住友信託銀行

2007 ANNUAL REPORT

Year Ended March 31, 2007

Sumitomo Trust & Banking Co., Ltd.

The Year in Brief

Consolidated net business profit before credit costs increased by 9.8% to 215.4 billion yen year-on-year.

In addition to the expansion in earnings due to the promotion of a tie-up strategy based on our consolidated management policy, a favorable trend in sales fee revenue for performance-based products (mutual funds and annuities for retail customers), and fiduciary fees for products such as pension trusts also contributed to our performance on a non-consolidated basis.

Net income (non-consolidated basis) was 81.8 billion yen, a decrease of 7.6% year-on-year, due to an increase in credit costs, mainly as a result of reclassification of debtors in a certain industry.

On a consolidated basis, net income increased by 3.7% to 103.8 billion yen in line with the expansion of the contribution from subsidiaries and affiliates.

The consolidated BIS* capital adequacy ratio was maintained at a sufficient level of 11.36%, even after reflecting an increase in total risk-weighted assets during fiscal year 2006 (due to loan increases and the effect of STB Leasing Co., Ltd.'s consolidation) and the application of Basel II standards.

* Bank of International Settlements

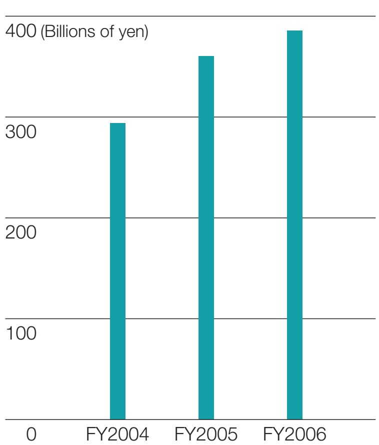
Financial Highlight

Consolidated

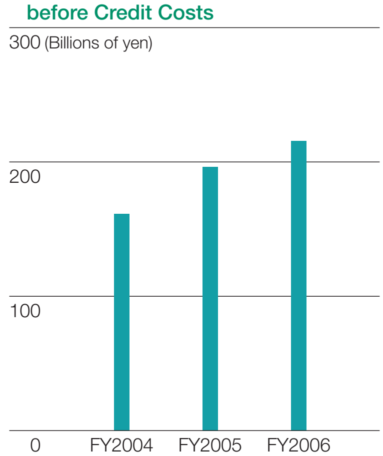
	Millions of Yen (Unless otherwise specified)			Millions of U.S. Dollars*1 (Unless otherwise specified)
	FY2006 (4/06-3/07)	FY2005 (4/05-3/06)	FY2004 (4/04-3/05)	**FY2006 (4/06-3/07)**
For the Year:				
Gross Profit	**¥ 384,101**	¥ 359,542	¥ 287,820	**$ 3,252**
Gross Profit before Credit Costs *2	**385,461**	360,354	293,923	**3,264**
Total Credit Costs	**42,073**	9,819	(70)	**356**
Net Business Profit before Credit Costs *3	**215,485**	196,270	161,143	**1,825**
Net Gains on Stocks	**4,814**	6,977	13,965	**41**
Net Income	**103,820**	100,069	96,865	**879**
At Year-End:				
Tier I Capital *4	**1,026,199**	909,376	861,795	**8,689**
Total Capital *4	**1,809,860**	1,595,890	1,489,403	**15,325**
Total Risk-Weighted Assets *4	**15,924,988**	14,640,708	11,914,889	**134,843**
Per Common Share (Yen/U.S. Dollars):				
Net Assets *5	**738.78**	668.38	545.99	**6.26**
Net Income	**62.05**	59.91	59.86	**0.53**
Financial Ratios				
ROE *6	**11.30%**	11.90%	11.83%	—
Tier I Ratio *4	**6.44%**	6.21%	7.23%	—
BIS Capital Adequacy Ratio *4	**11.36%**	10.90%	12.50%	—

1. The U.S. dollar amounts are the yen equivalent, calculated for convenience only, at a rate of ¥118.10 to U.S. $1.00.
2. Gross Profit before Credit Costs = (Gross Profit) + (Trust Account Credit Costs)
3. Non-consolidated: Net Business Profit before Credit Costs = (Gross Profit) + (Trust Account Credit Cost) - (General and Administrative Expenses)
   Consolidated: Net Business Profit before Credit Costs = (Non-consolidated Net Business Profit before Credit Costs) + (Adjusted Net Operating Income of subsidiaries and affiliated companies) - (Income from intragroup transactions)
4. From FY2006, new standards have been adopted.
5. From FY2006, Shareholders' Equity is being shown as Net Assets.
6. ROE is computed based on the average net assets less minority interest and valuation and translation adjustments (FY2004 figure calculated based on net assets less minority interest) at the beginning and end of the fiscal year.

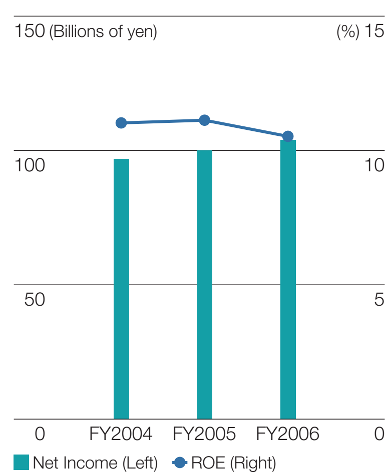
• Gross Profit before Credit Costs



• Net Business Profit before Credit Costs



• Net Income and ROE*



* See note 6 above

Non-consolidated

	Millions of Yen (Unless otherwise specified)			Millions of U.S. Dollars*1 (Unless otherwise specified)
	FY2006 (4/06-3/07)	FY2005 (4/05-3/06)	FY2004 (4/04-3/05)	**FY2006 (4/06-3/07)**
For the Year:				
Gross Profit	**¥ 296,416**	¥ 285,464	¥ 256,473	**$ 2,510**
Gross Profit before Credit Costs *2	**297,776**	286,276	262,576	**2,521**
Total Credit Costs	**40,527**	9,799	(1,474)	**343**
Net Business Profit before Credit Costs *3	**175,920**	164,628	148,229	**1,490**
Net Gains on Stocks	**5,096**	6,977	13,622	**43**
Net Income	**81,813**	88,497	84,700	**693**
At Year-End:				
Tier I Capital *4	**1,063,198**	978,153	855,262	**9,003**
Total Capital *4	**1,872,406**	1,671,201	1,490,545	**15,854**
Total Risk-Weighted Assets *4	**15,279,419**	14,381,879	11,845,958	**129,377**
Per Common Share (Yen/U.S. Dollars):				
Net Assets *5	**713.90**	655.27	541.96	**6.04**
Net Income	**48.90**	52.98	52.34	**0.41**
Cash Dividends	**17.00**	12.00	12.00	**0.14**
Financial Ratios				
ROE *6	**9.24%**	10.73%	10.34%	—
Tier I Ratio *4	**6.95%**	6.80%	7.21%	—
BIS Capital Adequacy Ratio *4	**12.25%**	11.62%	12.58%	—
Non-Performing Loan Ratio	**1.00%**	0.90%	1.80%	—

See notes for the consolidated statements on the previous page.

Breakdown of Profit by Business Group

	Billions of Yen								
	Non-consolidated						Consolidated		
	Gross Profit before Credit Costs			Net Business Profit before Credit Costs			Net Business Profit before Credit Costs		
	FY2006	FY2005	**Change**	**FY2006**	FY2005	**Change**	**FY2006**	FY2005	**Change**
Retail Financial Services	**¥ 84.2**	¥ 73.4	**¥ 10.8**	**¥ 27.3**	¥ 17.1	**¥ 10.1**	**¥ 29.6**	¥ 19.9	**¥ 9.7**
Wholesale Financial Services	**105.3**	106.0	**(0.7)**	**69.4**	72.1	**(2.6)**	**96.2**	93.1	**3.1**
Stock Transfer Agency	**19.5**	18.4	**1.0**	**4.5**	4.1	**0.3**	**9.1**	8.2	**0.9**
Global Markets	**48.7**	48.6	**0.1**	**39.4**	39.4	**(0.0)**	**39.4**	39.4	**(0.0)**
Fiduciary Services	**55.9**	47.9	**7.9**	**28.5**	20.6	**7.8**	**33.1**	24.0	**9.0**
Pension Asset Management	**41.5**	37.5	**3.9**	**19.9**	16.0	**3.9**	**21.3**	16.7	**4.5**
Securities Processing	**14.4**	10.4	**3.9**	**8.5**	4.6	**3.8**	**11.7**	7.3	**4.4**
Real Estate	**30.0**	34.2	**(4.2)**	**22.6**	26.4	**(3.7)**	**27.0**	29.6	**(2.6)**
Fees Paid for Outsourcing *1	**(27.3)**	(26.1)	**(1.1)**						
Stock Transfer Agency	**(13.0)**	(12.2)	**(0.7)**						
Fiduciary Services	**(14.3)**	(13.9)	**(0.4)**						
Others *2	**1.0**	2.2	**(1.2)**	**(11.4)**	(11.0)	**(0.3)**	**(9.9)**	(9.9)	**(0.0)**
Total	**297.7**	286.2	**11.5**	**175.9**	164.6	**11.2**	**215.4**	196.2	**19.2**

1. From FY2006, Non-consolidated Gross Profit before Credit Costs of each group and division is shown before "Fees Paid for Outsourcing."
2. Include cost of capital funding, dividend of shares for cross-shareholdings, general and administrative expenses of headquarters, etc.

Editorial Policy

Thank you very much for reading The Sumitomo Trust and Banking Company, Limited's*1 2007 Annual Report*2. At present, within the business environment surrounding Sumitomo Trust, the retail business – which is seeing large flow of funds from saving toward investment – is undergoing a boom. Meanwhile, in accordance with the growth in financial instruments, the expansion of front line sales forces, and the intensification of competition, there have been cases in which compliance, internal controls and customer protection have been insufficient. As a result, financial institutions are now being required to mount an even more thorough response to these issues than previously required. In this environment, under the banner of putting the customer first, and in an effort to provide information about Sumitomo Trust's management, which is aimed at achieving sustainable growth through solid defense and focused offense, we have put together this 2007 AR with the following three points as key features.

*1 Hereinafter Sumitomo Trust.
*2 Hereinafter 2007 AR.

Feature 1.
Enhancing the description of governance and placing it at the head of the report

We have enhanced our disclosure concerning our basic stance for improving management reliability and the status of initiatives, and placed this information at the beginning of the report (pages 7–22) in the section entitled "Governance Report."

In addition, in 2007 AR, disclosure concerning the new BIS standards (Basel II) has also been enhanced. An overview is reported on pages 14–15, while the details are given on pages 113–158.

Feature 2.
Put together in a way that makes our business contents, performance and strategy even easier to understand

The basic details of Sumitomo Trust's business groups, main subsidiaries and affiliates are summarized in the section entitled "STB*3 Basic Information" (pages 159–181), while the performance of each business group for the fiscal year under review is reported briefly in the section entitled "Business Report" (pages 23–34). Moreover, details of our strengths and competitiveness in the retail finance market are reported in "Special Feature 1" (pages 36–41).

*3 STB is short for Sumitomo Trust.

Feature 3.
Reporting CSR activities from both offensive and defensive aspects

In "Special Feature 2," which reports on our engagement with environmental-conscious finance and the results (pages 42–47), you can read about Sumitomo Trust's Corporate Social Responsibility (CSR) activities, which are aimed at making a consistent social contribution through our main business while seeking to improve our corporate value. In addition, Sumitomo Trust's philosophy concerning CSR is reported together with a full picture of its activities in the section entitled "CSR Management" (pages 20–22).

We hope that this 2007 AR will serve you to give a deeper understanding of Sumitomo Trust.

August 2007

A Cautionary Note on Forward-Looking Statements:

This Annual Report contains forward-looking statements about Sumitomo Trust and its group's future plans and strategies, which are not historical facts but are based on the Sumitomo Trust's assumptions and beliefs judged from the information currently available and are subject to a number of risks and uncertainties. This may cause actual results to differ materially from those projected. Thus, readers are advised that, when the words "plan," "expected," "will," or other similar expressions which might bear forward-looking impacts are used in this report, such are not guarantees of Sumitomo Trust's future performance and therefore should not be unduly relied upon or be read as terms used for solicitation purposes.

Contents

To Our Shareholders, Customers and Employees

Yutaka Morita President and CEO

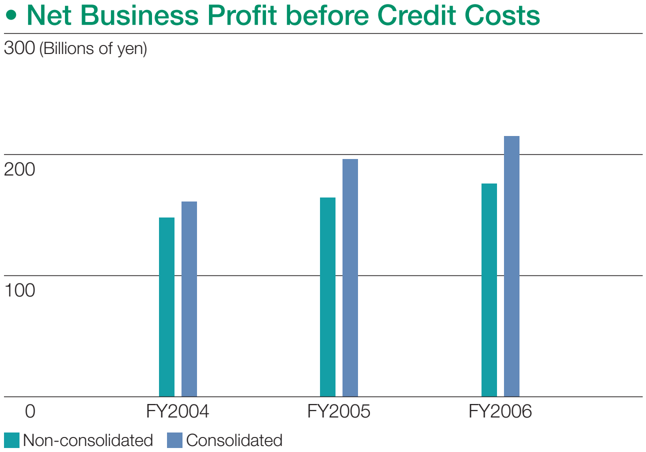
Looking Back at Fiscal Year 2006

Consolidated Net Income at its Highest Ever Level

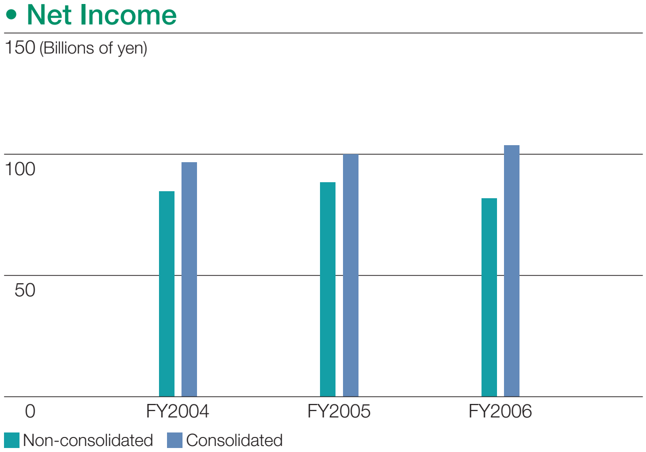
Results for fiscal year 2006 showed a rise in non-consolidated net business profit before credit costs of 6.9% over the previous fiscal year to 175.9 billion yen. This can be attributed mainly to expansion of total depositary and entrusted assets in both the Retail Financial Services Division and the Fiduciary Services Group, as well as favorable trend in sales fee revenue for performance-based products and fiduciary fees for products such as pension trusts. In addition, the contribution of First Credit Corporation and other consolidated subsidiaries grew, with the result that consolidated net business profit before credit costs increased 9.8% over the previous fiscal year to 215.4 billion yen, and consolidated net income increased 3.7% to its highest-ever level of 103.8 billion yen.

At the same time, reclassification of debtors was carried out during the fiscal year for some categories of business, such as the industry segments affected by the so-called grey zone interest rates and demands for return of past interest rate over-payments, from a perspective of prudent assessment of business performance trends. This caused the balance of loans to debtors on special mention category to increase by approximately 280 billion yen. As a result, total credit costs increased 30.7 billion yen, causing non-consolidated net income to decrease 7.6% over the previous fiscal

• Net Business Profit before Credit Costs



• Net Income



year to 81.8 billion yen. These businesses continue to have a suitable capital buffer, and they have received a certain level of evaluation from credit agencies and the bond market, but Sumitomo Trust took conservative measures from the point of view of ensuring financial soundness.

The Basel II requirements related to the consolidated BIS capital adequacy ratio were introduced at the end of the fiscal year under review, and with an increase in risk-weighted assets the consolidated BIS capital adequacy ratio reached 11.36%, which remains at a satisfactory level.

Business Development that Leverages Trust Functions is the Key to Growth

Quality of Service Counts

As the fruits of our business expansion with a focus on leveraging trust functions are starting to be seen, I believe the strategy of Sumitomo Trust is steadily producing results.

In response to the gradual growth of the Japanese economy, the retail financial services market is experiencing increased migration from savings to investment, and in the wholesale financial services market there are increased corporate activities in capital investment and M&A against a backdrop of favorable business performance. Competition continues to be fierce, but some markets are booming. Furthermore, with large banks and other financial institutions finally shifting to a full-fledged offensive strategy, competition is growing fiercer.

