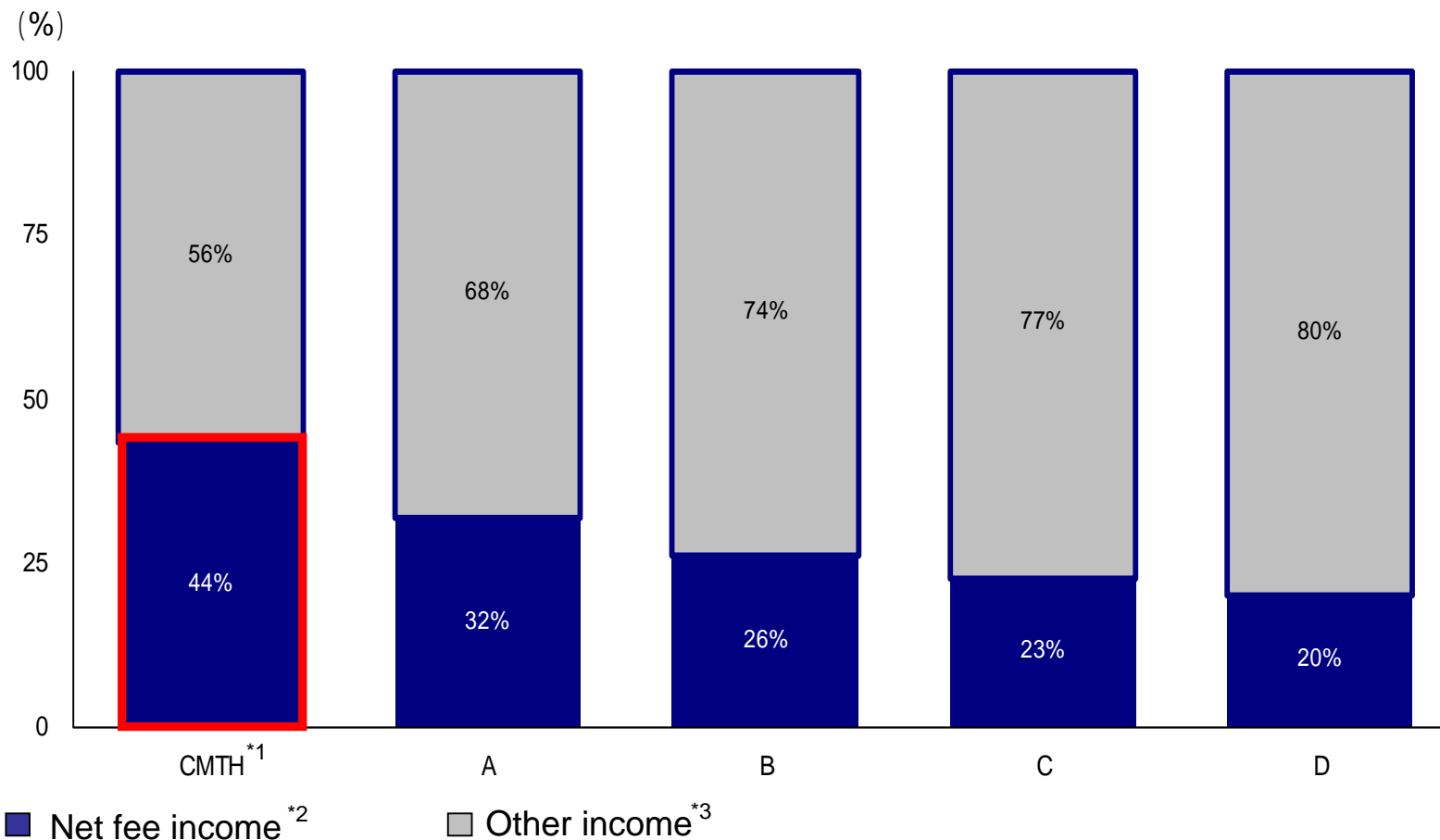


# of listed  
corporate clients  
(As of 9/08)



# Net Fee Income from Asset Management (Fee) Businesses

Net Fee Income as % of Gross Operating Profit for Major Banks in 1H.FY3/09  
(Combined non-consolidated basis)



Source: Company disclosures

\*1 CMTB + CMAB, non-consolidated

\*2 Sum of net fees and commissions and trust fees (excluding loan trust and JOMTs, or jointly operated money trusts) / gross operating profit (before trust a/c credit costs)

