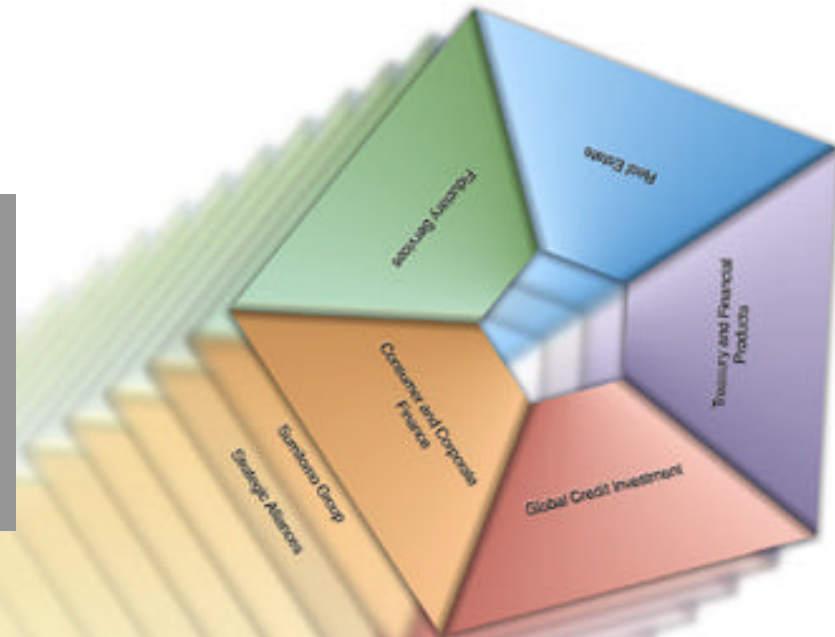




SUMITOMO  
TRUST 住友信託銀行

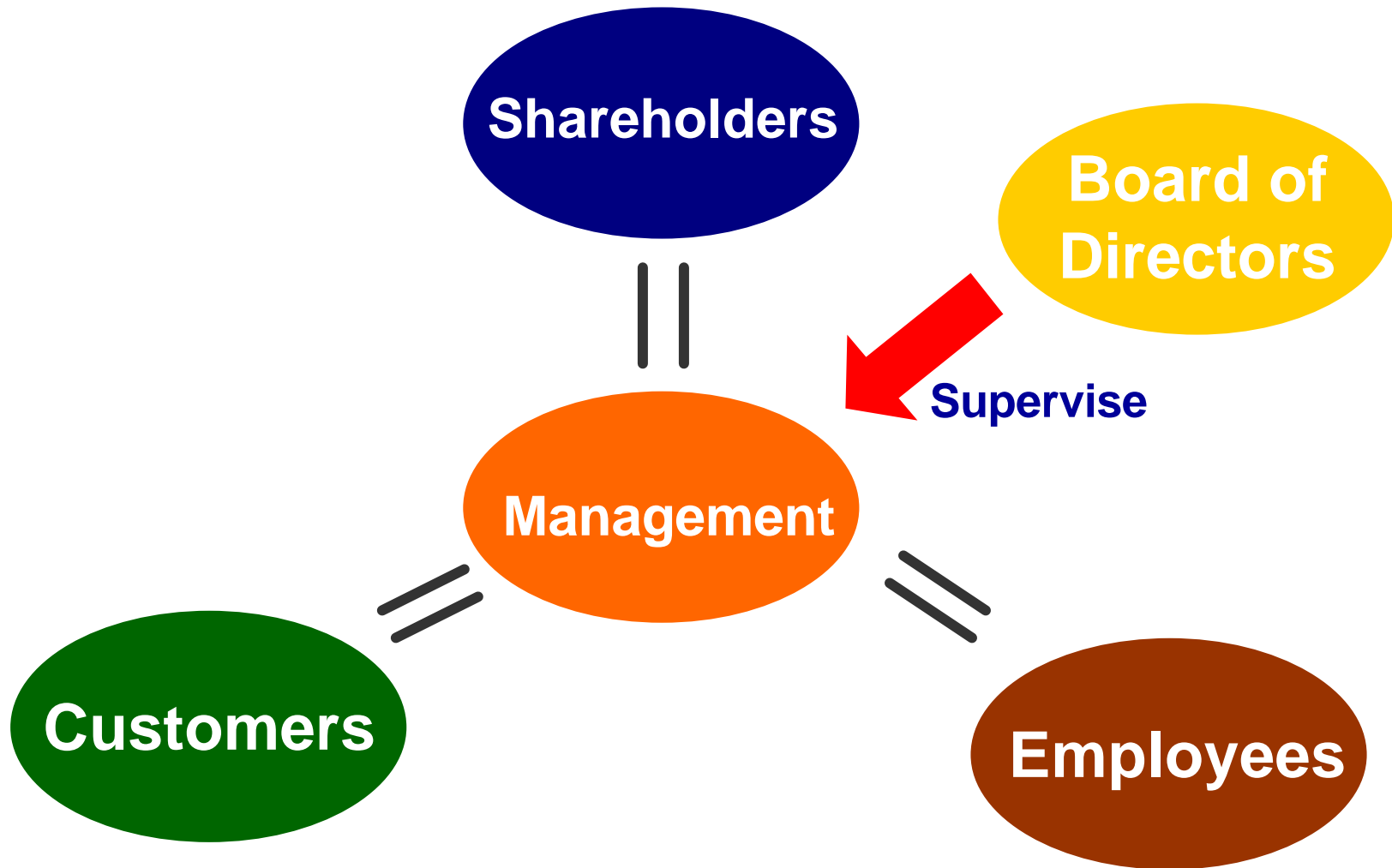
***Sumitomo Trust & Banking  
Co., Ltd.***