This competition revolves around the criteria on which the customer chooses a financial institution with which to do business. These criteria are increasingly shifting away from financial soundness and corporate scale to the quality of service with which the company is capable of providing the customer – in other words, the degree of customer satisfaction. Our aim is to be a top quality trust bank group that puts the customer first, and I believe the time has come when we can demonstrate the true worth of the Sumitomo Trust business model, which places the emphasis firmly on leveraging trust functions.

Enhanced Assets through a Retail Financial Services that Leverages Trust Functions

In the Retail Financial Services Division, sales of mutual funds have seen a sharp increase, reflecting the wave of prosperity and a shift from savings to investment. However, it is not possible to obtain true customer satisfaction simply through selling such products. It is necessary to put forward the optimal combination of asset management plans and products that take into account the life stage and level of risk tolerance of each retail customer, and also provide a wealth of products to meet his or her needs. This is precisely the strong point of Sumitomo Trust, which advocates retail financial services that leverage trust functions.

In fact, as a result of demonstrating our strength in this area, the volume of depositary asset together with deposit products and mutual funds has shown favorable growth, in all increasing 8.8% over the previous fiscal year to 9.9 trillion yen.

Promoting a Strategy of Creating Corporate Value in the Wholesale Financial Services Division

In the Wholesale Financial Services Division, as the means available to companies for funding diversify, competition for loan provision is growing fiercer and profit margins smaller. The key to breaking free of this war of attrition is the provision of added value, which is where our business model that leverages trust functions – the corporate value creation strategy that contributes to heightened corporate value for the customer through the provision of high value-added financial solutions – can be our strength.

For example, when working with a client company aiming to strengthen its financial structure, rather than simply proposing a reduction of liabilities, with cooperation from the Real Estate Division we offer proposals that will strengthen the client company's finances through effective use of the assets, chiefly real estate, in its possession (off balance transactions such as securitization). This is the sort of solution that a trust bank can provide. We also provide takeover protection consulting and other services to help client companies resolve their issues.

Promoting Diversification in the Real Estate Division

Sumitomo Trust's Real Estate Division is centered on brokering property for commercial use, in addition to which we are placing a focus on securitization and brokering property for residential use. As securitization becomes more common as a means for promoting restructuring of corporate finances and second-generation baby-boomers are increasingly looking to acquire residential property, these businesses are making a strong showing.

In addition to these businesses, we have started investment advisory services for private funds through STB Real Estate Investment Management Co., Ltd., which was established in November 2005, and we are also involved in the J-REIT (Japanese real estate investment trust) business through Top REIT Asset Management Co., Ltd., established jointly with Nippon Steel City Produce, Inc. and Oji Real Estate Co., Ltd. We are promoting the diversification of our sources of revenue in this way in order to further strengthen the foundations of our real estate business, which is one of the strengths of Sumitomo Trust.

Growth of Fiduciary Services through Expansion of Entrusted Assets

Fiduciary services, one of the core businesses of Sumitomo Trust, have achieved steady growth in each of the areas of corporate pensions, investment management and securities processing. In corporate pensions and investment management we were able to demonstrate our strength particularly in the provision of alternative investments, and volume of entrusted assets under management increased 26.3% over the previous fiscal year to 914.8 billion yen. In addition, the securities processing business showed good results with volume of entrusted stock investment trusts increasing 57.4% over the previous fiscal year to 15.5 trillion yen.

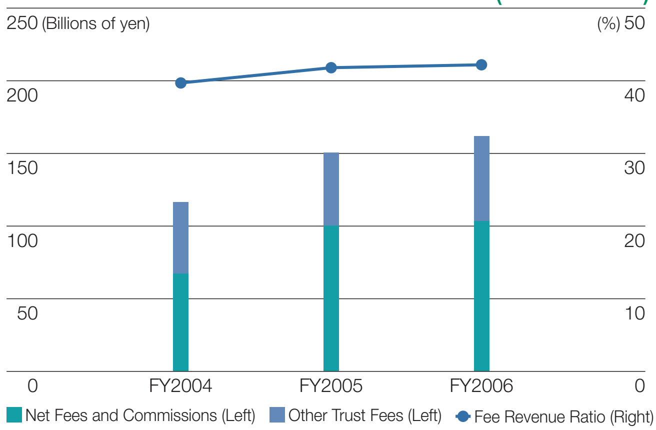
Promoting Diversification of the Revenue Base and Stability of the Management Base

Fee Revenue up 7.5% over the Previous Fiscal Year

The development of businesses that leverage trust functions also contributes to the establishment of a revenue base that is resistant to fluctuations in interest rates and credit spreads. In the consolidated results for fiscal year 2006, other trust fees (which include pension trust fees and mutual fund fees) and net fees and commissions (which include mutual fund related commissions) increased against a backdrop of strong performance in the Retail Financial Services Division and Fiduciary Services Group, which led to an 7.5% increase in fee revenue over the previous fiscal year.

Sumitomo Trust intends to continue to increase its business of sales of mutual funds, corporate pensions, real estate, and stock transfer services so that fee revenue accounts for 50% or more of gross profit (42% in fiscal year 2006).

• Fees/Commissions and Fee Revenue Ratio (Consolidated)



Diversification of the Revenue Base through Enhancement of the Group's Business

Loans to major businesses account for the bulk of Sumitomo Trust's wholesale credit, and this sector currently faces an environment of extremely fierce competition. Given this situation, we plan to increase the relatively high-margin, low-risk (such as loans with real estate collateral) financing of domestic small and medium-sized companies through First Credit, which is already a subsidiary, as well as Sumishin Matsushita Financial Services Co., Ltd., and Life Housing Loan, Ltd., which was acquired in May 2007. Also, STB Real Estate Investment Management, established in November 2005, is showing favorable performance through an increase in demand for real estate investment advisory services.

By promoting this sort of consolidated management, Sumitomo Trust is aiming for further diversification of its revenue base in the future.

Strengthened Compliance and Risk Management

As well as working to improve the quality of our products and services and reinforce our revenue base, we are also making even greater efforts toward compliance, risk management and customer protection.

As we aim to be a top quality trust bank group that puts the customer first, we need to retain and further heighten the trust of our customers. While maintaining a sound financial base that is among the top class in Japan, we are focusing on reinforcing our management and business infrastructure through thorough efforts in compliance and risk management, and we are accelerating our self-transformation aimed at bringing about sustainable growth.

Mid-Term Revenue Plan and Return to Shareholders

Mid-Term Revenue Plan

The performance of Sumitomo Trust is expected to further improve through the promotion of the growth strategies already outlined. Even supposing only organic growth, consolidated net income will show a compound annual growth rate of between 8.6% and 11.8% over three years, and net income in fiscal year 2009 will be in the region of 133.0 billion to 145.0 billion yen.

A breakdown shows that while expenses at the non-consolidated level are forecasted to increase in the order of

• Mid-Term Target through FY2009 (announced in May 2007)

Billions of Yen

	FY2006 (Actual)	FY2007	FY2008	FY2009
Consolidated				
Net Business Profit before Credit Costs	¥ 215.4	¥ 220.0	¥ 228.0 <=> ¥ 240.0	¥ 248.0 <=> ¥ 267.0
Net Operating Profit	170.1	185.0	201.0 <=> 213.0	221.0 <=> 240.0
Net Income	103.8	120.0	121.0 <=> 127.0	133.0 <=> 145.0
Consolidated/Non-consolidated Difference				
Net Business Profit before Credit Costs	39.5	40.0	41.0 <=> 46.0	44.0 <=> 49.0
Net Income	22.0	20.0	15.0 <=> 18.0	17.0 <=> 20.0
Non-consolidated				
Gross Profit before Credit Costs	297.7	312.0	322.0 <=> 329.0	340.0 <=> 354.0
Retail Financial Services	84.2	96.0	101.0 <=> 106.0	111.0 <=> 121.0
Wholesale Financial Services	105.3	103.0	106.0 <=> 110.0	108.0 <=> 112.0
(Fees Paid for Outsourcing)	(13.0)	(13.2)	(11.1) <=> (11.2)	(5.9) <=> (6.0)
Global Markets	48.7	45.0	43.0 <=> 39.0	43.0 <=> 39.0
Fiduciary Services	55.9	57.0	58.0 <=> 59.0	60.0 <=> 61.0
(Fees Paid for Outsourcing)	(14.3)	(15.0)	(12.5) <=> (12.5)	(11.8) <=> (11.8)
Real Estate	30.0	35.0	35.0 <=> 36.0	36.0 <=> 38.0
Expenses	121.8	132.0	135.0	136.0
Net Business Profit before Credit Costs	175.9	180.0	187.0 <=> 194.0	204.0 <=> 218.0
Credit Costs	40.5	25.0	25.0	25.0
Net Operating Profit	134.5	155.0	172.0 <=> 179.0	189.0 <=> 203.0
Net Income	81.8	100.0	106.0 <=> 109.0	116.0 <=> 125.0

	3/07 (Actual)	3/08	3/09	3/10
Interest Rate/Stock Price Assumption (Base-Case Scenario)				
1-month Yen LIBOR	0.67%	0.96%	1.26%	1.51%
10-year JGB	1.66%	1.80%	1.96%	2.08%
Nikkei 225 (Yen)	17,287	17,500	17,500	17,500
Interest Rate/Stock Price Assumption (Upside Scenario)				
1-month Yen LIBOR	0.67%	1.23%	1.68%	1.96%
10-year JGB	1.66%	2.51%	3.10%	3.49%
Nikkei 225 (Yen)	17,287	20,000	21,500	23,000

approximately 10 billion yen, this is expected to be covered by increases in gross profit. The wholesale business is expected to see reduced loan spreads, and a decrease in profits over the previous fiscal year. However, profits will recover from fiscal year 2008.

Regarding our financial and capital policy, as always we aim for both greater capital efficiency and strengthening of capital. For consolidated return on equity (ROE), which is a measure of profitability, we are aiming to maintain our traditional target of about 12%*. Furthermore, we have revised classifications for the consolidated Tier I ratio, an indicator of financial soundness, on the basis of the introduction of Basel II standards. We have set a goal of managing capital to a Tier I ratio of 7-8% in fiscal year 2009.

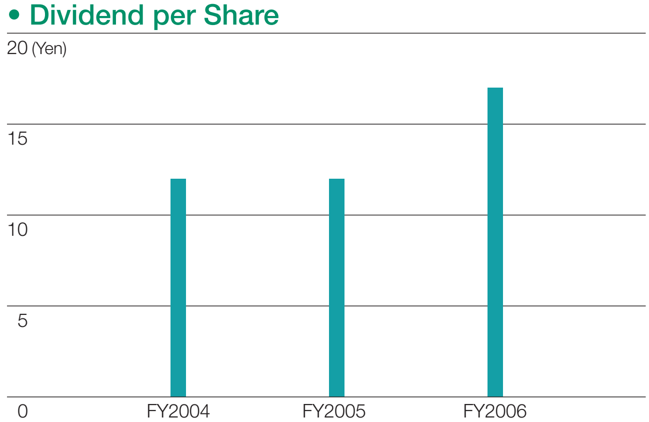
* Almost equals to Sumitomo Trust's historical 10% ROE target on "Total Equity."

Dividend Policy and Return to Shareholders

Along with these efforts toward sustainable growth, we place great importance on dividend policy as part of our capital policy. In this regard, we have specified fiscal year 2008 as the period for achieving the mid-term goal of a consolidated dividend payout ratio of 30%. Our non-consolidated annual dividend per common share was 17 yen (an increase of 5 yen per share), in line with the plan released last November, and the consolidated dividend payout ratio was 27.4%.

Sumitomo Trust is working to achieve a positive evaluation from our shareholders over the long term in both capacity for sustainable growth and returns through dividends.

• **Dividend per Share**



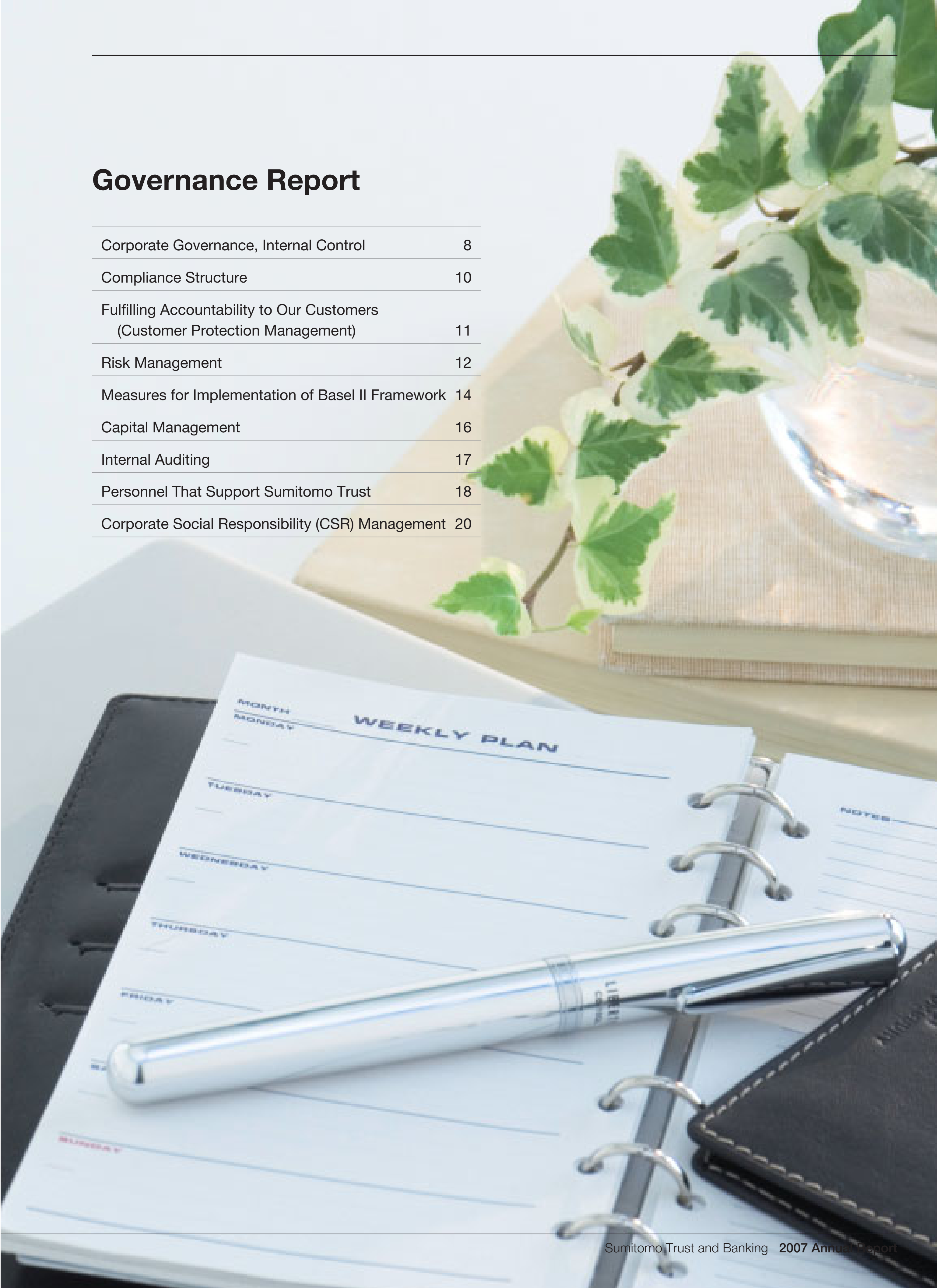
In Conclusion

Sumitomo Trust continues to pursue sustainable growth and higher corporate value through a management model of simultaneous operation of banking, trust and real estate businesses. In order to make this a reality, we are aiming to put the customer first and aim for top quality in all areas from products and services to the customer base, finances such as assets, revenue and capital, and human resources, compliance and risk management. Through these efforts, we aim to be a trust bank group recognized by retail customers as the main bank for asset management and servicing, and by corporate customers and institutional investors as a strategic partner that provides value.

Y. Morita

Yutaka Morita President and CEO

Governance Report



1. Basic Philosophy

Since its foundation, Sumitomo Trust has adhered to two core principles: "Confidence and Integrity" (the essence of the trust business) and "Placing Prime Importance on Credibility and Sound Management" (Sumitomo's basic business principle). These principles are based on the belief that our business activities are in close association with the economy and society and require a strong sense of public service. Accordingly, in fulfilling our social and public responsibilities, it is essential that we gain the unshakable trust of all our stakeholders, including customers, shareholders, employees and society at large.

Also Sumitomo Trust places the customer first as the foundation of its management, and places its efforts into the framing and development of management measures by sincerely gathering the opinions and assessing the needs of its stakeholders beginning with customers.

At the Sumitomo Trust Group, based on these management principles, we have positioned corporate governance as a mechanism that concerns the decision making, execution and supervision that Sumitomo Trust carries out in the interests of achieving sustainable growth and development through more efficient and transparent management, and as such we make constant efforts to refine our governance.