\*3 Sum of net interest income, loan trust fees, JOMTs fees, net trading income, and net other operating income / gross operating profit (before trust a/c credit costs)

# Loans to Individuals

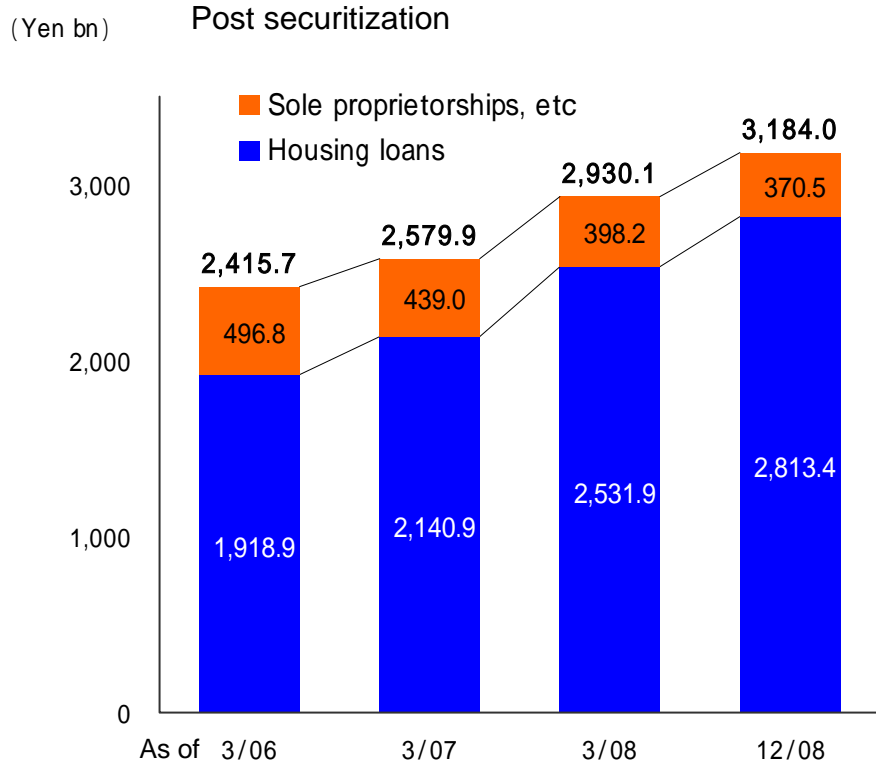
**Continuous focus on high margin housing loans**      **Secure steady growth in loan balance**

## Housing loan results for 3Q.FY3/09

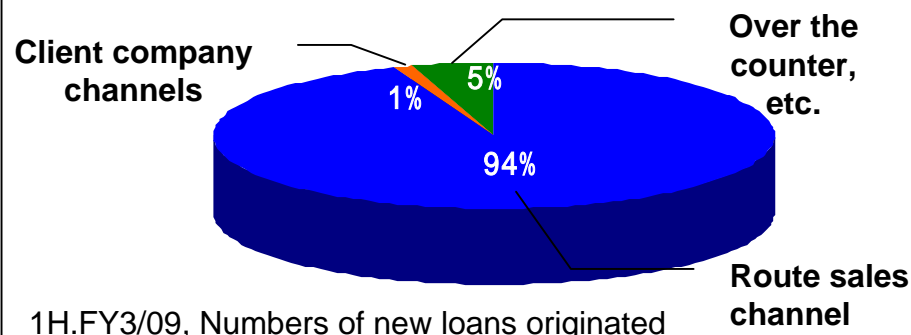
- New origination: JPY517.4bn (+JPY43.8bn YoY)
- Net increase: JPY281.5bn (from the end of 3/08)

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

Balance of Loans to Individuals

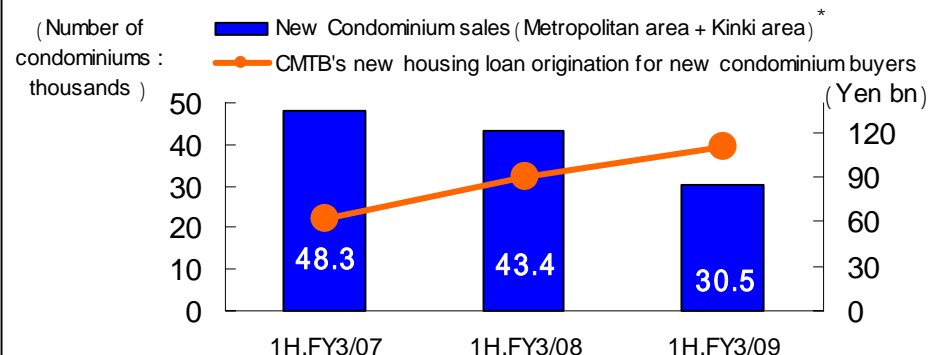


Housing Loans Origination by Channel



Trend of Housing Market and CMTB's Loan Origination

(Comparison of New Condominium Sales with CMTB's New Housing Loan Origination for New Condominium Buyers)