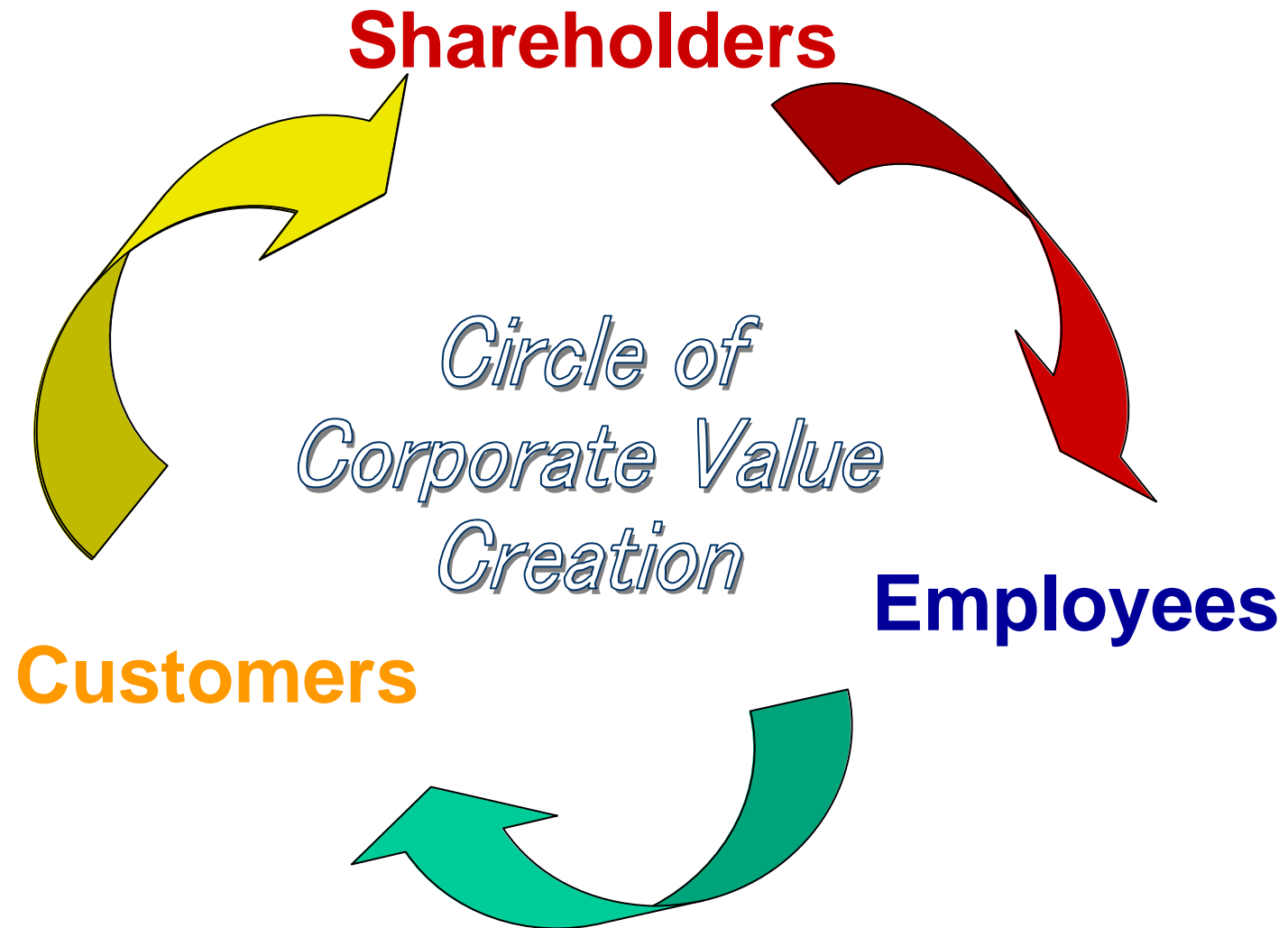
**UBS Warburg Financial Institutions Conference**

