

Information Meeting on Financial Results for FY2009 (May 27, 2010) Questions-and-Answers

Q-1	Non-consolidated net business profit before credit costs for FY2010 is forecasted to be 140.0 billion yen. If you put priority on strengthening some of your five businesses, please tell us what they are.
A-1	Loan-deposit margin is expected to continue declining in FY2010, and to rebound in FY2011 onwards, and our policy is to strengthen fee businesses, including retail investment marketing, real estate and fiduciary businesses. Our plan for retail financial services in FY2010 seems to be the same level as in FY2009, but we expect continued decline in loan-deposit margin, which is planned to be covered by fees of mutual funds and individual annuities sales.
Q-2	Please tell us whether Sumitomo Trust will change the current strategy or keep it, after the management integration with Chuo Mitsui Trust Holdings (hereinafter "CMTH").
A-2	We intend to fuse Sumitomo Trust Group's strength of diversity including overseas businesses with Chuo Mitsui Trust Group's strength of agility, and to pursue results that cannot be attained only by ourselves.
Q-3	Overseas financial markets are in turmoil, and regarding the situation of overseas credit investment, what is your exposure to the so-called "PIIGS"? How much of that is sovereign related? The balance of overseas credit securities is currently over 500.0 billion yen. Please tell us your thinking on how you will handle this in the future.
A-3	The investment balance related to "PIIGS" is about 30.0 billion yen. Our investments are mainly in highly rated corporate bonds, and do not include any sovereign debts. We have not suffered any significant damage since the recent turmoil in financial markets. As to over 500.0 billion yen of overseas credit securities, most of them are rated single A or higher, and based on the current price movements, there is almost no impact at the moment. We have reduced the balance by over 100.0 billion yen, and it will also be reduced by the range of several tens of billion yen to 100.0 billion yen a year, just due to approaching maturities. We do not plan to make any investments for some time, and we expect solid progress in risk reduction.
Q-4	Please tell us what your thoughts for determining the share exchange ratio are, when you will announce the integration plan, and what your thoughts concerning the repayment of public funds by CMTH are.
A-4	Taking into consideration the financial results of FY2009, we would like to announce the share exchange ratio as well as a business plan etc, at an appropriate time by autumn, as soon as the two groups agree. We will decide on the share exchange ratio objectively and rationally, and fulfill our accountability to our shareholders. Stock price level of CMTH is one of the requirements for finalizing the repayment of the public funds. At this stage, however, there is no change in CMTH's existing policy of making the utmost efforts to repay the public funds as early as possible. If CMTH is unable to repay the public funds before the integration, the new trust bank group will work to repay the public funds as early as possible.

Q-5	For the real estate business, you forecast earnings recovery this year. Specifically in which segments, such as investors and the scale of transactions, do you foresee earnings recovery? Please also tell us your current understanding about the risks in that plan.
A-5	We expect a recovery of real estate brokerage fees, with the background of increased information related to real estate transactions. We intend to increase brokerage fees taking advantage of strong demand for offices in Tokyo, and for condominium lands especially in city centers. There are “signs of thaw” in the real estate market compared to last year, such as improvement in financing conditions of REITs and moves to replace their assets. However, there are still gaps between selling and purchase prices, with a risk scenario where real estate transactions will not become substantially activated in FY2010. We are putting effort into digging up end user information and its matching.

Q-6	When real estate non-recourse loans of both groups are summed up, the total balance seems to be a large sum of money. What do you think of the risk management policy?
A-6	We are now discussing the risk management policy after the management integration. As both companies are trust banks engaged in real estate business, we do not think there is a large difference in the views on real estate market. As written page 34 in the presentation material, we have the policy to limit the balance of entire real estate-related loans to less than two trillion yen. We regard even the combined portfolio of the two groups as being well restrained and controllable in terms of real estate-related risk amount in the overall portfolio.

Q-7	Regarding international credit investment written on page 31 of the presentation material, please tell us about your risk management policy, especially for bonds issued by financial institutions.
A-7	For international credit securities, we are closely watching market conditions including price movements, and there is not any significant impact at the moment. After transferring this portfolio to treasury and financial products in May, we have adopted a policy of reducing risks flexibly through hedging and cutting losses depending on market conditions. There was nearly 13.0 billion yen of gain on sales in the last fiscal year alone. This is an evidence that we properly did conservative price valuations in the period of turmoil, and we do not think large concerns will arise.

Q-8	Integration with CMTH will boost your market share of credit portfolio and custody. Please tell us whether market share adjustments actions will occur. Or if they are already occurring, to what degree are they appearing?
A-8	There is only about 25% overlap between the two groups' top 100 corporate borrowers. We believe, therefore, that there will be a positive effect of more diversified credit portfolio. At the moment, we do not see corporate clients taking simple market share adjustment actions. We think that many corporate clients are carefully considering channels for indirect financing based on the experience of the financial crisis. We intend to provide high value added services of two groups, to maintain the current status. As to the fiduciary business, we do not see any move to take simple market share adjustment actions at the moment. For example, as to active investment management, its performance track record determines a client's choice of a fiduciary, and as to asset administration, service quality determines a client's choice. We therefore believe that there is a growing tendency for service contents to determine a client's choice. Meanwhile, we see a situation in which other competitors are intensifying business competition, stimulated by our management integration, so we intend to make our best efforts to retain and expand our market shares.

Q-9	In the process of proceeding with discussions toward the integration, are there any unexpected points, or any surprises about CMTH.
A-9	There are differences as different companies. But as both groups have grown in the same trust bank culture, we believe that the two groups can understand each other mutually. As both companies have determined the management integration at their own initiative, and are resolutely working to complete it, the discussions toward the integration are progressing smoothly and steadily.