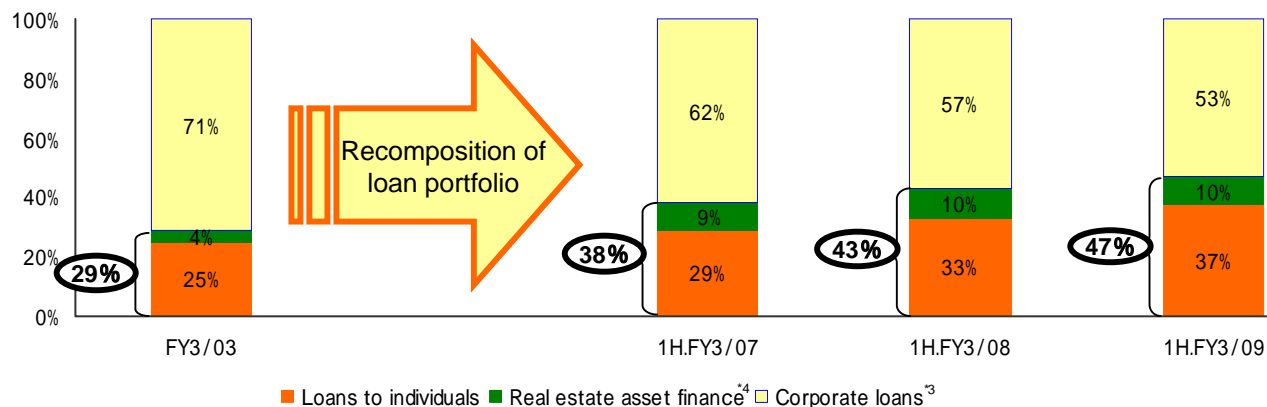


\* Source: Real Estate Economic Institute Co.,Ltd.

# Loan Portfolio & Yields

- We have build a loan portfolio adopting appropriate risk control by stringent selection of deals
- Weight of comparatively high margin loans to individuals increased (1H.FY3/09 Housing loan loss rate\*1: 0.07%)

Recomposition of Loan Portfolio (average balance \*2)



\*1 Annualized rate of pay-out on guarantees by Chuo Mitsui Guarantee in 1H.FY3/09

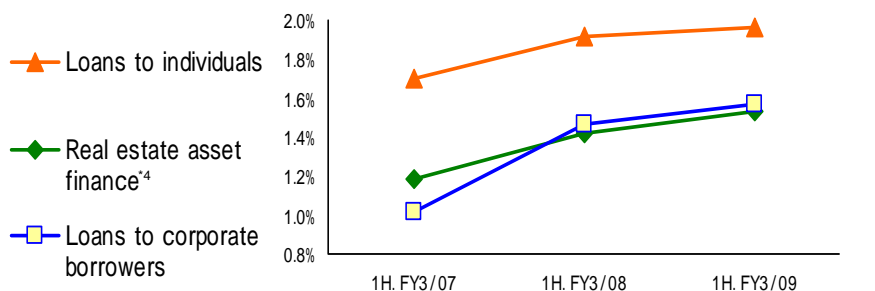
**Over 35% of total loans are profitable loans to individuals**

\*2 Banking A/C(domestic funds)+loan trusts+JOMTs+yen loan to non-resident, Post securitization

\*3 Corporate loans+corporate restructuring & revitalization related finance, etc.