**Sep. 6, 2001**

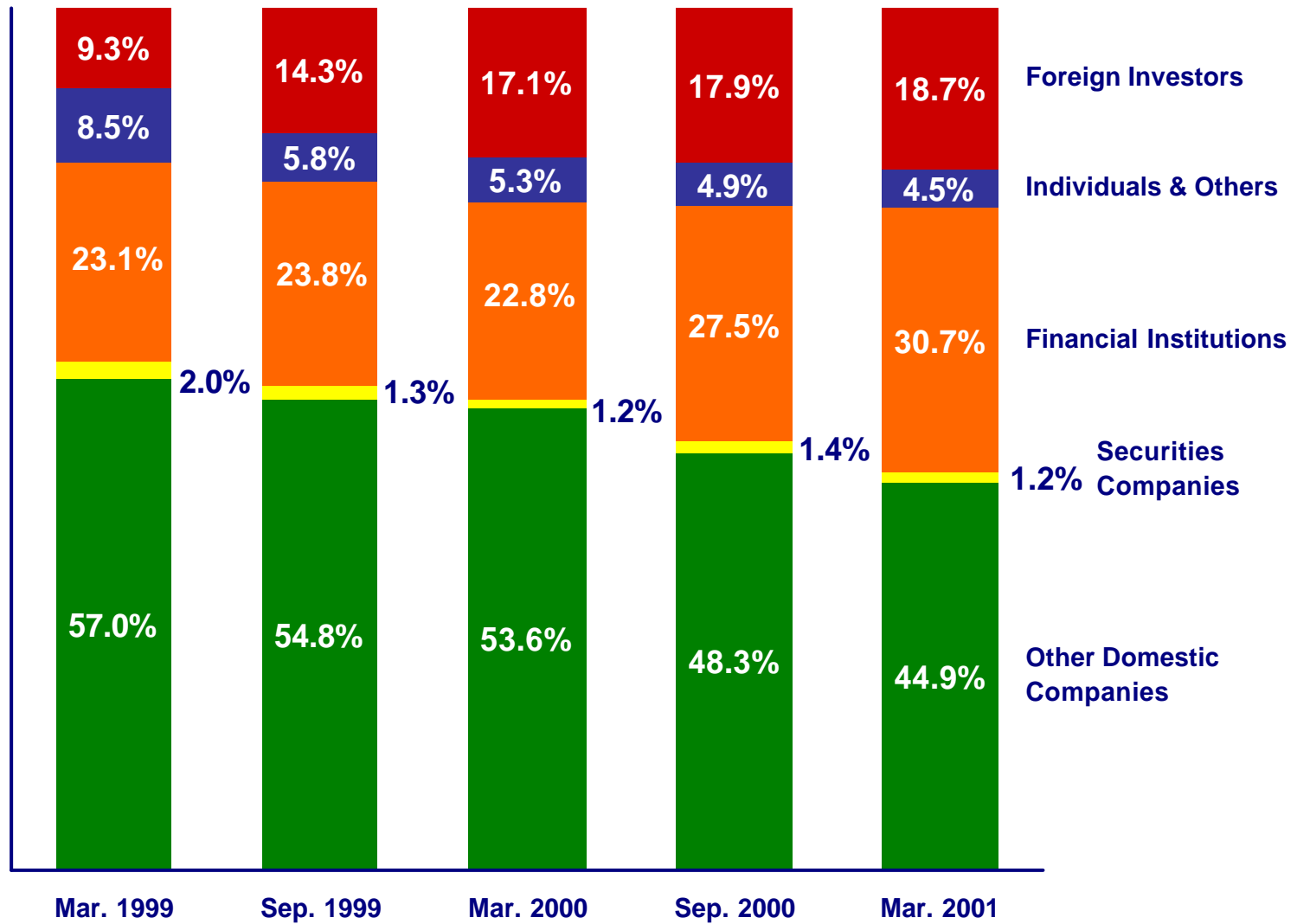
## Agency Theory of Corporate Governance