2. Putting This Philosophy into Practice

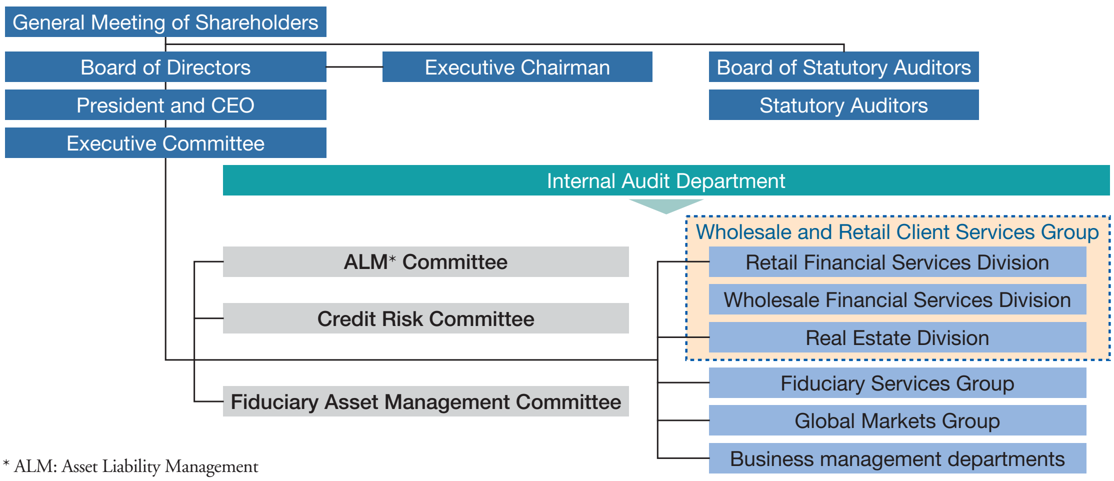
(1) Decision Making and Business Execution

At Sumitomo Trust, which is at the core of the Group, we have adopted an executive officer system as well as a business group management system in an attempt to speed up decision making and business execution. The Board of Directors, which meets at least once a month, makes decisions on important business matters, including basic management policies, and also supervises the business execution performance of the directors and executive officers. In order to ensure prompt decision making, under the Board of Directors we have established the Executive Committee, which meets every week, as well as a number of other committees*1 meeting on a weekly to monthly basis. The Executive Committee discusses and makes decisions on matters related to management policies and other individual matters of importance. The other committees discuss and decide on important matters such as those related to business strategies and risk management.

Moreover, in order to promote the consolidated management of the Group, we have established departments that supervise our subsidiaries and affiliates, along with a special department in charge of consolidated management specifically to understand and manage these overseeing departments in an integrated fashion. The heads of these overseeing departments also participate in the management of the subsidiaries as non-executive directors, and the overseeing departments and Consolidated Management Promotion Department periodically report the outlook of each subsidiary and affiliate to the Board of Directors and Executive Committee.

*1 The ALM Committee, the Credit Risk Committee, Fiduciary Asset Management Committee, etc.

• The Internal Control System Including Business Execution and Supervision



* ALM: Asset Liability Management

(2) Scope and Basic System of Internal Control

Sumitomo Trust has determined the scope of internal control as to encompass the five areas of 1) compliance, 2) thorough enhancement of customer protection and convenience, 3) development and establishment of appropriate management systems for various risks, 4) capital management, and 5) internal auditing. The Board of Directors decides on policy for sound and appropriate operations under appropriate management control. For the management systems that have been developed and established based on these policies, please refer to pages 10–17.

• Basic Policy of Internal Control System Structure

(3) Auditing System

Sumitomo Trust has adopted a corporate auditor system. We employ a three-tier auditing system combining the Statutory Auditors with internal auditing and CPA accounting auditing, and we are working to strengthen mutual cooperation among these groups.

Of the five Statutory Auditors, over half (three) are outside auditors. These outside auditors perform their duties from an expert and multilateral viewpoint as two are attorneys who are knowledgeable about Corporate Law as well as the management and operation of financial institutions, while the third is from a different industry. The attendance records of these three outside auditors at the 19 meetings of the Board of Directors and the Board of Statutory Auditors during fiscal year 2006 were 19 times for the first two auditors and 16 times for the third auditor.

We have a Statutory Auditor's Office which assists the auditors in the performance of their duties and makes arrangements so that necessary information can be obtained in a timely and appropriate manner, particularly for the part-time outside auditors. This office oversees preparation of materials such as resolutions, holds opinion hearings, and compiles various reports as required.

In an attempt to gain an accurate understanding of the conditions of the Group's subsidiaries, Sumitomo Trust's full-time auditors serve concurrently as part-time auditors of domestic consolidated subsidiaries and conduct on-site audits of overseas consolidated subsidiaries.

In addition, we are strengthening our internal auditing.[*2] The Board of Directors has set out an internal auditing policy pertaining to the internal management system including risk management, and receives reports concerning auditing results in a timely and appropriate fashion from the Internal Audit Department, which is independent of the departments pertaining to business execution. Moreover, we also implement external auditing concerning the effectiveness of the risk management system as necessary.

*2 For details concerning internal auditing, please refer to page 17.

Governance Report | Compliance Structure

1. Basic Philosophy

Because Sumitomo Trust operates a trust banking business that occasionally involves managing and operating assets held by our valued customers under our own name, in addition to funds of a highly public nature, we make compliance with social norms and other principles as a core element of our management strategy from both an offensive and a defensive standpoint.

Compliance is observed by all our directors and employees including those of our domestic and overseas subsidiaries and affiliates. As is stated in the Ethics Charter, we vow to "strictly adhere to all laws, rules and social regulations," "respect human rights and ethics and not trespass against moral law" and "behave with honesty and fairness." In order to improve individual compliance awareness within the Sumitomo Trust Group, we have developed a compliance structure that encompasses compliance standards, a compliance manual, checks and promotion measures. In addition, we have constructed systems that allow appropriate action to be taken promptly when the need occurs. For example, we have established a Compliance Hotline through which employees can make direct reports to management.

2. Putting This Philosophy into Practice

(1) Compliance Activities at Branches and Departments

In addition to group training, we also hold voluntary compliance training for employees in our various branches and departments. At these training sessions, we aim to thoughtfully implement the basic items of our Compliance Standards, which stipulate the Code of Conduct, and to improve compliance awareness.

(2) Compliance Structure

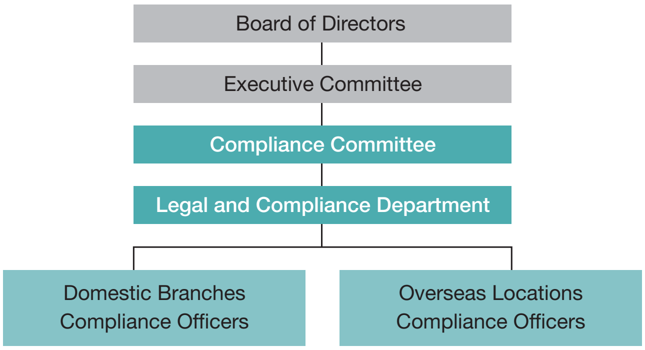
Our compliance structure forms the core around which Sumitomo Trust's internal control system is constructed.

In order to promote the steady practice of compliance in the workplace, we have established a system under which Compliance Officers are appointed at our head office and at all branches and departments in Japan and overseas. These Compliance Officers carry out monitoring on a daily basis as a primary check, while the Internal Audit Department conducts auditing as a secondary check.

The Legal and Compliance Department is in charge of and centrally manages compliance-related annual practice plans such as the development of the system for Sumitomo Trust. The department handles promotional activities and measures such as the development of related regulations and training. Moreover, in order to develop the compliance structure and carry out thorough practice throughout the Sumitomo Trust Group, this department is developing a structure (including organizations, regulations and systems) in cooperation with the Sumitomo Trust Group's subsidiaries and affiliates.

The Compliance Committee, which is chaired by the director in charge of the Legal and Compliance Department, investigates and resolves problems concerning compliance, and when necessary, makes reports and gives advice to the Board of Directors regarding how to deal with these problems. Moreover, the Internal Audit Department also reports on the results of internal audits to the Board of Directors, which in turn reflects the contents of these reports in its management policies.

• Compliance Structure



Governance Report | Fulfilling Accountability to Our Customers (Customer Protection Management)

1. Basic Philosophy

As financial institutions' operations, products and services become more diversified and complex in the wake of recent trends towards financial liberalization and advances in financial technology, Sumitomo Trust is aware of its increasing accountability to properly explain products to its customers. Moreover, the need to respond appropriately to customer complaints and requests and the importance of managing customer information are greater than ever before.

Under these circumstances, as a trust bank grounded in the two core principles of "Confidence and Integrity" (the essence of the trust business) and "Placing Prime Importance on Credibility and Sound Management" (Sumitomo's basic business principle), Sumitomo Trust is positioning improved customer response ("Customer Protection") alongside compliance as its most important management task, and strengthening its efforts with the aim of being a financial institution that puts the customer first.

2. Putting This Philosophy into Practice

(1) Establishing a Customer Protection Management Policy

In March 2007, Sumitomo Trust established a policy (the Customer Protection Management Policy) on the development and establishment of a system aimed at enhancing customer protection and convenience. By taking these items that have conventionally been practiced as a part of compliance and risk management policies and handling them under an independent policy, we are working to realize management that puts the customer first and improve our customer protection efforts.

This policy stipulates the objects of customer protection management as 1) product and service explanations and information provided to customers, 2) response to customer inquiries, consultation, requests and complaints, 3) management of personal information, and 4) ensuring the appropriateness and sufficiency of customer response and information management in outsourced operations.

(2) Employee Action Guides

The employee of Sumitomo Trust already follows an "Ethics Charter" of Sumitomo Trust and a "Social Activity Charter" for use as action guides. We publicized a "Promise to Customers," which spells out our policy concerning solicitation and sales of financial products at our branches and on our website. In addition, by means such as development of company rules and enhanced training we conduct thorough and adequate solicitation and sales of financial products from the customer's standpoint. Moreover, in keeping with our "Personal Information Protection Declaration," we are developing an internal system for the appropriate protection and use of personal information.

(3) Customer Service Improvement Measures Undertaken in Each Group and Division

In each group and division of Sumitomo Trust, we take up "Voices of Users and the Improvements Based on Them" as a theme of our business activities, and each half-year we submit a report on customer opinions and the details of the improvement activities we have tackled as a group and division to the Board of Directors.

In the Retail Financial Services Division, we are actively proceeding with efforts to improve customer satisfaction by constructing an organizational system that thoroughly collects customer complaints and service improvement proposals, and studies measures. In other groups and divisions also, based on the idea that reducing mistakes in operations is linked to improving reliability from a customer perspective, we analyze the causes of such mistakes and implement measures to prevent their recurrence.

By putting in place thorough customer protection and improving convenience through such measures, as well as by raising our management system to a higher level, Sumitomo Trust is responding to its social mandate as a financial institution and linking this to improvements in customer service.

1. Basic Philosophy

Sumitomo Trust is a partner to customers that accommodates their needs across a wide range of bank and trust operations. At Sumitomo Trust, with a management philosophy of putting the customer first, we consider risk management essential not only for protecting our business, but also for providing higher quality service to our customers. That is, we believe risk management to be the embodiment of our management philosophy. We therefore place the highest priority on improving the sophistication of our risk management framework, which meets the characteristics of our operations. Sumitomo Trust Group will take steps to a solid business platform, which will enable Sumitomo Trust to manage and cope with risks, to support both business development and sustainable growth across the entire Sumitomo Trust Group.

In Sumitomo Trust's risk management framework, under the "Risk Management Policy" set by the Board of Directors, authority and its delegation, organizational structure, and processes and procedures are clarified, and PDCA cycles are established for each risk category, including identification, assessment, monitoring, control and mitigation of risk assets across Sumitomo Trust.

Sumitomo Trust is also taking steps to sophisticate its framework for internal risk management, in response to the introduction of the Basel II framework for regulatory capital management.

2. Putting This Philosophy into Practice

(1) Types of Risk

Our "Risk Management Policy" classifies risk categories, by the cause of potential loss, into credit risk, market/liquidity risk, and operational risk. Risk management is implemented according to the specific characteristic of each risk category.

(2) Organizational Structure for Enterprise Risk Management

In accordance with the "Risk Management Policy," Sumitomo Trust has set the roles and responsibilities of operational organizations and departments related to risk management as follows.

1) Board of Directors

Formulates policies and plans concerning the management of overall risks that are faced by Sumitomo Trust, and disseminates the policies and plans throughout the company. It also builds management and reporting structures, and vests relevant organizations including the Executive Committee and other committees and/or executives with authority.

2) Executive Committee

Sets rules and provisions regarding the identification, assessment, monitoring, control and mitigation of risks in line with the

• Risk Categories

Scope	Risk Category	Risk Management related Department	Risk Description
Enterprise Risk Management (Risk Management through Comprehensive Assessment of All Risk Categories); Integrated Risk Management (Quantitative Risk Management using VaR as an Integrated Measurement)	Credit Risk	Corporate Risk Management Department	Risk of incurring losses due to the value of an asset (including off-balance sheet assets) decreasing or impairing, owing to reasons such as deterioration in the financial condition of a obligor.
	Market Risk	Corporate Risk Management Department	Risk of incurring losses due to fluctuations in the value of assets/liabilities or revenues thereof, either due to fluctuations of items such as interest rates, stocks and foreign exchange rates, or owing to fluctuations in the value of other assets.
	Operational Risk	Corporate Risk Management Department	Risk of incurring loss resulting from inadequate or failed internal processes, people and systems or from external events (including the following risks).
	Business Processing Risk	IT & Business Process Planning Department (or Personnel Department for Internal Fraud)	Risk of incurring losses arising from executives or employees neglecting to engage in proper business activities, or other incidents such as accident or fraud.
	Information Security Risk	IT & Business Process Planning Department	Risk of incurring losses for reasons such as loss of confidentiality, integrity or availability of information or information systems belonging to Sumitomo Trust, owing to factors such as information management, system failure or improper management of system development projects.
	Compliance Risk	Legal and Compliance Department	Risk of incurring losses for reasons such as penalties, claims or lawsuits arising from a lack of compliance with laws, regulations or social standards in Japan and abroad, or an inability to complete transactions due to contractual impediments including the lack of necessary provisions or lack of legal capacity by the transaction counterparty.
	Human Resource Risk	Personnel Department	Risk of incurring losses due to issues such as unequal or unfair management of personnel, including issues related to compensation, benefits, release from employment and harassment.
	Event Risk	Corporate Administration Department	Risk of incurring losses arising from extraordinary situations such as natural disasters, war and criminal offenses.
	Reputational Risk	Corporate Risk Management Department	Risk of incurring losses due to a (possible) major impact on business as a result of deterioration in reputation for Sumitomo Trust or its subsidiaries, owing to reasons such as mass media reports, rumors or speculation.
Enterprise Risk Management only	Liquidity Risk	Corporate Risk Management Department	Risk of difficulties in securing necessary funds, due to reasons such as mismatches in the timing of management and procurement, or unforeseen outflow of funds.

policies set out by the Board of Directors, and develops frameworks to put them into practice.

3) Risk Management related Departments

Responsible for accurate recognition and continuous assessment, appropriate management and administration of risks, as well as integrity of the compliance (observance of relevant laws and regulations) frameworks, as independent departments.

Among them, the Corporate Risk Management Department has the company-wide coordination function for risk management for comprehensive management of various risks. Each risk category has a risk management related department in charge, which undertakes the monitoring and analysis of risks and the planning and promotion of appropriate risk management frameworks.

4) Front Office Departments

Execute transactions and operations with the purpose of maximizing revenues, while also supervising the accompanying planning and review functions and engaging in administrative management. In accordance with the policies and plans set out by the Board of Directors, Front Office Departments engage in operational administration aimed at ensuring the effectiveness of risk management, such as implementing appropriate controls that reflect the scale and characteristics of risks.

5) Internal Audit Department

Involved in preparing the necessary framework to implement effective internal auditing. Reporting directly to the President and CEO, the Internal Audit Department assesses and verifies the status of all activities as an independent department.