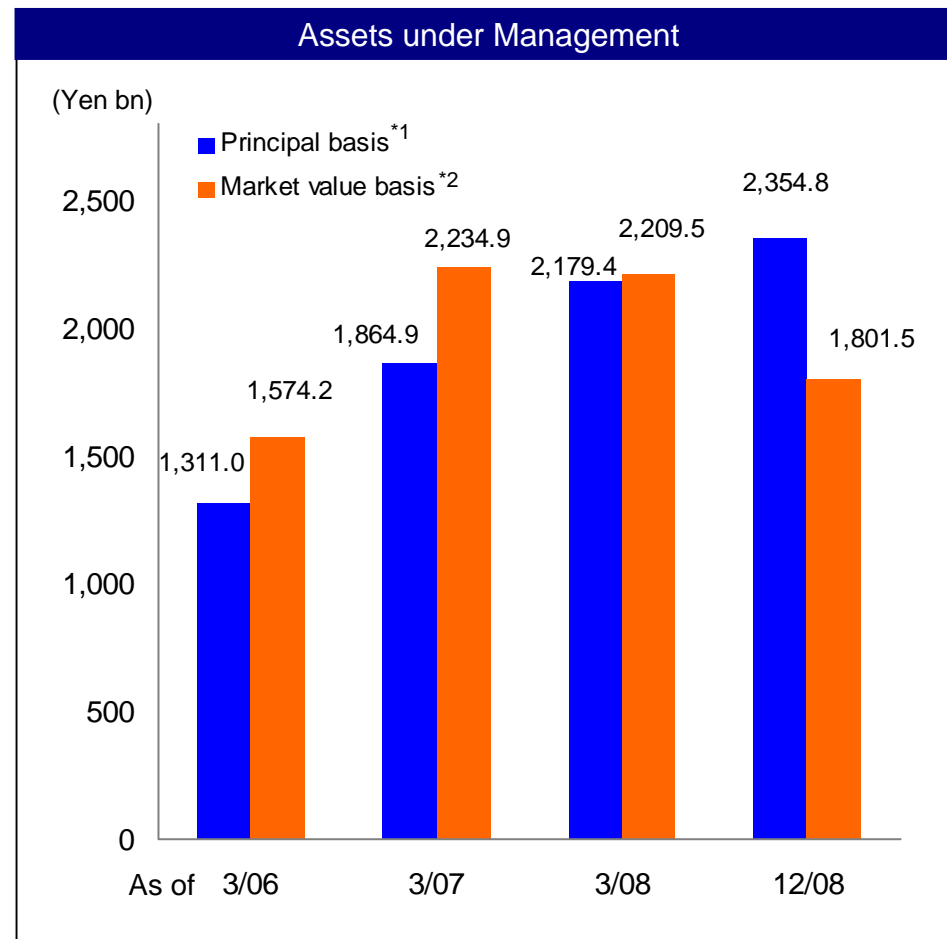
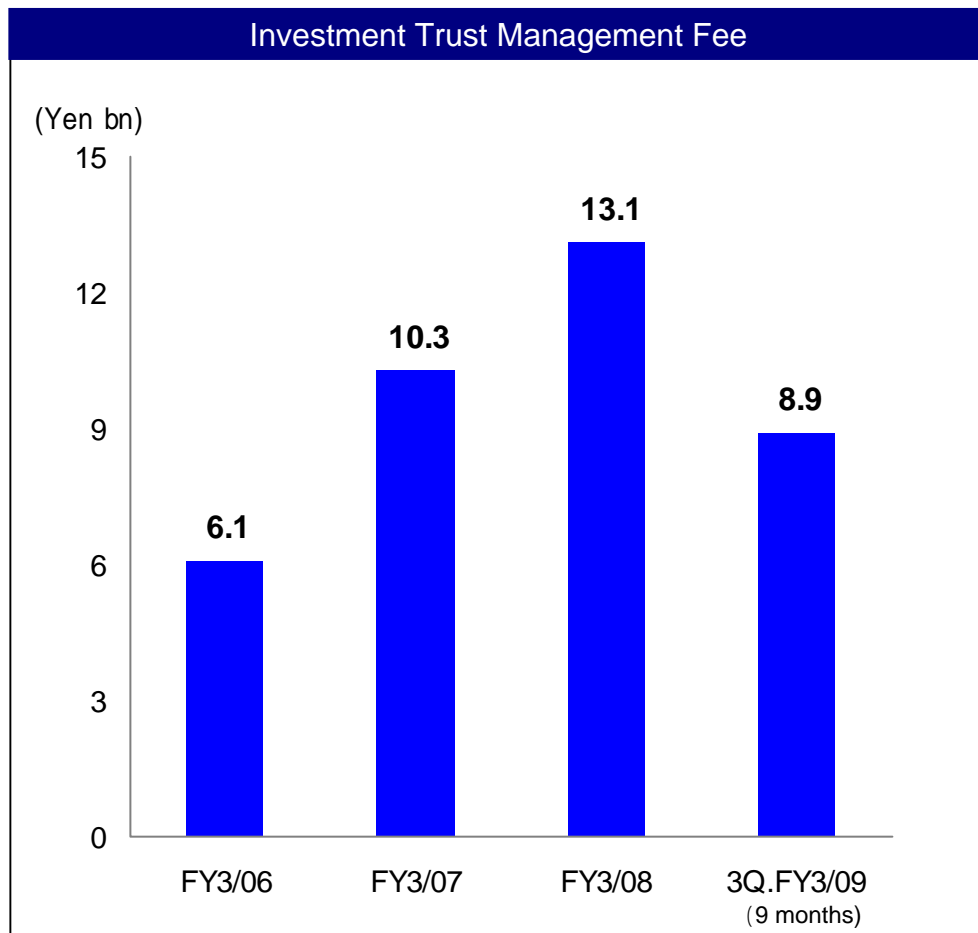
\*4 Excluding bond-type