## Stakeholders Theory of Corporate Governance



## Type of Shareholders

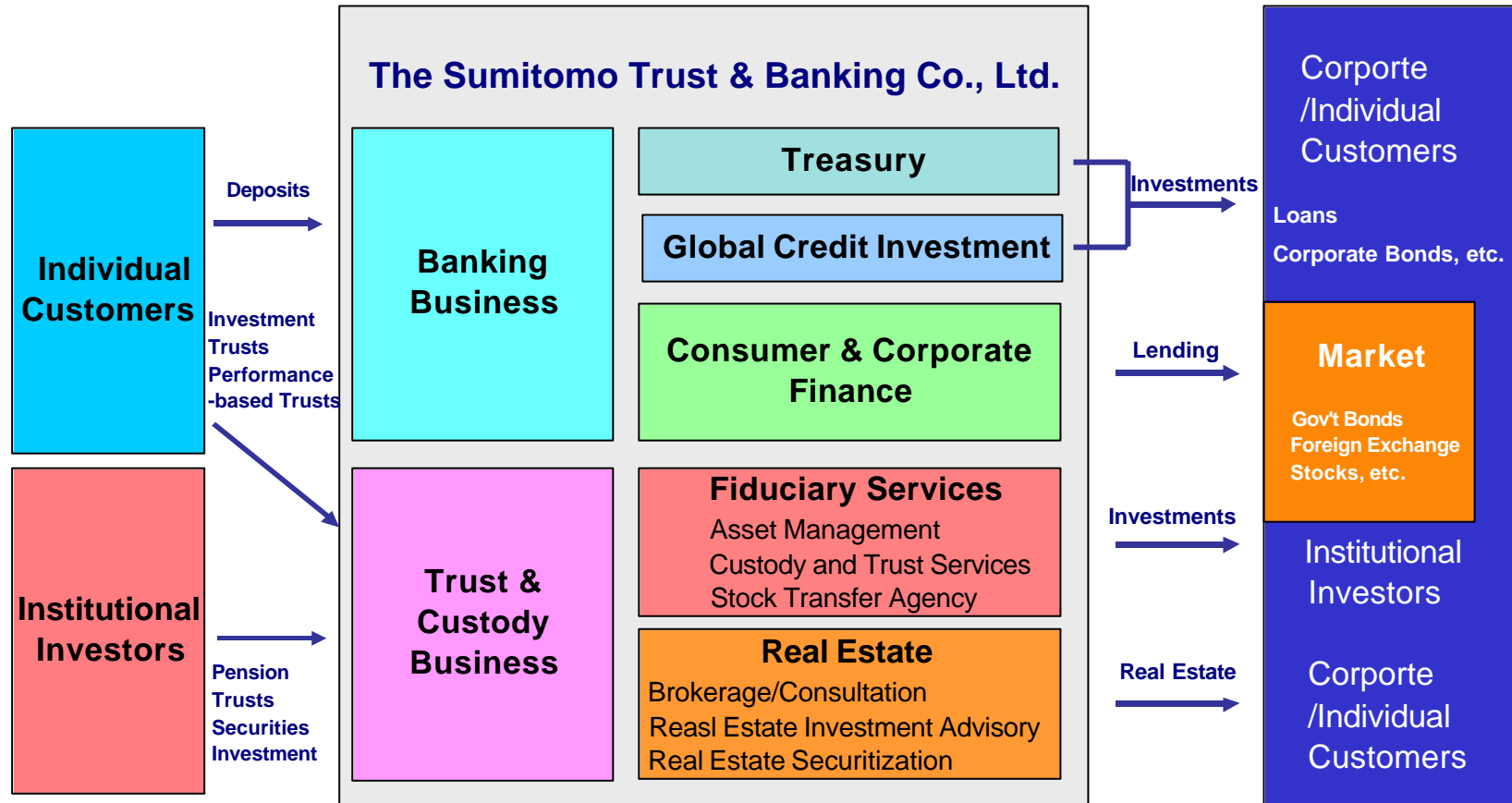


 Sumitomo Trust is

---

**Asset Management Financial Institution  
who can provide sophisticated investment  
management and precise operation**

# Sumitomo Trust is



## Net Business Profit SVA (Shareholders' Value Added)

---

### Pursuit of “Corporate Value for Shareholders”

→ Introduction of **Net Business Profit SVA**

Net Business Profit  
(after Tax)

-)Capital Costs\*

\*Capital Costs = Return that shareholders expect  
for their investments

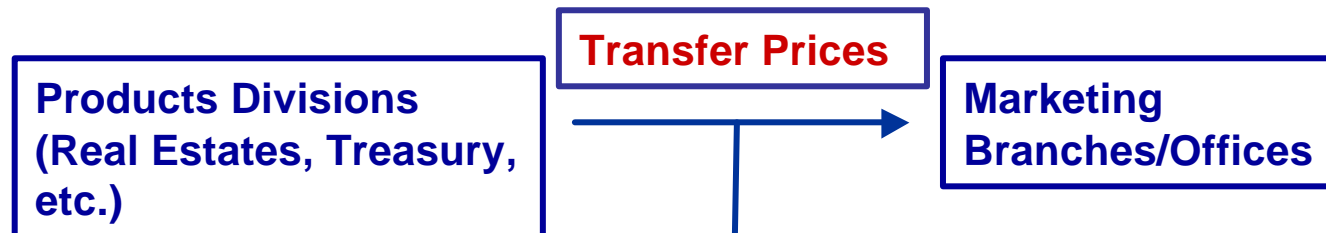
---

**Net Business Profit SVA  $\geq$  Zero  $\Leftrightarrow$  Added Value for Shareholders**

## Transfer Prices

### Clarification of Earning Responsibility and Enforcement of Intra-Company Competition

#### → Introduction of **Transfer Prices**



Transfer prices are paid to marketing branches/offices in proportion to their degrees of contribution to profit.

\*Goal)

Introduction of Intra-company market principle

Clarification of management autonomy and earning responsibility of each business group

Appropriate pricing of products





## ✚ Motivating Employees

- Staff posting reflecting individual's market value
  - Introduction of employment contract with specified individual assignments
- Streamlined Management System focusing on Added Values to Profits  
(from the measurement of Corporate Performance to the appraisal of Personnel Remuneration)



## Stock Option Plan

	FY2000	FY2001
Total number of shares*	3,100,000 shares	3,000,000 shares
Number of persons	331	374
Maximum no. of shares per person	150,000 shares	150,000 shares

\*Total number of shares – number of shares to be repurchased from the market for implementing the stock option plan