(3) Enterprise Risk Management and Integrated Risk Management (Economic Capital Management)

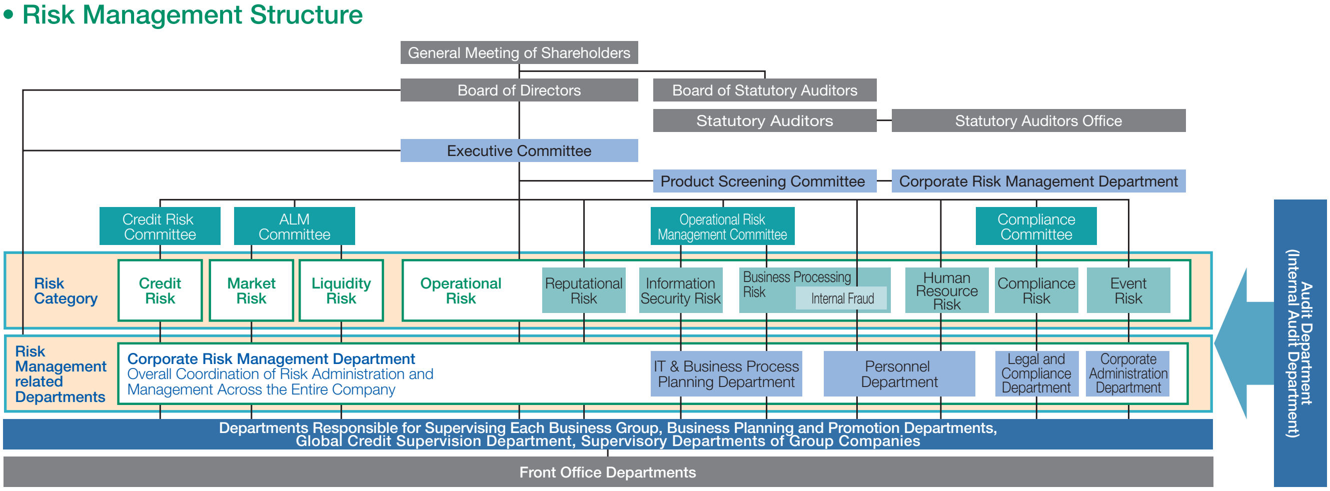
It is our policy to identify various risks we face, including risk categories not included in the calculation of the capital adequacy ratio, comprehensively measure them after individually assessing respective risk categories, and manage these risks by comparing them with our overall financial strength (Enterprise Risk Management).

In addition, among risk categories, quantifiable risks (credit risk, market risk and operational risk) held by our corporate group are measured quantitatively by the integrated VaR*, the combination of various risks measured by the unified criteria (the one-tailed confidence interval of 99.9%, the one-year time horizon) (Integrated Risk Management).

Aiming to achieve simultaneously both of the management goals of “securing of financial soundness” and “maximization of shareholders’ value,” the Integrated Risk Management seeks to control the total risk amount for the group as a whole within a certain target level, and allocates capital to various risk categories and business divisions according to business plans, and pursues the efficiency of capital use through risk-return as an indicator.

* Value at Risk (VaR): A common risk management. The maximum amount of loss anticipated within a certain period (the time horizon) within the range of certain probability (the confidence interval). The larger the percentile of confidence interval, the greater the VaR, which means Sumitomo Trust applies conservative economic capital measurement.

• Risk Management Structure



Measures for Implementation of Basel II Framework

1. Basic Philosophy

The Basel II framework was implemented in March 31, 2007 as a new framework that revises the original Basel Capital Accord, which is a set of rules to review the capital adequacy of internationally active banks.

The Basel Capital Accord was originally signed in 1988 by the Basel Committee on Banking Supervision (BCBS), which counts Japan and other key nations as its members. The purpose of the Basel Capital Accord is to strengthen the soundness of the international finance system and secure fair conditions for competition between banks that engage in international operations. However, liberalization and globalization of finance in subsequent years led to acknowledgement of the limitations of the Basel Capital Accord, as the risks carried by banks became increasingly complex and sophisticated. A study to revise the existing framework was begun in 1998, culminating in the publication of the final Basel II framework proposal by BCBS in 2004. After a period of deliberations following the publication, the Japanese government published new regulations for calculating capital adequacy ratio in 2006, which were implemented in March 31, 2007.

In comparison with the original Basel Capital Accord, the Basel II framework more precisely assesses the risks that financial institutions face, while seeking to promote improvement of their risk management capabilities. The Basel II framework is comprised of three pillars:

1) Minimum Required Capital Adequacy Ratio (First Pillar)
2) Self-Management and Supervisory Review (Second Pillar)
3) Market Discipline (Third Pillar)

Sumitomo Trust is able to meet the Basel II requirements in risk management as it has set up its own Enterprise Risk Management.

2. Putting This Philosophy into Practice

(1) The First Pillar of Basel II

The first pillar is the management of minimum required capital, which are calculated using the methods prescribed by the Basel II framework. Under the original Basel Capital Accord, financial institutions were required to hold total capital equivalent to at least 8%* of the risk-weighted assets. This requirement has been retained in the Basel II framework, but two major changes have been implemented for the calculation of risk-weighted assets, as outlined below.

Firstly, in order to measure credit risk more precisely, banks can now choose to use either external credit ratings or internal ratings, based on credit risk management conditions. The change accounts for discrepancies in credit risk that arose from the ratings used under the original framework. Sumitomo Trust has chosen to adopt a Foundation Internal Ratings-Based (IRB) Approach.

Secondly, under the original framework, the scope of calculated risks was restricted to credit risk and market risk. Under the Basel II framework, operational risk, referring to the risk of incurring losses due to reasons such as clerical errors or fraudulent activities by employees, is now measured in addition to credit and market risk. Sumitomo Trust has chosen to use the Standardized Approach to calculate operational risk under Basel II.

* Minimum required capital adequacy ratio for financial institutions operating globally that have adopted the uniform international standards.

• Method for Calculation of the Capital Adequacy Ratio

$$\text{Capital Adequacy Ratio} = \frac{\text{Capital (Amount)}}{\underbrace{\text{Credit Risk}}_{\text{More Precise Calculation Method}} + \text{Market Risk} + \underbrace{\text{Operational Risk}}_{\text{Newly Introduced}}}$$

• Calculation Method Used by Sumitomo Trust

Credit Risk	Foundation Internal Ratings-Based (IRB) Approach
Market Risk	Internal Models Approach
Operational Risk	Standardized Approach

(2) The Second Pillar of Basel II

The Basel II framework was adopted with the expectation that it will encourage financial institutions to pursue initiatives to enhance economic capital and risk management, so as to appropriately manage risks* through internal efforts and maintain appropriate capital adequacy. The framework demands that financial institutions voluntarily review and assess their approaches to risk management, and take steps to increase the sophistication of management where necessary.

Sumitomo Trust engages in Enterprise Risk Management by assessing various risks that it faces, including risk categories that are not included in calculations of the capital adequacy ratio. Each risk category is assessed and comprehensively managed by comparing it with, and measuring it against, the strength of our business from the standpoint of capital adequacy and efficiency.

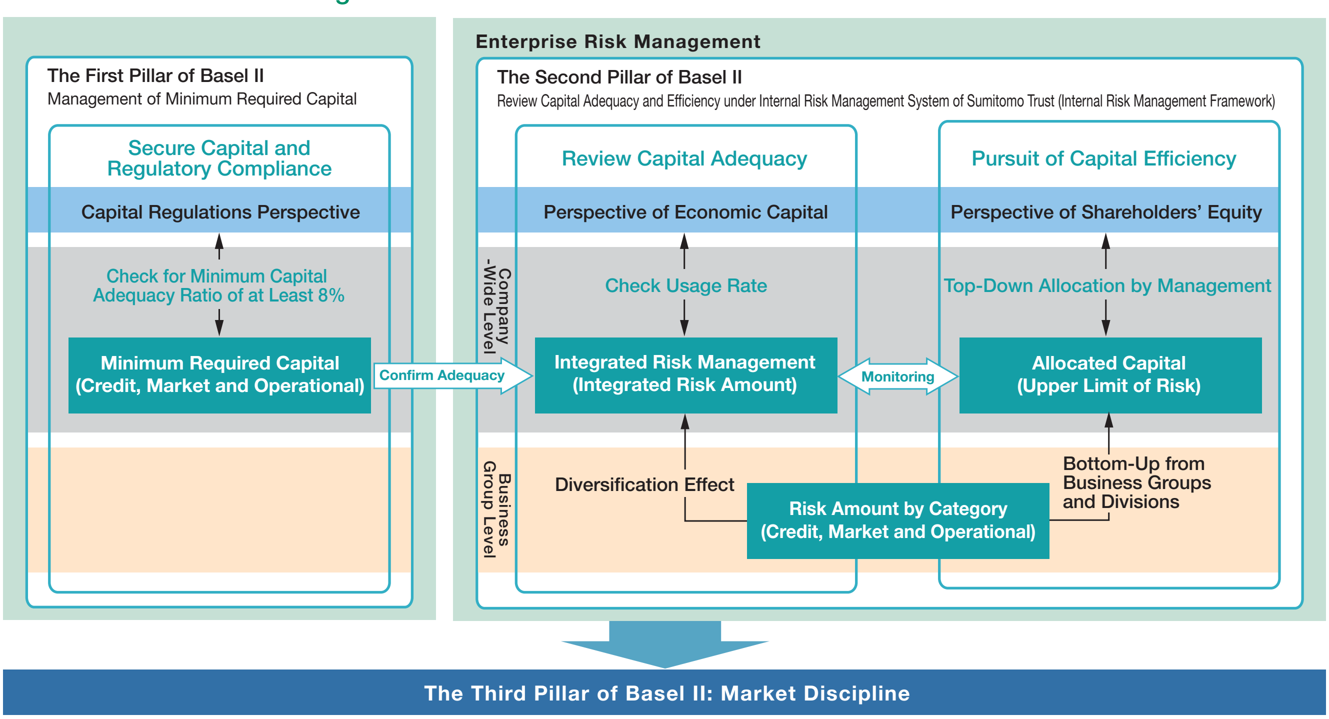
Sumitomo Trust also engages in Integrated Risk Management for managed risk categories that represent quantifiable risks, applying to credit risk, market risk and operational risk. We engage in quantitative management of risks using an integrated scale, based on internal management methods. The purpose of Integrated Risk Management is to simultaneously achieve the business targets of securing financial health and maximizing shareholders' value. We control the overall risk amount carried by the entire Sumitomo Trust Group, managing it according to fixed target benchmarks. In addition, capital is allocated by risk category and business group in conjunction with business plans, in the pursuit of capital efficiency using revenue relative to capital as an indicator.

* Includes risks that are not covered under the first pillar, such as interest rate risks for banking account and credit concentration risks.

(3) The Third Pillar of Basel II

The Basel II framework places on emphasis on market discipline. It encourages banks to engage in thorough disclosure of items such as capital adequacy and risk management framework, amount of risks, and method for calculating the amount of risks. Through this disclosure, Basel II seeks to boost the effectiveness of market discipline in maintaining and improving the soundness of bank management. This subject is covered in the Risk Management section of this Annual Report.

• Framework for Risk Management at Sumitomo Trust



1. Basic Philosophy

Capital management is aimed at ensuring the soundness of Sumitomo Trust's business by improving our capital reserves and maintaining and increasing the efficiency of our business by making effective use of capital. Also, capital management encompasses the implementation of measures concerning capital adequacy, appropriate distribution, evaluation, monitoring and control of capital, and also calculation of the BIS capital adequacy ratio as stipulated by laws and regulations.

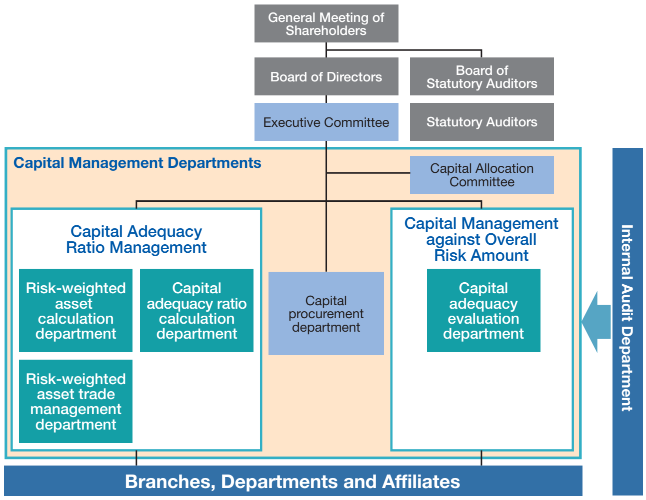
At Sumitomo Trust, we ensure sufficient capital to meet the risks we face, and make efforts to improve our capital and the effectiveness of its use by establishing a basic Capital Management Policy founded on our management policy and the basic policy of our internal control system.

2. Putting This Philosophy into Practice

(1) Basic Policy Concerning Capital Adequacy and the Capital Management System

At Sumitomo Trust, we aim to maintain sufficient capital by operating in accordance with a PDCA cycle as follows: 1) draw up a capital plan based on the external environment (economic environment, market environment, etc.) and the internal environment (risk profile, operational conditions, etc), 2) carry out the capital adequacy measures decided in the capital plan, 3) monitor the capital situation and evaluate the sufficiency level as appropriate, and 4) improve capital and risk control based on the above evaluations. Moreover, we have constructed a necessary system for the appropriate management of capital by installing a department in charge of capital adequacy evaluation and one in charge of capital adequacy ratio calculation as capital management departments.

• Capital Management System



(2) Capital Adequacy Evaluation Policy and Overall Risk Amount

At Sumitomo Trust, we evaluate capital and risk under the capital adequacy evaluation system multilaterally by establishing multiple definitions as follows.

For ensuring the adequacy of capital, we compare risk capital, which is the sum of evaluation gains on securities and Tier I capital – the fundamental capital category, with the integrated risk amount, which takes into consideration the diversification effect between risk categories. Also in order to evaluate the overall risk amount at times of stress, when the assumed diversification effect is not obtained between risk categories, we compare this amount with the risk buffer, which is the combination of perpetual subordinated debt* and risk capital.

On the other hand, we evaluate capital efficiency by checking the usage ratio of the department's allocated capital.

The Board of Directors decides on a planned figure for the integrated risk amount as a framework standard for the bearable risk amount against the risk capital and the risk buffer, and a department in charge of capital adequacy evaluation monitors each month whether or not the performance values are within the planned figures. The monitoring results are reported quarterly to the meetings of the Management Committee and the Board of Directors, and in this way we are maintaining capital sufficient and controlling risk.

* Perpetual subordinated debt: unsecured debt of low seniority with no maturity date.

(3) Capital Adequacy Ratio Calculation Policy

Sumitomo Trust recognizes the importance of the capital adequacy ratio calculation as well as its management. Accordingly, we work for the accurate calculation and appropriate management of the ratio in order to ensure its fairness and appropriateness.

Moreover, with regard to capital adequacy ratio management, we aim to raise the level and the efficiency of the management system by improving organic linkage using the risk management method employed for internal management.

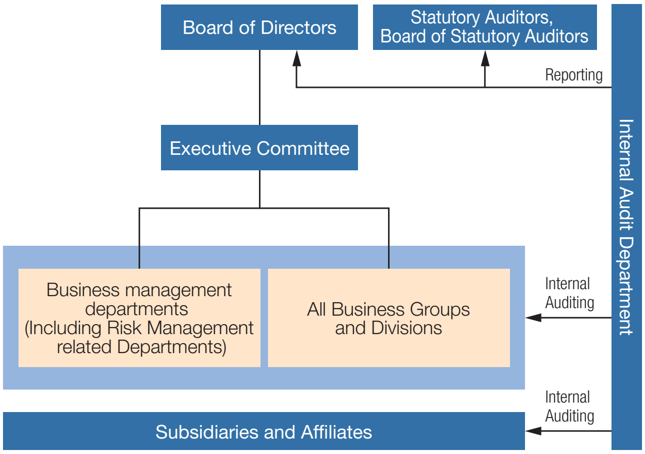
Governance Report | Internal Auditing

Sumitomo Trust considers that establishing an effective internal auditing system commensurate with the scale and features of its operations, laws applicable to its operations, and types of risk involved is indispensable to achieving Sumitomo Trust's management targets, as well as to compliance, customer protection, and risk management. Based on this recognition, we have established an Internal Audit Department independent of other business departments to carry out internal audits, headed by the President and CEO himself.

Internal auditing verifies the appropriateness and effectiveness of our internal management system (including the risk management system) in the light of laws, our corporate charter, management policy and various regulations. The purpose is to contribute to the strengthening of the internal management system, improve operations, increase efficiency, and rationalize management through recommendations, guidance, advice and proposals based on the audit results.

All departments of Sumitomo Trust as well as subsidiaries within a range that does not conflict with the law are subject to internal auditing, and the results are reported each month to the President and CEO as well as to the Statutory Auditors, and periodically reported to the Board of Directors. The effectiveness of auditing is ensured by the Internal Audit Department, which manages the improvement of problem points that are identified in the course of internal auditing.

• The Internal Auditing Implementation System



1. Basic Philosophy

The strengths of Sumitomo Trust, which combines banking, trust, and real estate operations, are to be found in our 1) high levels of skill and performance in businesses, such as real estate and pensions in particular, that require a high degree of expertise, 2) our consulting capabilities, which allow us to respond precisely to the needs of each of our customers, and 3) the system that allows us to provide optimal consulting and product development to our customers through close cooperation between each of these specialized divisions and sales staff in our branches, which are in actual contact with our customers.