Trend of Yields



3Q.FY3/09

Although balance on a principal basis showed a steady growth, balance on a market value basis decreased



\*1 Outstanding principal (net of sales, repurchases and redemption amount)

\*2 Sum of investment trust and investment advisory (market value basis)



3Q.FY3/09

Despite weak market conditions, assets under management increased slightly from 3/08

## Private equity fund management business

### Market Environment

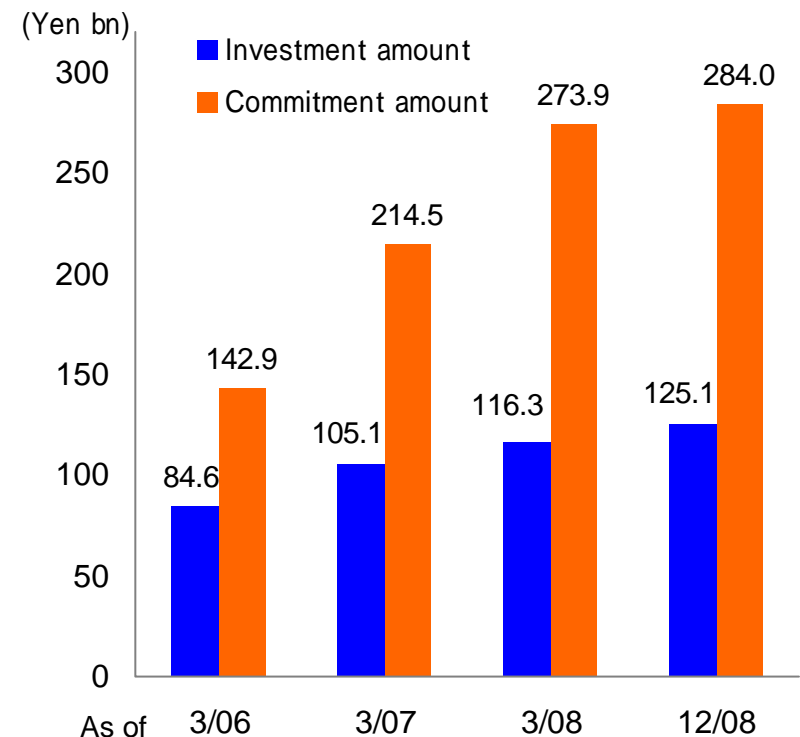
- Steady demand for capital restructuring
- New investment opportunities will arise, as some investors might have greater need to sell their private equity portfolio

### ● Chuo Mitsui Capital

- Since foreign banks became more conservative in providing new money, expectations for financing from Chuo Mitsui Capital as a main player in mezzanine finance has increased
- Focus on various investment opportunities, including investments in secondary transactions
- We will focus on raising funds from outside investors by grasping the needs of such investors