## Summary of Public Funds (Preferred Stock)

Preferred Stock	Summary of Terms and Conditions
Amount Issued	100 billion Yen
Dividend Rate	0.76%
Current Conversion Price	765 yen
Floor on Conversion Price	245 yen
Floor on Mandatory Conversion Price	245 yen
Adjustment of Conversion Price	Reset with the market price in October each year
Conversion Period	Apr. 1, 2001 - Mar. 30, 2009
Mandatory Conversion Date	Mar. 31, 2009
Cash Redemption Date	Mar. 30, 2009

# Summary of Financial Results

(Revised Plan for Restoring Sound Management)

(in billions of Yen)	Mar. 2001 Actual	Mar. 2002 Projection	Mar. 2003 Projection	Mar. 2004 Projection	Mar. 2005 Projection
Adjusted Gross Business Profit	270.0	265.3	269.8	274.8	284.6
Net Interest Income + Trust Fees from Loan Trusts and JOMTs (Note 1)	171.2	162.0	164.0	164.0	169.0
Other Trust Fees + Net Fees and Commissions	73.1	82.0	88.0	93.0	98.0
Net Gains from Trading + Others	25.6	21.3	17.8	17.8	17.6
General & Administrative Expenses	125.9	125.3	124.8	124.8	124.6
<b>Adjusted Net Business Profit</b>	<b>144.1</b>	<b>140.0</b>	<b>145.0</b>	<b>150.0</b>	<b>160.0</b>
Credit Costs (Note 2)	146.8	80.0	60.0	30.0	30.0
Net Operating Profit	72.9	53.0	78.0	113.0	130.0
<b>Net Income</b>	<b>42.6</b>	<b>30.0</b>	<b>45.0</b>	<b>66.0</b>	<b>77.0</b>
Efficiency Ratio	46.6%	47.2%	46.3%	45.4%	43.8%
ROE	6.5%	4.4%	6.3%	8.7%	9.4%
Fee Income as % of Gross Revenue	27.1%	30.9%	32.6%	33.8%	34.4%
EPS (Yen)	28.8	20.1	30.5	44.9	52.5

(Note 1) **“Trust Fees from Loan Trusts and JOMTs (Jointly-Operated Money Trusts)”** : Trust A/C credit costs and capital gains from securities are excluded. Capital gains from securities are included in “Others.”

(Note 2) **“Credit Costs”** = Banking A/C Credit Costs + Trust A/C Credit Costs + Net Transfer to General Reserve

\*Basic assumptions of the market : Gradual economic recovery from FY 2002, accompanied by gradually rising interest rates. Stock prices/foreign exchange rates are at the same level as the end of June 2001.

## Breakdown of Profit by Business Group

(Revised Plan for Restoring Sound Management)

(in billions of Yen)	Mar. 2001 Actual		Mar. 2002 Projection		Mar. 2005 Projection
	Gross Profit	Net Profit	Gross Profit	Net Profit	Gross Profit
<b>Fiduciary Services Group</b>	<b>55.5</b>	<b>25.7</b>	<b>57.5</b>	<b>29.0</b>	<b>66.7</b>
Pension Asset Management	35.0	16.9	37.4	19.4	41.5
Securities Processing Services	8.0	2.5	6.7	2.5	9.9
Stock Transfer Agency	12.5	6.4	13.4	7.1	15.4
<b>Real Estate Group</b>	<b>14.0</b>	<b>5.1</b>	<b>14.5</b>	<b>5.5</b>	<b>15.0</b>
<b>Consumer and Corporate Finance Group</b>	<b>145.9</b>	<b>71.1</b>	<b>136.1</b>	<b>61.3</b>	<b>149.8</b>
<b>Global Credit Investment Group</b>	<b>9.5</b>	<b>5.8</b>	<b>11.8</b>	<b>7.8</b>	<b>14.6</b>
<b>Treasury and Financial Products Group</b>	<b>45.2</b>	<b>36.4</b>	<b>45.4</b>	<b>36.4</b>	<b>38.5</b>
<b>Total &lt;Adjusted Net Business Profit&gt;</b>	<b>270.1</b>	<b>&lt;144.1&gt;</b>	<b>265.3</b>	<b>&lt;140.0&gt;</b>	<b>284.6</b>

## Analysis of Credit Costs

### Overview of Self-Assessment

\*Number in the second row in each category shows difference from Sep. 2000.