We consider our human resources who have the above strengths a major source of our competitiveness. Accordingly, we attempt to secure and nurture human resources through a fair and open personnel system that allows each individual employee to obtain satisfaction in their work through self-development and self-realization.

Specifically, we 1) respect each employee and provide a supportive working environment that expands "choice" and allows each individual to manifest the strengths he or she possesses, 2) foster a group of true professionals able to fully compete in the external marketplace, and 3) align compensation with the business strategies and attributes of different business groups and promote the development of strategic planning.

We attach great importance to the basic approaches of the personnel system, which consists of the three items listed above, and to the Principles of Conduct of the Personnel System by means of which our employees implement this basic philosophy in their daily conduct. We practice these principles in all human resource nurturing processes from recruitment through education, assignment and treatment.

• Principles of Conduct of the Personnel System

1. Respect individuality
   Sumitomo Trust aims to elicit each employee's maximum capabilities by actively supporting an employee's self-directing career path development while at the same time ensuring optimal human resource deployment, and offering guidance and training upon careful consideration of individual capabilities and attributes.
2. Promote self-reliance and the will to take on challenges
   By proactively supporting employee's self-reliance and will to take on challenges, Sumitomo Trust aims at being a body of professionals with a strong sense of confidence in their ability to provide customers with optimal added-value. They accurately understand and take to heart Sumitomo Trust vision, and remain keenly aware of their roles in it, and do not give up until they achieve results, and continue to actively accept challenges, even after achieving the desired results.
3. Encourage open, interactive communication
   Sumitomo Trust encourages open, interactive communication to foster an atmosphere of cohesiveness and cooperation surpassing "bias" such as sectionalism and rank-consciousness.
4. Provide fair evaluation and feedback
   In addition to fair evaluation of each employee's achievements and capabilities, Sumitomo Trust uncompromisingly provides convincing feedback, thereby instilling an employee's motivation to achieve further growth.

2. Putting This Philosophy into Practice

(1) Recruitment

In consideration of the fact that large numbers of job seekers now gather career information and conduct job searches via the internet, we carried out an overhaul of our recruitment website aimed at new graduates in October 2006. Ingeniously designed to allow visitors to gain an introduction to the work of Sumitomo Trust and its employees from a variety of angles, the revamped site features items like employee interviews, and the Personnel Department staff weblogs.

Moreover, Sumitomo Trust makes an active effort to recruit experienced people (mid-career hires) for work that requires a high degree of skill.

(2) Human Resource Deployment Assignment

Career Path Selection

Sumitomo Trust abolished its former work system (career track, general clerical, etc.), under which the career path framework was essentially determined when an employee joined Sumitomo Trust. Since October 2003, we have followed a new career system whereby individual staff can choose their career path flexibly on their own initiative and according to their degree of commitment. Under this system, we have established three kinds of career, namely: P Careers (Professional Careers), which afford a wide range of possibilities without specifying an assigned group and division or work location; D Careers (Division Careers), in which the assigned group and division is specified as a general rule; and E Careers (Expert Careers), in which the work location is specified.

Human Resource Deployment Supporting the Business Group System

In order to support each business group in the execution of business strategy, Sumitomo Trust conducts personnel operations that reflect the intentions of our business groups with regard to the recruitment and assignment of personnel with the expertise and skills required by the business strategy and unique attributes of each business group.

Also, twice each year, we initiate a job transfer system, in which employees seeking transfer can apply directly to the Personnel Department. If the applicant passes the screening, they can be transferred to their desired position or division. Recruitment under this system over the past three years has reached approximately 150 staff members, making a major contribution to the promotion of self-directed career formation based on each employee's individual commitment.

(3) Education and Skill Development

Training System

At Sumitomo Trust, we base our personnel development on on-the-job training, while at the same time place an emphasis on the expansion of education programs such as group training aimed at the improvement of skills and management abilities.

In fiscal year 2006, from the standpoint of further strengthening our organizational power, we introduced management training, for branch general managers and team managers. We also introduced teamwork training, in which staff participate as team units and learn about teamwork and leadership through business games and discussions. In new employee training as well, we have reinforced our group training by improving trainees' compliance and basic knowledge needed as bankers via a largely expanded curriculum. Also, we have introduced a system that allows staff to take a certain period of time off work in order to concentrate on preparing for examinations for recommended professional qualifications such as Real Estate Appraiser and Actuarial Certifications.

(4) Evaluation

Personnel Evaluation System and Appointment

At Sumitomo Trust, we introduced a personnel evaluation system in 1997 that allows individual employees to participate in the evaluation process while hoping to become part of "an aggregate group of employees who take the initiative to create their own career paths and who ceaselessly pursue self-improvement." Our personnel evaluation system is based on the following four points: (1) determine compensation based upon a fair evaluation of an employee's role and performance, (2) evaluations that provide an impartial and accurate grasp of each person's status and level and that benefit the employee's personal improvement, (3) maintain a close correlation between an employee's performance evaluation and the management objectives, issues and goals facing Sumitomo Trust, branch or department, section and team, and (4) rigorously enforce of merit-oriented evaluation.

Specifically, evaluation is conducted according to the following cycle:

1) At the beginning of the term, each employee sets tasks that he or she is going to tackle during the term, and reaches an agreement with his or her supervisor concerning these tasks.
2) With the aim of successfully completing the tasks, the employee acts creatively, and the supervisor provides support as necessary.
3) At the end of the term, the employee looks back on the achievement status and the supervisor makes an evaluation based on this.
4) The evaluation results are fed back to the employee from the supervisor, and the results are linked to the next term.

Under this PDCA cycle, evaluation is linked to the fostering in the employee a sense of being a central player and a feeling of responsibility at having made a commitment to tackle a problem on his or her own initiative and acting creatively to complete the task. Furthermore, if he or she has been unsuccessful, the employee has accepted the result sincerely and will draw in the experience in future work.

Sumitomo Trust is aiming to be a company where each member of staff can display their abilities and individuality regardless of their gender, and where appointments to management positions are decided based on ability.

As of the end of March 2007, the ratio of female staff at Sumitomo Trust was 49% and the number of women serving in management positions was 55.

Moreover, from the standpoint of supporting a good balance between work and family, we are proceeding with the development of various systems and working climates that make it easy for staff to choose flexible working styles to allow them to cope with major life events such as childbirth, child rearing and nursing care.

1. What is CSR Management at Sumitomo Trust ?

(1) Basic Philosophy

"Sumitomo's business must benefit not only Sumitomo itself but also the nation and society in general."— Teigo Iba, Second Director General of the Sumitomo Family Enterprise

It goes without saying that the financial business is highly social and public by nature. For a financial institution, operating its main business in a sound manner is a very important social responsibility. Sumitomo Trust, which has inherited the Sumitomo spirit, considers the identification of issues relevant to the sustainable development of society and the continual creation of financial business models that will contribute to the solution of these issues to be one of the key themes of CSR.

Our aim is that both Sumitomo Trust and society as a whole will achieve sustainable growth out of the integration of the fulfillment of our social responsibilities and the realization of our management philosophy and business model. With this goal in mind, we will tackle a variety of issues by positioning CSR as one of our main pillars of corporate management.

(2) International Commitments

In order to be good corporate citizens in today's globalizing society while fulfilling responsibilities as an important member of society, it is necessary for companies to follow all laws, rules and social norms vigorously, and also to regulate their behavior from an international standpoint. Accordingly, Sumitomo Trust has enacted and is involved in the United Nations Global Compact (UN Global Compact), which is an international corporate action guideline, and also the United Nations Environment Programme Finance Initiative (UNEP FI).

2. Practicing CSR through Activities as an Institutional Investor

(1) SRI Funds

The Sumitomo Trust Group has a full lineup of Socially Responsible Investment (SRI) fund, including instruments for corporate pension funds which were the first such instruments in Japan when they were first offered in July 2003, and for individuals and defined contribution pension plans. As of March 2007, the total amount under the Group's management in SRI funds reached approximately 90.5 billion yen, making it one of Japan's largest balances*1 held by a SRI fund operator. We are now entrusted with managing SRI funds for defined contribution pension plans by 64 companies. Also, in January 2007, our publicly offered mutual fund for retail investors "Sumishin SRI Japan Open Fund" (nickname: Good Company) received the Fund of the Year award for excellence*2 from the investment information service Morningstar for the second successive year.

*1 Total amount of domestic publicly offered mutual fund (including those handled by the Post Office), corporate pensions, defined contribution pensions, and privately placed investment trusts.

*2 Morningstar selected this fund from among funds that were judged to have excellent overall operating results in fiscal years 2005, based on its own independent analysis.

(2) Signing the Principles for Responsible Investment and the Carbon Disclosure Project

As a leading Japanese institutional investor, Sumitomo Trust became a signatory of the Principles for Responsible Investment which was jointly established by the UNEP FI and the UN Global Compact in May 2006 and then joined the Carbon Disclosure Project (CDP) in January 2007. For the Principles for Responsible Investment, as an asset management company we wished to take into consideration the so-called ESG issues*3, while for the CDP, as an institutional investor we encourage the companies we invest in to disclose information concerning their greenhouse gas emissions. In the future as well, by cooperating with other signatory institutions, Sumitomo Trust will contribute to the development of a healthy economy and society through the popularization and promotion of SRI.

*3 ESG = Environmental, social and corporate governance issues.

3. Practicing CSR by Providing Financial Instruments and Services

(1) Environmental Finance Instruments

Sumitomo Trust is actively developing instruments linking the environment and financial services through the Ministry of the Environment's Environment and Finance Advisory Committee and Tokyo Metropolitan Government's Tokyo Environmental Finance Project. We are planning to collectively name these financial instruments "Eco-Trustution"*4 in order to reflect their purpose of helping solve environmental problems through the use of trusts, and we hope they will be of assistance to our customers.

*4 Combination of "Eco"+"Trust"+"Solution."

• A Lineup of Preferential Loans for Environmentally Friendly Housing

We have developed a lineup of preferential loans for housing aimed at promoting environmentally friendly housing and apartments, as a means of supporting the popularization of such housing. Particularly in the case of apartments, in 2005 we developed and began offering preferential loans linked to the Tokyo Metropolitan Apartment Environmental Performance Disclosure System as a part of the Tokyo Environmental Finance Project.

For more details, please see Case Study No.1 of "Special Feature 2" (pages 44–45).

• Support for the Contaminated Land Purchase and Rehabilitation Fund

By providing wide-ranging support for the Eco-Land-Fund, a contaminated land purchase and rehabilitation fund, we are supporting the promotion of the liquidation of contaminated land, which is worth of a total of 5 trillion yen nationwide. In addition, we are also offering soil contamination related consultation.

• CSR-Conscious Receivables Collective Trusts

As a means of responding to the rising interest in CSR-conscious supply in supply chain management, we have developed a mechanism to raise the incentives for the supplier by providing discount interest rates linked to the degree of adherence to the CSR supply policy. This is done by making use of instruments in which the receivables can be collectively entrusted as a single package.

For more details, please see Case Study No.2 of "Special Feature 2" (pages 46–47).

• Environmentally Friendly Project Finance

We handle a wide array of project finance transactions (loans for which the repayment resources are limited to the project), such as for wind power, biomass ethanol production businesses, and industrial waste processing and recycling facilities.

• Low-Pollution Car Leasing Receivables Trusts

We have developed a lease receivables securitization scheme based on the leasing fees for low-pollution vehicles and we are planning to market this to institutional investors and others. As the first such case, in April 2005, in partnership with ORIX Auto Corporation, we began leasing low-pollution trucks to NICHIREI CORPORATION's distribution subsidiary Logistics Network.

• Kyoto Protocol-based Emission Credit Trusts

Emission credits based on the Kyoto Protocol were included as permitted trust objects under the revised Law Concerning the Promotion of Measures to Cope with Global Warming in 2006. Subsequently, Sumitomo Trust has been working on a variety of schemes to enable its customers to obtain emission credits through the development of products such as emission credit trusts.

• Studies of Office Building Energy Conservation Promotion Schemes

Generally in energy conservation facilities investment, there is a problem in that the economic incentive for owners to make such investments is small because the benefits tend to accrue to tenants. To overcome this drawback, Sumitomo Trust is studying schemes introducing the business model offered by Energy Service Company (ESCO)*5 to tenant buildings where energy conservation is not progressing, while adjusting the balance of interests between owners and tenants, by obtaining grant aid from NEDO (New Energy and Industrial Technology Development Organization) – an independent administrative agency.

*5 A business that provides comprehensive energy conservation-related services and enjoys a portion of the resulting energy conservation benefits gained by the customer as compensation.

• Environmental Consciousness Evaluation Business for Buildings (Green Building Business)

We are endeavoring to create a wide-ranging environmental consciousness evaluation business for buildings (green building business) by pursing a process that links building-related environmental and social considerations with economic effects (such as the improvement of property value) in the financial and real estate market. To help put the relevant issues in order with the aim constructing a theory and practice for this business, the Trust Sixty Foundation held a workshop entitled "The Added Value of Sustainable Real Estate and its Popularization and Promotion Business" (Chairman: Professor Tomonari Yashiro of the Institute of Industrial Science, The University of Tokyo).

(2) Socially Considerate Endeavors

As a social contribution made through its business, Sumitomo Trust provides financial instruments such as (1) charitable trusts, with which we provide financial support for charitable purposes through the receipt of funds held in trust from individual and corporate customers who are consignors, (2) the special donation trust "Omoiyari*6" series, through which family members and others can entrust money for the benefit of severely disabled people, which we disburse in periodic installments, and (3) housing loans and other financial products with insurance protection against three serious ailments*7.

*6 Omoiyari: "Consideration of Others" in English.
*7 Cancer, stroke, acute myocardial infarction.

4. Social Contribution Activities by Our Branches

At Sumitomo Trust, we are developing social contribution activities at each of our branches as a way of expressing our gratitude to our customers, the local community and the natural environment, doing so with the will to contribute as expressed by the words "With You."

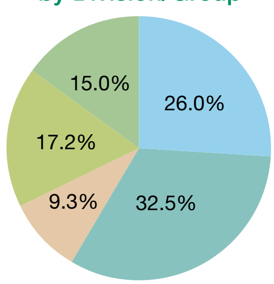
• CSR Activities at Each Branch

Branch Office Name	Activity Name	Details of Activity
Tokyo Chuo, Nagoya, Nagoya Ekimae, Kumamoto, Kichijoji	Public reading of "Love Letters at Sixty"	By soliciting the cooperation of the Japan Reading Culture Association and local actors/actresses, we held public readings of "Love Letters at Sixty" in a variety of locations.
Wakayama	Participating in the "Kigyo no Mori" (Corporate Forest) Project, a forest environment preservation activity promoted by Wakayama Prefecture	In 2007, we began a ten-year forest environment preservation activity by establishing Sumitomo Trust's Forest "Shintakun no Mori" in the mountains of Hidakagawa Chou, Wakayama Prefecture.
Sagamiono	Tamagawa joint cleaning activity with Yachiyo Bank	In commemoration of the first anniversary of our business and capital alliance, the staff of our branches participated in a joint activity with their colleagues from Yachiyo Bank to clean the Tama River in March 2007.
Kofu	Water seminar and live concert	In a tie-up with a local radio station, we held a seminar on the theme of Yamanashi Prefecture's water, along with a talk show and live concert by a well-known singer.
Matsuyama	School crossing guard activity	Since December 2005, the Matsuyama Branch has been conducting school crossing guard activities. Twice a week, employees greet and watch over children on their way to Bancho Elementary School, adjacent to the Matsuyama Branch.

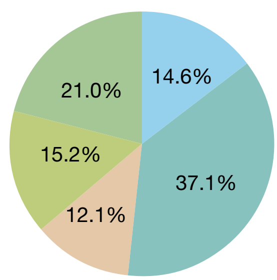
Business Report

Sumitomo Trust operates a combined banking, trust and real estate business. Or in other words, in addition to the banking business, we operate trust and asset management businesses such as pension trusts, investment management, securities processing and stock transfer agency as well as real estate services. At the same time, we aim for sustainable growth based on a management model that provides highly specialized financial instruments and services to customers who range from individuals to corporations and institutional investors. Moreover, we are aiming to be the main bank for asset management and asset servicing for retail customers, and a trust banking group which is recognized as a strategic partner providing value for corporations and institutional investors.