## Assets under Management

### Total of Funds \*



\* Total assets under management by Chuo Mitsui Capital

## . *Status of Capital*

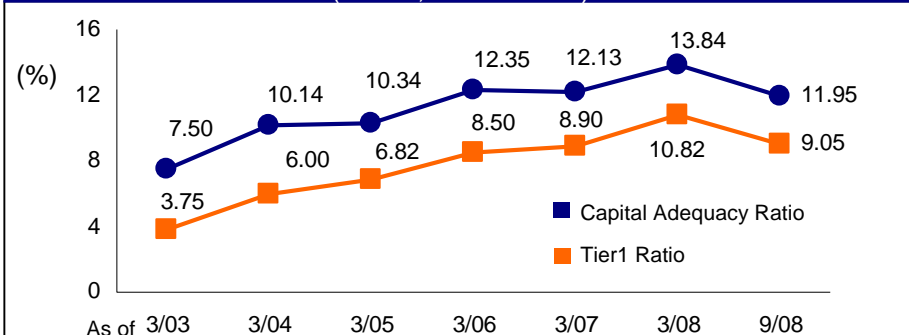
- *Capital*

# Capital

## Capital Adequacy Ratio <sup>\*1</sup> (CMTH, consolidated)

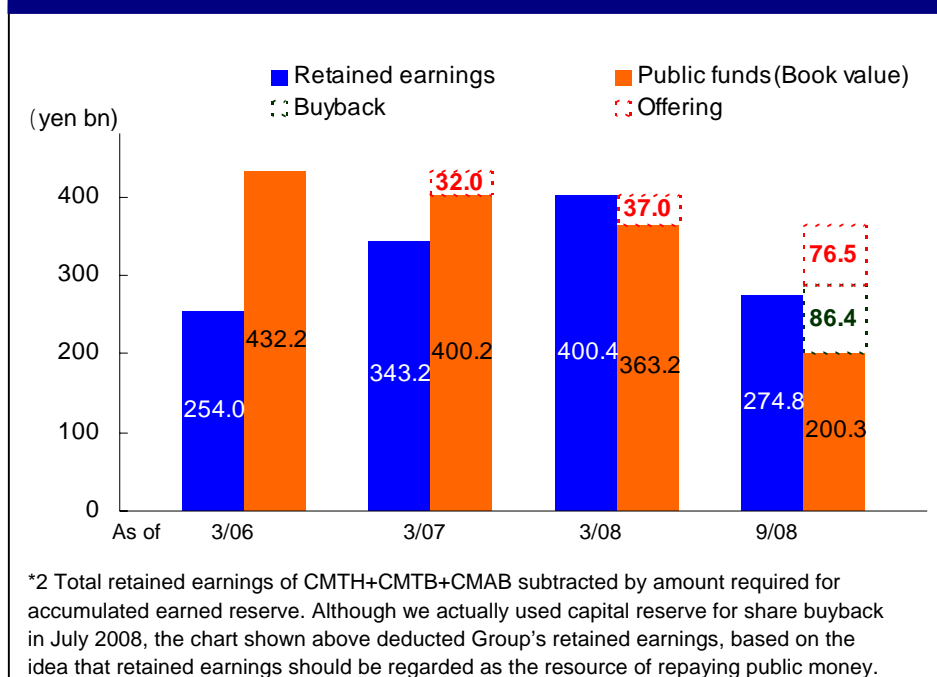
	(Yen bn)		
	a	b	c:b-a
CMTH, Consolidated	3/08	9/08	Change
Tier 1	878.0	767.3	(110.7)
Tier 2	263.7	266.6	2.8
Risk adjusted assets	8,109.0	8,474.5	365.5
Capital Adequacy Ratio	13.84%	11.95%	(1.89%)
Tier 1 Ratio	10.82%	9.05%	(1.77%)

## Capital Adequacy Ratio <sup>\*1</sup> & Tier1 Ratio <sup>\*1</sup> (CMTH, consolidated)



\*1 Figures after 3/07 is calculated on Basel basis.

## The Group's Retained Earnings <sup>\*2</sup>



## Preferred Shares

Class	Amount (Yen bn)	Type	Year/Month of Injection	Dividend Rate(%)	Current Conversion Price <sup>*3</sup>	Mandatory conversion date	Conversion Price at mandatory conversion date
All shares (JPY 32.0 billion) were sold in the market in July 2006							
Class	150.00	Convertible	3/1999	0.90	JPY450	8/1/2009	Market price <sup>*4</sup>
Class	50.35	Convertible	3/1999	1.25	JPY450	8/1/2009	Market price <sup>*4</sup>
JPY 37.0 billion were sold in the market in July 2007							
JPY 76.5 billion were sold in the market and JPY 86.4 billion were bought back in July 2008							
Total	200.35						

\*3 No upward reset. Downward reset only. Annual reset date : August 1st

\*4 30 business day average for common share price, starting from 45 days prior to mandatory conversion date. 400 yen is final reset floor.

**We aim to make "Full Repayment" by August 2009 through secondary offerings and share buybacks**



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.