(in billions of Yen)	Banking A/C				Trust A/C			
	Amount	Level I	Level II	Level III	Amount	Level I	Level II	Level III
Legally Bankrupt (Hatan-Saki)	34.2 (17.7)	1.0 (0.2)	33.1 (17.4)	0.0 0.0	6.9 (9.7)	0.0 (0.0)	6.9 (9.7)	0.0 0.0
Virtually Bankrupt (Jissitsu-Hatan-Saki)	36.0 0.6	4.3 (2.6)	31.7 3.2	0.0 0.0	8.2 0.1	0.1 (1.3)	8.0 1.4	0.0 0.0
Potentially Bankrupt (Hatan-Kenen-Saki)	366.0 (185.1)	142.8 (109.9)	194.1 (38.2)	29.0 (36.9)	46.0 (17.5)	2.6 (3.9)	35.5 (4.8)	7.7 (8.7)
<b>Total</b>	<b>436.2</b> (202.1)	<b>148.3</b> (112.8)	<b>258.9</b> (52.3)	<b>29.0</b> (36.9)	<b>61.1</b> (27.1)	<b>2.7</b> (5.4)	<b>50.5</b> (13.1)	<b>7.7</b> (8.7)

#### \*Real estate collateral in Level II

Banking A/C

Virtually Bankrupt: 25 billion yen; Potentially Bankrupt: 127 billion yen

Trust A/C

Virtually Bankrupt 7 billion yen; Potentially Bankrupt: 25 billion yen

**Total**

**184 billion yen**

## Analysis of Credit Costs

### Mar. 2001 Reserve Ratio on account of General Reserve

#### Reserve Ratios for Special Mention/Ordinary Loans

	Mar. 2001	Sep. 2000	Mar. 2000
Substandard Loans <Note>	15.1%	6.9%	5.7%
Other than Substandard	6.3%	3.7%	4.0%
Special Mention (Yo-Chui-Saki)	6.7%	4.0%	4.1%
Ordinary	0.1%	0.1%	0.1%

#### <Note> Definition for “Substandard Loans” of the Bank

- “Substandard Loans” = ‘Loans more than 3 months past due’ + ‘Restructured Loans’
- “Restructured Loans” = ‘Interest Rate Reduction’, ‘Interest Payment Rescheduled’, ‘Principal Repayment Rescheduled’, ‘Restructuring/Standstill for Support’ and ‘Otherwise Restructured in favor of Debtors’
- Definition for ‘Interest Rate Reduction’
  - For Prime Rate based Loans => Loans whose contractual rates have been reduced to the level lower than either short-term prime rate flat or long-term prime rate minus 50.b.p.
  - For Spread based Loans => Loans whose spreads have been reduced to less than 50 b.p.

## Shareholders' Equity

(Revised Plan for Restoring Sound Management)

(in billions of Yen)	Mar. 2001 Actual	Mar. 2002 Projection	Mar. 2003 Projection	Mar. 2004 Projection	Mar. 2005 Projection
BIS Capital Adequacy Ratio	11.41%	11.54%	11.43%	11.92%	12.24%
Tier I Ratio	6.80%	7.00%	7.36%	7.84%	8.42%
Total capital	1,381.2	1,385.7	1,372.6	1,430.6	1,469.6
Total Risk Assets	12,098.2	12,000.0	12,000.0	12,000.0	12,000.0
*Shareholders' Equity (Non-Consolidated basis)					
(in billions of Yen)	Mar. 2001 Actual	Mar. 2002 Projection	Mar. 2003 Projection	Mar. 2004 Projection	Mar. 2005 Projection
Shareholders' Equity	760.8	779.8	819.7	874.7	940.7
<b>(Retained Earnings)</b>	<b>174.0</b>	<b>190.8</b>	<b>222.6</b>	<b>277.3</b>	<b>343.3</b>



## Our Philosophy on Mergers and Acquisitions

---

- Boosting market share of trust business
- Levering leadership in establishing business model
- Improving profitability
- Obtaining supports from the market

**This presentation material contains information that constitutes forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors including changes in managerial circumstances.**



SUMITOMO  
TRUST

住友信託銀行