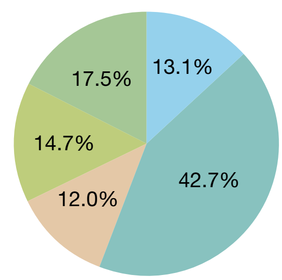
• **Gross Profit before Credit Costs (Non-consolidated) by Division/Group**



• **Net Business Profit before Credit Costs (Non-consolidated) by Division/Group**



• **Net Business Profit before Credit Cost (Consolidated) by Division/Group**



Retail Financial Services Division　Wholesale Financial Services Division　Real Estate Division　Fiduciary Services Group　Global Markets Group

• Overview of Sumitomo Trust's Business

As of March 2007

	Banking Business	Trust Business			Real Estate Business
	Global Market (Treasury & Investment) **39.4 billion yen***	Stock Transfer Agency **9.1 billion yen***	Pension & Asset Management **21.3 billion yen***	Securities Processing **11.7 billion yen***	**27.0 billion yen***
Wholesale Clients	• Commercial Banking • Investment Banking (Market-Based Loan) Corporate Accounts 5 thousands **87.1 billion yen***	• Transfer Agency Services Number of Companies (JTAS) **1.5 thousands**	• Asset Management for Corporation and Institution • Pension Plan Administration Assets under Management **25.2 trillion yen**	• Custody Assets Under Custody (JTSB) **168 trillion yen** • Global Custody Assets under Custody (STB(USA)) **19.7 trillion yen**	• Commercial Properties Brokerage • Securitization • J-REIT • Investment Advisory
Retail Clients	• Deposit • Mutual Fund, Annuities • Mortgage Loan • Private Banking Number of Retail Clients 2 millions **29.6 billion yen***	Shareholders under Administration (JTAS) **9 million**	• Mutual Fund (Asset Management) Assets under Management (STAM) **1.4 trillion yen**	• Mutual Fund (Custody) Assets under Custody (STB) **18.3 trillion yen**	• Residential Properties Brokerage

STB: The Sumitomo Trust & Banking Company, Limited　JTAS: Japan TA Solution, Ltd.　STAM: STB Asset Management Co., Ltd.　JTSB: Japan Trustee Services Bank, Ltd.
* Figures are consolidated net business profit before credit costs of each business line in FY2006, amounting to 215.4 billion yen including other items (net of dividend income, cost of capital sourcing and head office expense etc.)

Business Group		Business Details	Major Subsidiaries
Wholesale and Retail Client Services Group	Retail Financial Services Division	Sumitomo Trust's Retail Financial Services Division aims at being our retail customers' main bank for asset management and asset servicing by providing a broad array of financial products ranging from banking products such as time deposits, foreign currency deposits and loans, and mutual funds and annuities, as well as offering trust and property management services such as will trusts and estate settlement services.	• Sumishin Card Company, Limited • Sumishin Guaranty Company Limited • STB Wealth Partners Co., Limited
	Wholesale Financial Services Division	Wholesale Financial Services Division provides corporate customers with "market-based loans" financing including real estate non-recourse loans and asset-backed securities (ABS) structured in both domestic and overseas financial markets, in addition to conventional corporate loans. By providing these financing services as well as asset securitization arrangements, M&A advisory, corporate consulting, stock transfer agency and a wide range of other financial services, the Sumitomo Trust Group is helping its customers maximize their corporate value.	• STB Leasing Co., Ltd. • Sumishin Matsushita Financial Services Co., Ltd. • First Credit Corporation • Life Housing Loan, Ltd. • BUSINEXT CORPORATION • Japan TA Solution, Ltd.
	Real Estate Division	Sumitomo Trust is providing total real estate solutions for a wide range of customers by making use of its close cooperative relationships both within and beyond the Sumitomo Trust Group. The main areas of operation of this division are (1) real estate transaction services (such as real estate brokerage, securitization and consulting), (2) real estate investment management (such as REIT and real estate private fund investment), and (3) real estate infrastructure services (including real estate trust and appraisal operations).	• Sumishin Realty Company, Limited • STB Research Institute Co., Ltd. • STB Real Estate Investment Management Co., Ltd.
Fiduciary Services Group		The Fiduciary Services Group is comprised of three businesses: pension trust, investment management and securities processing. The pension trust business provides a complete service from pension system consulting, system design and operation to the administration and management of pension funds, subscriptions, beneficiaries and benefit payments. The investment management business provides asset management products and services to domestic and overseas institutional investors as well as to corporate, pension and retail customers. Finally, the securities processing business provides custody and settlement services for domestic and overseas securities.	• Japan Pension Operation Service, Ltd. • Japan Trustee Services Bank, Ltd. • STB Asset Management Co., Ltd. • Sumitomo Trust and Banking Co. (U.S.A.) • Sumitomo Trust and Banking (Luxembourg) S.A.
Global Markets Group		The Global Markets Group handles marketing functions, in which it performs a variety of market-making services related to foreign exchange and interest rates brokerage for individual and corporate customers, as well as composition and sales of market oriented financial instruments and consulting. In addition, this group handles financial operations, which controls the financial risks held by Sumitomo Trust, and investment operations, with which it conducts investment operations for our own account and aim for good returns.	

Business Report

Review of Operations
Wholesale and Retail Client Services Group/ Retail Financial Services Division

Masao Shibuya
Group President of Wholesale and Retail Client Services Group
Director, Senior Executive Officer

Tomoaki Ando
Division President
Director, Managing Executive Officer

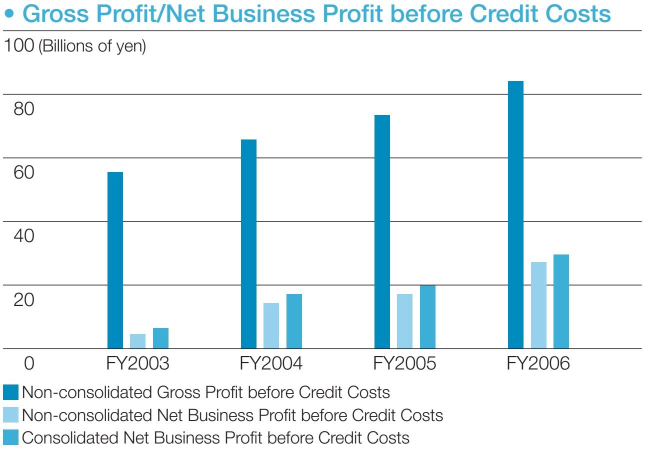
Contents of Business
- Banking products (time deposits, foreign currency deposits, loans, etc.)
- Management products (mutual funds, annuities, etc.)
- Trust and property management services (will trusts and estate settlement services, etc.)

For details of businesses in this segment, please see pages 160–161

1. Overview of Business Results for Fiscal Year 2006

The Retail Financial Services Division saw accelerated growth due to an increase in the total volume of depositary assets. Gross profit before credit costs on a non-consolidated basis was 84.2 billion yen, a 14.7% year-on-year increase. Due to factors such as growth in fees related to mutual fund sales and the impact of improved retail deposit spreads, net business profit before credit costs on a consolidated basis was 29.6 billion yen, a 48.7% year-on-year increase, and on a non-consolidated basis was 27.3 billion yen, a 59.0% year-on-year increase.

• Gross Profit/Net Business Profit before Credit Costs



2. Business Environment in Fiscal Year 2006

The Japanese economy continued its gradual expansion in the fiscal year 2006, amid a positive cycle in production, income and spending. In particular, the strong performance of the corporate sector, which has generated higher profits for five consecutive years since fiscal year 2002, produced a moderate ripple effect on the household sector, with household income gradually improving.

At the same time, the flow of retail investor assets from savings to investment continued to occur in fiscal year 2006, driven by a number of factors. These factors included interest rates, which continued to hover at extremely low levels considering the strong economy, as well as the strong performance of stock markets and increased opportunities for shareholder returns from corporations. As a result, stocks and mutual funds continued to rise as a percentage of financial assets.

In the market, in anticipation of the mass retirement of Japan's baby boomer generation beginning in the spring of 2007, financial institutions including banks and securities brokers took steps to significantly increase the quality and range of services aimed at the wealthy client segment, and competition heated up.

Also, demand for housing loans was strong due to rising demand among individuals to purchase housing, starting with Japan's second baby boomer generation, as buyer demand was driven by the prospect of entering a serious phase of rising land prices and interest rates. However, competition in interest rates heated up as banks strengthened their housing loan activities in an effort to bolster their retail services and accommodate the forthcoming implementation of Basel II standards.

3. Basic Strategy and Business Performance in the Fiscal Year 2006

The Division focused its efforts on strengthening its consulting services in order to build long term win-win relationships with customers, looking beyond just short-term revenues.

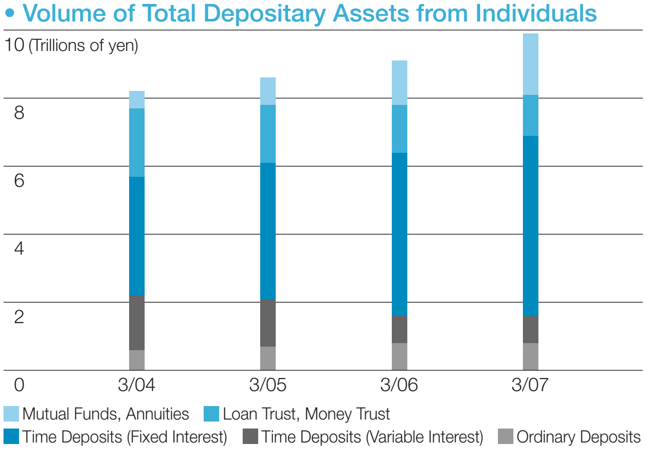
The basic strategy of the Retail Financial Services

Division centers on expanding the total volume of depositary assets as a platform of growth for Sumitomo Trust. The Division sought to increase the volume of depositary assets by balancing deposits with performance-based products such as mutual funds. Efforts were made to expand the product line-up that supports our consulting strengths, by capitalizing on our strengths and know-how as a trust bank engaging in a wide range of operations including real estate and pension management. Strategies for the wealthy client segment, an area of interest as a growth market, include the provision of solutions for effective utilization of land and business succession, for which there are strong needs among wealthy clients. Other strategies aimed at this segment include the launch of discretionary investment management service “Sumishin SMA” for private banking customers started in January 2007, in an effort to expand the base of wealthy customers and encourage further transactions. In addition, a number of steps were taken to efficiently expand the base of customers. These steps included expanding direct channels to customers through attracting members and employees of companies that have alliance with Sumitomo Trust, as well as increasing the number of agencies.

In addition, the Division is taking steps to strengthen its loan business for individuals, beginning with housing loans, and is strengthening its sales activities for will trust and estate settlement services.

As a result of these strategies, the volume of depositary assets grew steadily for both deposit products and mutual funds, with the overall volume increasing to 9.9 trillion yen, an 8.8% year-on-year increase.

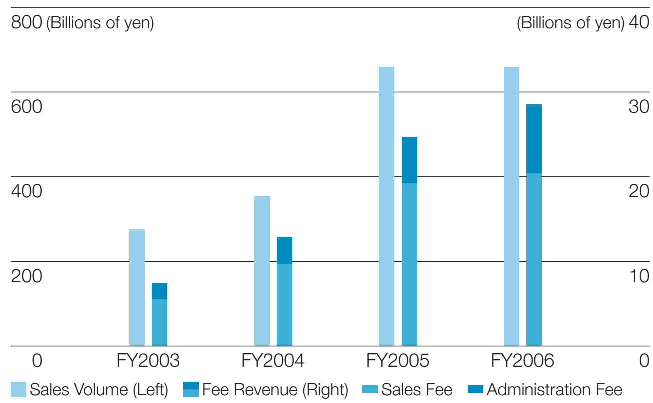
• Volume of Total Depositary Assets from Individuals



In addition, efforts to expand the product lineup and strengthen consulting based sales produced an increase in the deposit/mutual fund cross-sell ratio* for customers. The ratio was 19.3% as of the end of March 2007, an increase of nearly four percentage points in one year. Management fees also increased due to the buildup in volume of mutual funds, so that fee revenue for mutual funds in the fiscal year 2006 was 28.6 billion yen, a 15% year-on-year increase.

* Deposit/mutual fund cross-sell ratio: Number of customers with transactions in mutual funds and performance-based money trusts, divided by number of customers with transactions in time deposits and mutual funds.

• Sales Volume and Fee Revenue of Mutual Fund/Annuities



Business Report

Review of Operations
Wholesale and Retail Client Services Group/
Wholesale Financial Services Division

Masao Shibuya
Group President of Wholesale and Retail Client Services Group
Director, Senior Executive Officer

Kiyoshi Mukohara
Division President
Director, Managing Executive Officer

Contents of Business
- Corporate loans (including syndicated loans)
- Market-based loans (real estate non-recourse loans, asset-backed securities (ABS), etc.)
- Asset securitization arrangement
- M&A advisory, corporate consulting
- Stock transfer agency

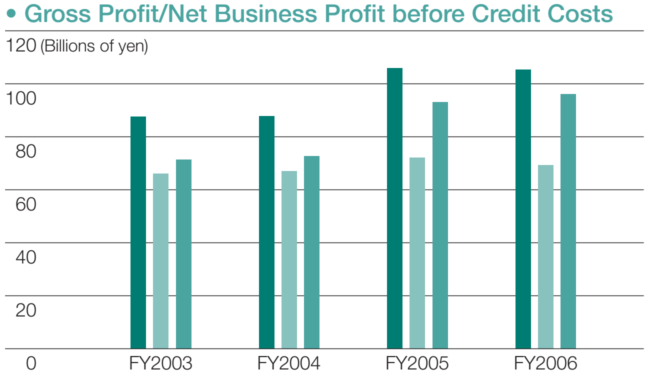
For details of businesses in this segment, please see pages 162–163

1. Overview of Business Results for Fiscal Year 2006

During fiscal year 2006, the Wholesale Financial Services Division operated in an environment with an unfavorable headwind as despite signs of a recovery of capital demand, loan competition increased, credit spreads shrank, and the interest rate spread between long and short-term interest rates narrowed. However, as a result of countermeasures such as the diversification of products, Sumitomo Trust maintained its performance at about the same level as in the previous fiscal year. On a non-consolidated basis, gross profit before credit costs for the fiscal year 2006 was 105.3 billion yen, a decrease of 0.7% year-on-year.

Net business profit before credit costs was 69.4 billion yen, representing a decline of 3.6% year-on-year on a non-consolidated basis. On a consolidated basis however, thanks to the expansion of the contribution from subsidiaries in the Sumitomo Trust Group, we secured a net business profit of 96.2 billion yen, a 3.3% rise year-on-year.

• Gross Profit/Net Business Profit before Credit Costs



■ Non-consolidated Gross Profit before Credit Costs
■ Non-consolidated Net Business Profit before Credit Costs
■ Consolidated Net Business Profit before Credit Costs

2. Business Environment in Fiscal Year 2006

On the domestic front during fiscal year 2006, against a favorable background in which corporate profits rose for the fifth year in succession, companies intensified their capital investment and M&A activities aimed at strengthening their business. This lead to signs of a recovery in capital demand. Moreover, due to improvement in balance sheets, the pressure to reduce interest-bearing debt also eased.

However, loan competition intensified as major banks led rates lower in the competitive environment and the major banks competed for business opportunities by making use of their banking, trust and securities functions. As a result, fees for syndicated loans and real estate non-recourse loans and other services fell and credit spreads tightened during the year. Furthermore, following the narrowing of the interest rate spread between long and short-term interest rates after the March 2006 end of the quantitative easing program, severe conditions have continued on the profit side.

Overseas, economies in North America saw steady progression, while European economies saw stable growth, and economies continued to boom throughout Asia. As such, spreads are tightening on a global basis.

On the other hand, taking a hard look at the increase in acquisitions by investment funds and at the elimination of restrictions against triangular mergers* in May 2007, interest in defensive measures against hostile takeovers is rising within companies.

Moreover, despite a year-on-year fall in the number of new listings (IPOs) on stock markets, with the introduction of electronic stock certificates, which is planned to begin in January 2009, all stock transfer agencies have begun serious sales efforts with the aim of obtaining new fiduciary business.

* Triangular mergers: M&A activities in Japan by overseas companies in which foreign company stock is used as transaction currency.

3. Basic Strategy and Business Performance in the Fiscal Year 2006

Despite sluggish growth in revenue and conventional loan balances, through our continuous focus on our rebalance strategy, the expansion of market-based loan products such as real estate non-recourse loans, ABS and overseas credit products, led to an end of fiscal year 2006 balance in market-based loans* of 3,360.4 billion yen, marking an increase of 12% year-on-year. With this as the main factor, the Wholesale Financial Services Division increased its overall credit portfolio on a non-consolidated basis by approximately 250 billion yen, (or 2% year-on-year).

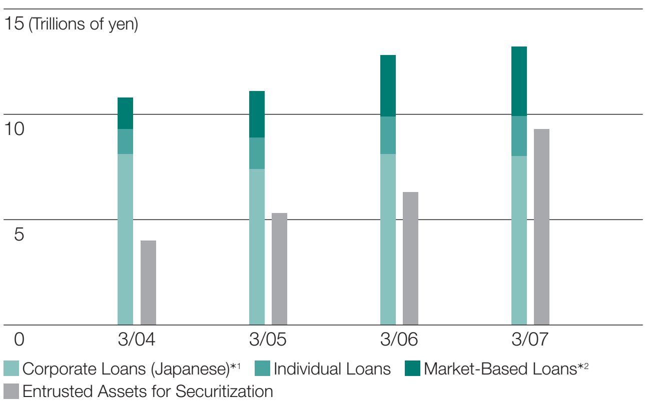
Over the past three years, Sumitomo Trust has shifted towards market-based loans, which provides higher profitability. As a result, the ratio of market-based loans among our overall loan balance has expanded significantly to 30% at the end of fiscal year 2006 from 16% at the end of fiscal year 2003. Within the market-based loans field, domestically, against the backdrop of high real estate investment demand, the total volume of our real estate non-recourse loans reached 930.5 billion yen, marking a 26% increase year-on-year. As for overseas credit products, as we focused intensively on North American high-yield loans and European and American ABS, total volume reached 1,307.2 billion yen, representing a 10% increase year-on-year.

* Going forward, our asset classification will be slightly changed. Syndicated loans, which were previously classified as market-based loans, and loans purchased from other banks have been bundled together with conventional loans, and indicated as Corporate Loans (Japanese).

In an effort to realize market-based loan portfolio diversification and profitability improvement on a consolidated basis, we have proceeded with the development of business in the small and medium-sized company market through our Group companies. By carrying out cross selling through our non-bank subsidiaries and affiliates, we are aiming at maximizing Group synergies. Three years ago (at the end of fiscal year 2004), Sumitomo Trust's position in this market was limited to a modest stake held by BUSINEXT CORPORATION. By the end of fiscal year 2006 however, with 2 group companies in this space, and with the addition of Life Housing Loan, Ltd. acquired in May 2007, our total portfolio has expanded to 900 billion yen.

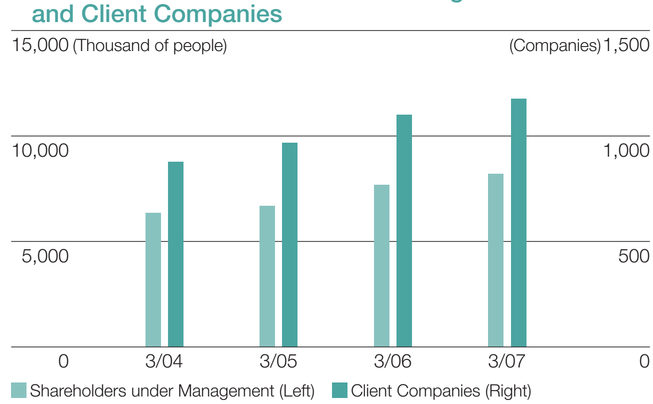
In the stock transfer agency field, we are working towards the early realization of our goal of handling stock transfers for 600 listed companies and of constructing a next-generation stock transfer agency business for the era of electronic stock certificates. As of the end of fiscal year 2006, we performed stock transfer agency tasks for 1,176 companies (excluding foreign companies, 1,169), and handle related clerical work for 8,201 thousand shareholders (8,161 thousand shareholders excluding that for foreign companies). The number of companies we serve increased by 6.8% (6.9% excluding foreign companies) and the number of shareholders by 6.9% (7.2% excluding that for foreign companies) year-on-year.

• Balance of Loan Portfolio (Non-consolidated)



*1 Corporate loans (Japanese) include conventional loans, syndicated loans and loans purchased from other banks.
*2 Market-based loans include bonds such as ABS, CLO and corporate bonds.

• Number of Shareholders under Management and Client Companies



Business Report

Review of Operations
Wholesale and Retail Client Services Group/ Real Estate Division

Masao Shibuya
Group President of Wholesale and Retail Client Services Group
Division President
Director, Senior Executive Officer

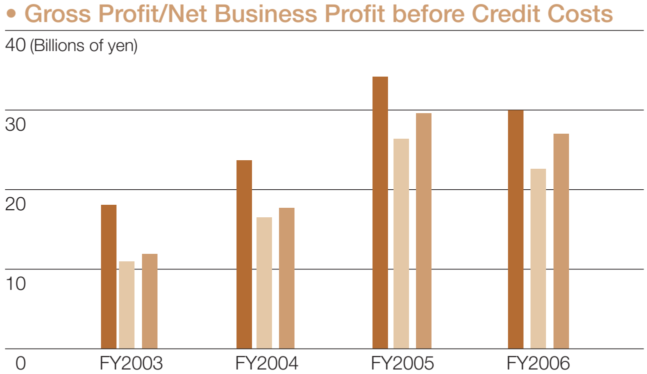
Contents of Business
- Real estate transaction services (including brokerage, securitization, consulting)
- Real estate investment management (including REIT and private real estate fund investment)
- Real estate infrastructure services (including real estate trusts, appraisal services)

For details of businesses in this segment, please see pages 164–165

1. Overview of Business Results for Fiscal Year 2006

Gross profit before credit costs from the real estate business was 30.0 billion yen on a non-consolidated basis, a 12.3% year-on-year decrease. The results were down by 4.2 billion yen mainly due to a decrease in large brokerage transactions, compared with the rapid expansion of operations in the previous fiscal year. As a result, net business profit before credit costs on a non-consolidated basis was down 3.7 billion yen year-on-year, a 14.0% decrease. In comparison, net business profit before credit costs on a consolidated basis was down by a comparatively smaller amount of 2.6 billion yen, an 8.8% year-on-year decrease. The smaller decrease was due to steady growth in the brokerage of small and medium-sized properties by consolidated subsidiary Sumishin Realty Company, Limited, and steady growth in the real estate investment management.

• Gross Profit/Net Business Profit before Credit Costs



Non-consolidated Gross Profit before Credit Costs
Non-consolidated Net Business Profit before Credit Costs
Consolidated Net Business Profit before Credit Costs

2. Business Environment in Fiscal Year 2006

• Real Estate Market

In the commercial real estate market, asset disposal by companies centering on large corporations showed signs of saturation, while there was an increase in properties sold due to reasons such as the shuffling of assets by investors. Amid continued low interest rates, institutional investors, who continued to face tough asset management conditions, showed strong continuing needs for acquisition of profitable real estate. In addition, the needs of retail real estate investors starting with the wealthy client segment began to emerge, while competition to acquire blue chip properties heated up in response to trends such as an increase in fund of funds incorporating REITs.

The retail real estate market was also marked by strong needs for housing acquisition, fueled by continued low interest rates and expectations that land prices will rise moving forward.

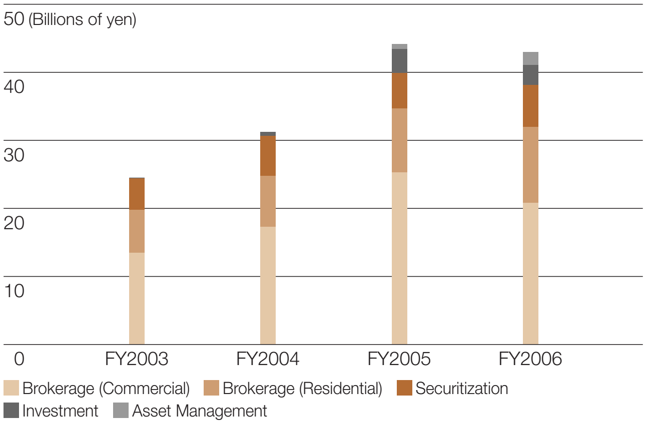
• Real Estate Securitization Market

Needs for securitization of real estate remained strong, as it is a method to address the challenge of improving financial position and diversifying the means of funding. The amount of securitized real estate assets in fiscal year 2006 grew to around 7.8 trillion yen, an increase of approximately 13% year-on-year. These and other factors continued to drive an active market for real estate securitization, continuing the trend from fiscal year 2005.

3. Basic Strategies and Business Performance in the Fiscal Year 2006

Overall, gross profit before credit costs from the real estate business was down year-on-year due to a decrease in large brokerage transactions, falling short of the all-time high set in the previous fiscal year. However, under the strategies of achieving diversification of business and revenue sources, Sumitomo Trust pursued initiatives such as: strengthening ties with investors and developers as well as with other business groups and divisions within our company, expanding and energizing the customer base, and shifting the real estate investment management business into high gear. As a result of implementing these initiatives, Sumitomo Trust produced steady results overall in all areas except in the large commercial brokerage segment.

• Consolidated Gross Profit for Real Estate Business



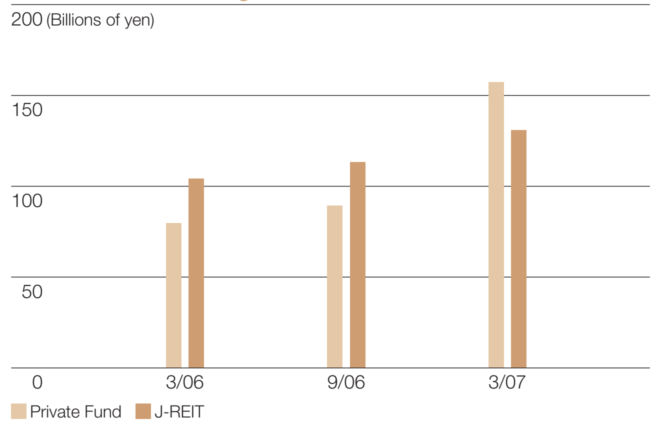
• Real Estate Transaction Services

Gross profit before credit costs (non-consolidated) was 23.2 billion yen, a 3.9 billion yen year-on-year decrease. In addition to brokerage services for companies, Sumitomo Trust focused its energies on accommodating needs for real estate acquisition by investment funds. However, results were down year-on-year, falling short of the all-time high set in the previous fiscal year.

• Real Estate Investment Management

Gross profit before credit costs (non-consolidated) came to 3.1 billion yen, a 400 million yen year-on-year decrease. Although results were down year-on-year due to a decrease in profit on equity in real estate investments, the volume of assets under management of STB Real Estate Investment Management Co., Ltd., which was established in November 2005 as an investment advisory company specializing in real estate securitization, were in excess of 150 billion yen. This was an indication of strong interest in real estate securitization investment centering on institutional investors in Japan and abroad.

• Asset under Management



• Real Estate Infrastructure Services

Gross profit before credit costs (non-consolidated) totaled 3.5 billion yen, remaining level with results year-on-year. In an effort to secure stable revenues, Sumitomo Trust implemented initiatives such as building up entrusted assets, and increasing the number of real estate appraisals as part of an effort to accommodate the Corporate Real Estate (CRE) strategies* of corporations. As a result, performance were level year-on-year.

Sumishin Realty set an all-time high with gross profit before credit costs totaling 11.3 billion yen, a 1.9 billion yen year-on-year increase, as a result of focusing its energies on brokerage of small and medium-sized properties, in addition to the housing segment.

* CRE strategies are aimed at improving corporate value through utilization of the real estate assets of corporations.

Takaaki Hatabe
Group President of Fiduciary Services Group
Deputy President Executive Officer

Contents of Business

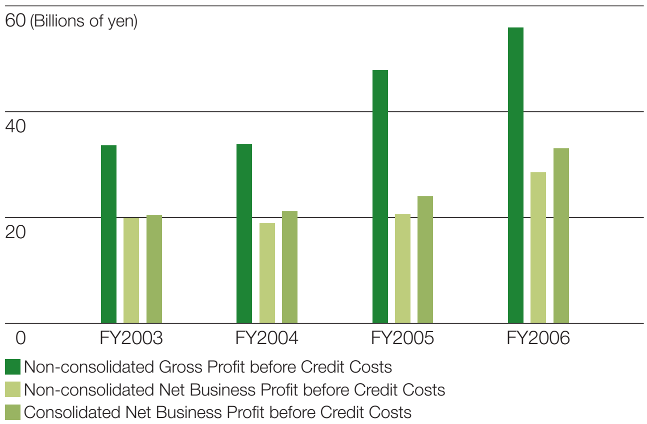
- Pension trust (pension system planning and support for system introduction, asset management and operation, pension subscriber/beneficiary management, etc.)
- Investment management (development and provision of managed products, investment advisory services, discretionary investment management services, etc.)
- Securities processing (custody including trade settlement, interest & dividend collection and other processing of securities, securities lending, etc.)

For details of businesses in this segment, please see pages 166–167

1. Overview of Business Results for Fiscal Year 2006

The Fiduciary Services Group produced accelerated growth of business results due to an increase in entrusted assets. Gross profit before credit costs on a non-consolidated basis was at an all-time high of 55.9 billion yen, a 16.7% year-on-year increase. Due to the increase in entrusted assets and improvement in the ratio of highly profitable active management products, net business profit before credit costs was 33.1 billion yen on a consolidated basis, a 37.5% year-on-year increase, and 28.5 billion yen on a non-consolidated basis, a 37.8% year-on-year increase.

• Gross Profit/Net Business Profit before Credit Costs



2. Business Environment in Fiscal Year 2006

The corporate pension market produced steady growth as Daiko Henjo (returning to the government the public pension portion of corporate pension funds) peaked out, as well as due to widespread adoption of defined benefit corporate pension plans and defined contribution pension plans. In addition, there were signs of an increase in corporations either adopting or revising pension plans, in anticipation of the elimination of qualified pensions set to take effect in 2012. Consequently, the corporate pension market is anticipated to produce continued growth moving forward.

In the area of asset management, the major shift from savings to investments continued, driven by low interest rates and the solid performance of the stock market, as well as the expansion of defined benefit pension plans. The flow of funds into Japan emerged as a pronounced trend, as the sentiment of overseas institutional investors turned toward management of Japanese stocks.

3. Basic Strategy and Business Performance in the Fiscal Year 2006

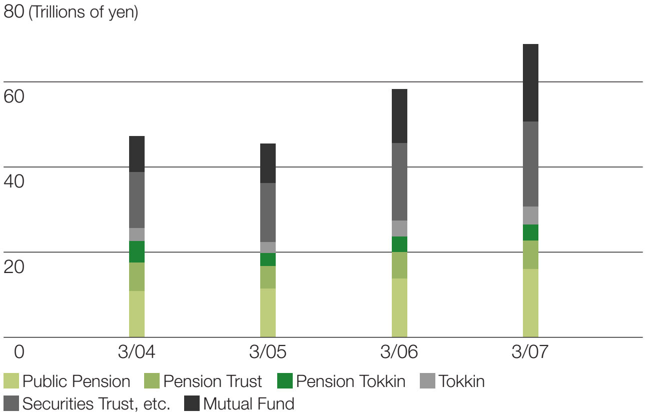
Overall Business Results

The volume of entrusted assets as of the end of March 2007 was 69.3 trillion yen, an 18.5% year-on-year increase. Notably, there was a steady increase in market share for the three product segments of mutual funds, pension trusts and designated money trusts, which support profits for the Fiduciary Services Group.

• Pension Trust

The volume of assets entrusted in pension trusts increased steadily to 6.7 trillion yen, an 8.1% year-on-year increase, on the strength of aggressive sales activities capitalizing on our consulting capabilities, as well as our multi-product strategy. In the area of systems, the driving forces were our support strengths both for traditionally adopted defined benefit corporate pension plans and defined contribution pension plans, in response to increased interest in defined contribution pension plans in recent years. In the area of management, the expansion of entrusted assets was driven by our high-added-value managed products, such as actively managed products and alternative investment products, in response to diversification of needs for asset management.

• Volume of Entrusted Assets

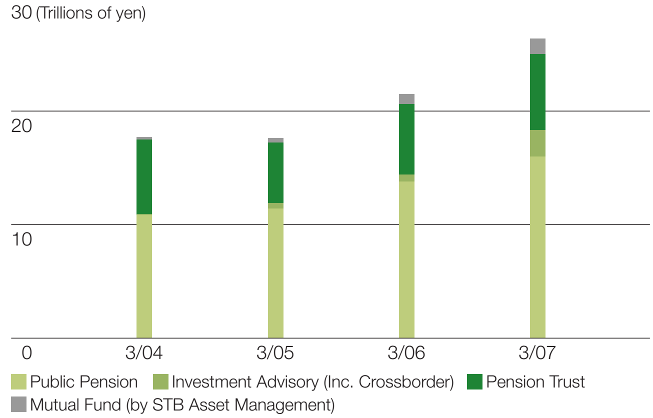


• Investment Management Business

The volume of outstanding assets under management of the Sumitomo Trust Group was 26.6 trillion yen, a 23% year-on-year increase. The volume of assets under management increased sharply in all product segments, with growth being driven by three areas of strength: management of core products such as Japanese stocks and bonds, strength in due diligence related to products from external financial institutions, and strength in consulting. We steadily improved our market share in both the corporate and public pension markets. Furthermore, subsidiary STB Asset Management Co., Ltd., which focuses on mutual funds for retail customers and financial institutions, produced an increase in total net assets under management.

We also continue to see signs of an increase in results from fiduciary services for customers abroad, which we launched three years ago, particularly centering on European customers with strong needs for management of Japanese stocks. From a profitability perspective, we also increased average commission fees for entrusted assets overall, with the ratio of assets under active management, which produces comparatively high fees, rising to an industry-leading ratio of 53%.

• Assets under Sumitomo Trust Group Management



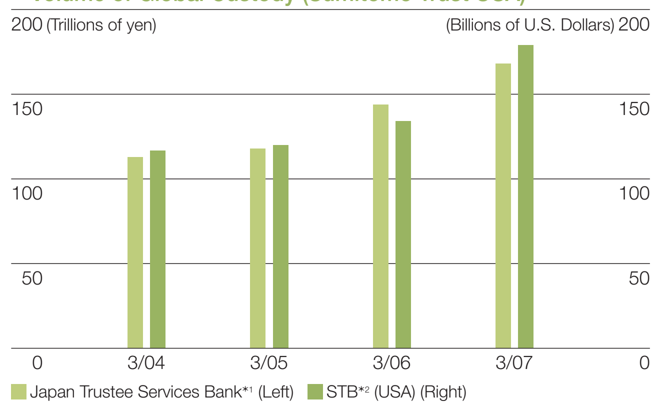
• Securities Processing Business

With an eye on the mutual fund market, which has produced significant growth in recent years as a result of the shift from savings to investment, we focused our efforts on strengthening sales to increase mutual funds. As a result of these efforts, the market share by volume of stock investment trusts was 19%* among Japanese trust banks as of the end of March 2007, a 3.6% year-on-year increase.

Global custody services, which are mainly implemented by our overseas subsidiary in the US, also produced steady growth with the volume of entrusted assets at $167 billion, a 33.6% year-on-year increase, leading to a rise in contribution to consolidated profits.

* Sumitomo Trust estimate.

• Volume of Entrusted Assets with Japan Trustee Services Bank
Volume of Global Custody (Sumitomo Trust USA)



*1 Cost Basis
*2 Mark-to-Market Basis

Business Report

Review of Operations
Global Markets Group

Sumikazu Tsutsui
Group President of Global Markets Group
Director, Managing Executive Officer

Contents of Business

- Marketing functions
  (1. Loans, deposits and market-making of interest rate and foreign exchange related products, 2. composition and sales of market-oriented financial instruments)
- Investment operations (pursuing absolute profit through investment activities on Sumitomo Trust's own account)
- Financial operations (market operations focused on managing market risk* which is shown on Sumitomo Trust's balance sheet)

* Interest rate risk of deposits, share price risk, etc.

For details of businesses in this segment, please see page 168

Overview of Business Results for Fiscal Year 2006

During fiscal year 2006, while domestic short-term interest rates remained at low levels, they continued on an underlying upward trend, and the interest rate spread between long and short-term interest rates narrowed. Also, the rise in U.S. dollar interest rates halted, although the inverted yield curve remained, and European interest rates continued rising accompanied by a narrowing of the spread between long and short-term rates.

Given this situation, it was difficult to secure stable revenues from loan deposit and bond positions. Moreover, the environment made it harder to target capital gains in view of the continuing decline in market volatility.

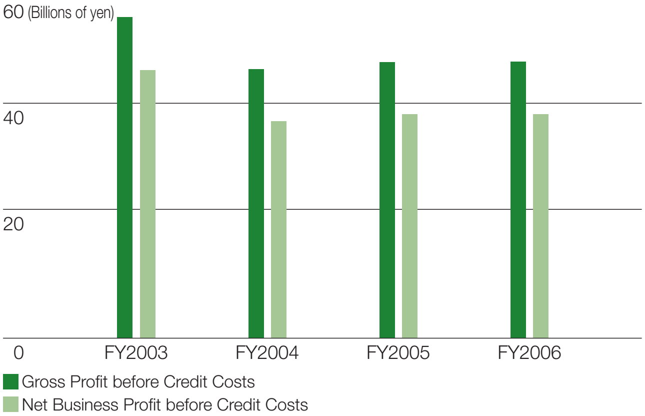
Even in an environment dominated by such an unfavorable wind, our Global Markets Group secured almost the same level of profit as in the previous fiscal year due to the increase in profit related to marketing functions and effective diversified investments in investment operations. Gross profit before credit costs for the fiscal year 2006 was 48.7 billion yen, and net business profit before credit costs was 39.4 billion yen.

With regard to marketing functions, our profit from market-making linked to foreign exchange and interest rates increased and we also recorded an expansion of interest rate swaps and foreign exchange transactions for corporate customers.

Meanwhile, financial operations centered on bond investments exhibited a decline in profit, mainly as a result of the narrowing of spreads between domestic and overseas long and short-term interest rates. However, bond positions showed an increased profit thanks to our bond operations based on an accurate grasping of interest rate declines during the first half of the year.

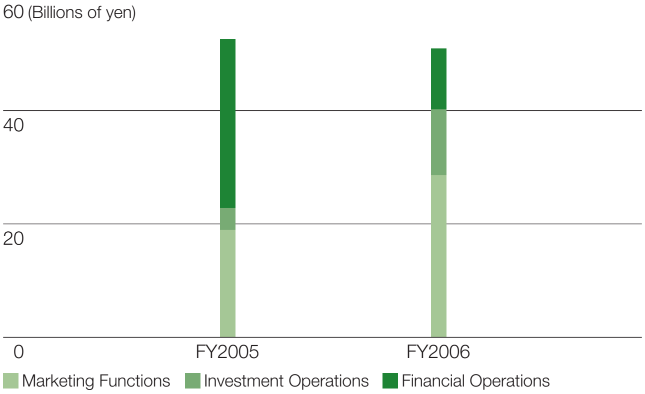
In investment operations, the diversification of investment strategies was successful, leading to a substantial increase in profit year-on-year.

• Gross Profit/Net Business Profit before Credit Costs*



* This segment does not contain operations outside of the parent operation, thus figures here are not presented as consolidated/non-consolidated data.

• Breakdown of Business Profit (Realized Profit Basis)



A Report from the Front Lines

Special Feature 1:

Sumitomo Trust Shows its Strength in the Retail Finance Market

The balance of retail financial assets in Japan exceeded 1,541 trillion yen as of the end of 2006, a historic high. The flow from savings to investment was accelerated by a push from the continued gradual economic expansion and low interest rates. Furthermore, in addition to the huge retirement funds coming into the market by the retirement of baby boomers from 2007 onward, children of the baby boomers are beginning to acquire assets such as housing. The retail finance market continues to grow.

Under these circumstances financial institutions such as the major banks – who have quickly improved comprehensive retail competitiveness through means such as expansion of product lineup and enhancement of consulting service – and securities brokers – who have strengths such as experience in handling risk products, investment trusts and online transactions, and in discretionary managed investment accounts (Separately Managed Account-SMA) – are investing resources into the retail sector, and fierce competition is therefore spreading.

In this feature we will explain Sumitomo Trust's strengths in the retail finance market, why they are strengths, and how we match them with trends in the market.

1. Sumitomo Trust's Strength

Sumitomo Trust's major strength is its breadth and expertise in business. In addition to the retail and wholesale markets, in one company we conduct business at high levels of expertise in pensions and real estate, and we are able to utilize those products, expertise and customer bases in-house effectively. For example, we can develop investment products for retail customers utilizing the knowledge we have gained as an institutional investor and through our asset management trust business, and we can respond to and develop the retail investor sector using the results and expertise we have gained in a broad range of real estate businesses from real estate appraisal to brokerage and securitization.

The Generation that Holds Most of the Financial Assets is our Customer Base

Most financial assets in Japan are concentrated in the hands of the older generations. Looking at savings or savings net of debt by generation, we can see that average net savings increases greatly from the generation in its 50s. In particular, about one third of households led by someone in their 60s or above had savings of more than 25 million yen, so that many in that segment are well off. Sumitomo Trust's business base is primarily among these people in their 50s or above, and they account for a large portion of the transactions and transaction amount in our retail business.

2. Large Scale Retirement among Baby Boomers and the Movement from Savings to Investment

Rapid Increase in Assets Held by the Baby Boomers

During the three year period from 2007 through 2009, the peak volume of people who were born from 1947 through 1949 (the baby boomers) will reach the age of 60 and retire. Along with that, it is expected that the balance of financial assets of that segment will be greatly increased by the receipt of retirement bonuses.

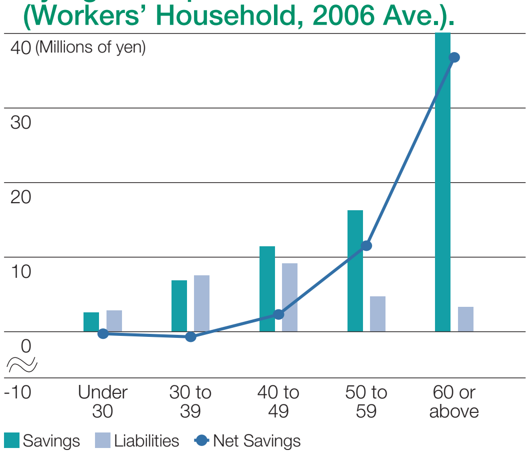
The gross amount of retirement bonuses to be received by baby boomers in the three years from 2007 through 2009 is anticipated by Nomura Research Institute. Ltd. to be 53.4 trillion yen, comparable to Japanese national tax revenues in fiscal year 2007 (53.5 trillion yen). This will be a period of tremendous opportunities for Sumitomo Trust, with a great increase in assets held by a segment that makes up so much of our customer base.

The Need for Even Broader Asset Management Products Increases

There is also an opportunity for Sumitomo Trust in the existing stock of assets.

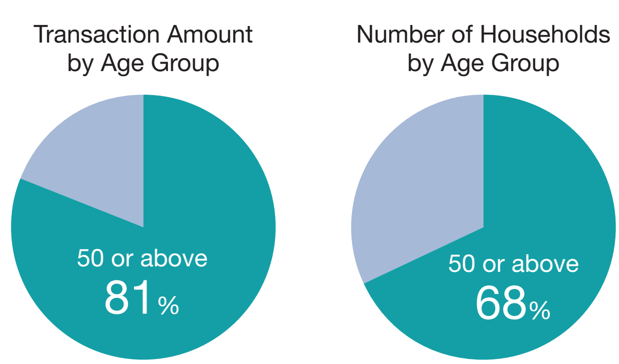
In 2006, changes in retail financial assets in Japan showed an acceleration of the flow from savings to investment. While cash and deposits fell by 4.2 trillion yen year-on-year, sales of mutual funds increased by 15.1 trillion yen thanks to favor-

• **Amounts of Savings and Liabilities Held per Household by Age Group of Household Head (Workers' Household, 2006 Ave.).**



Source: Ministry of Internal Affairs and Communications (Family Income and Expenditure Survey, 2006)

• **Sumitomo Trust's Generational Makeup of Transactions (time deposits, mutual funds, etc., as of March 31, 2007)**



able trend in bank sales, government bonds did well with retail customers, with sales increasing 5.5 trillion yen, and variable annuities which meet portfolio needs structure for people in retirement grew by 13.4 trillion yen. This flow is also backed by a look at the types of financial instruments people want to hold in the future, as segments that hold high levels of financial assets increasingly say they want to increase their holdings in such assets as securities, foreign currency financial instruments and real estate investment trusts.

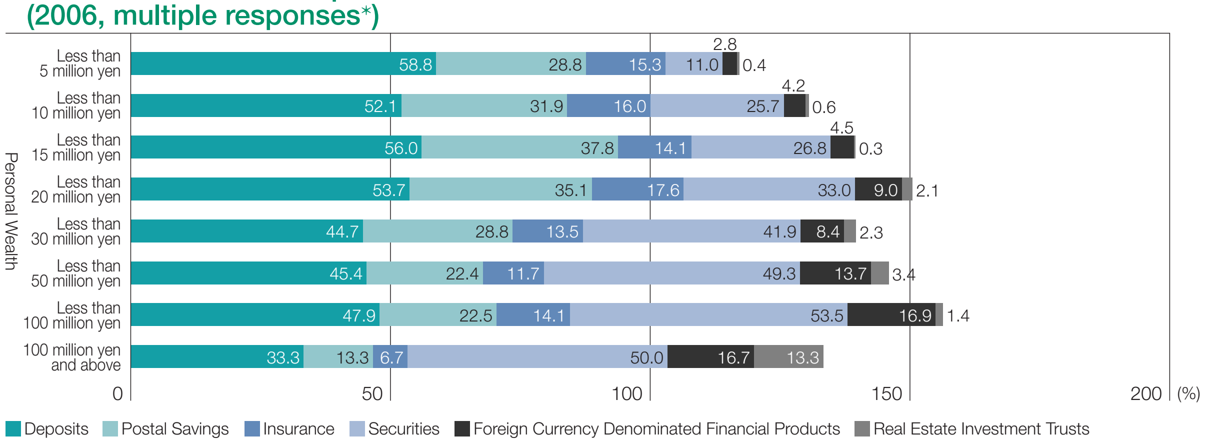
However, whether we look at the more than 50% of financial assets that remain in cash and deposits, or at the assets that people desire to hold in the future, we can see that the desire for safety in asset management remains strong. Customers are demanding a wide variety of products that have a good balance of risk and return.

• Composition of Financial Assets of Retail Investors

	Trillions of Yen				
	2006 (Preliminary)	2005	Portion (%)	Change from 2005 to 2006	Change due to Market Value of Assets*
Cash and Deposits	**¥ 779**	¥ 783	50.5%	¥ (4.2)	¥ 0.0
Variable Term Deposits	**228**	222	14.8%	6.2	0.0
Time Deposits	**501**	512	32.5%	(10.3)	0.0
Foreign Currency Deposits (1)	**4**	5	0.3%	(0.5)	0.0
Insurance and Pensions	**399**	388	25.9%	11.0	(1.7)
Insurance	**230**	232	14.9%	(2.4)	0.0
Pensions	**170**	156	11.0%	13.4	(1.7)
Securities	**292**	283	19.0%	9.2	(2.4)
Stocks (2)	**109**	115	7.1%	(5.9)	(3.5)
Government Bonds	**32**	27	2.1%	5.5	(0.3)
Mutual Funds (3)	**66**	51	4.3%	15.1	3.3
Overseas Securities (4)	**8**	8	0.5%	(0.0)	0.0
Risk Assets (1) to (4) Total	**187**	179	12.2%	8.7	(0.1)
Total Financial Assets	**¥ 1,541**	¥ 1,526	100.0%	¥ 15.2	¥ (3.7)

Source: Bank of Japan Funds Flow Calculation (Flow of Funds Accounts)
* Changes not stemming from inflow of new investment.

• Financial Products People Want to Hold in the Future (2006, multiple responses*)



Source: The Central Council for Financial Services Information (Public Opinion Survey on Household Financial Assets and Liabilities, 2006).
Notes: Securities: Trusts (such as Big and Hit), public bonds (such as government bonds), bonds other than public bonds (such as corporate bonds), stocks, stock mutual funds, public bond mutual funds (such as money market funds), etc.
Insurance: Savings-type insurance products (life, postal, casualty insurance) and annuities for retail investor.
* Percent total exceeds 100% due to multiple response.

3. Sumitomo Trust Basic Retail Business Strategy

Sumitomo Trust's basic retail business strategy as opportunities expand both in terms of investment inflow and the existing stock of assets is to build win-win relationships with customers by utilizing the strength of our broad product lineup and by consulting with a long-term perspective.

Provide Rich Asset Management Products with the Appropriate Consulting

Most retail customers in Japan are not familiar with risk products, and most require assistance from experts in order to determine how much risk is appropriate for their portfolio, and what kind of assets to select.

In addition, there is some concern about the pension system as one of the reasons for the strong passive orientation. Pension financing in Japan is based on contributions from the generation that is currently working – pay-as-you-go system – and it will be increasingly difficult to maintain pension assets as fewer children are born and society ages. People are concerned that in the future premiums will have to be raised and payments cut so that saving will not be large as originally planned.

Furthermore, in order to rank among our competitors who have a size advantage over us, we must build relationships with our customers that are based on trust, close and deep.

Sumitomo Trust positions consulting services that listen carefully to what our customers are saying as the base of our retail business. In addition to working hard to improve the consulting capabilities of our front office staff, we have established four consulting offices whose main functions are to provide consultation, and have established consultation booths and improved barrier free* access in existing branches. We have done so to establish a system that can respond to the needs of customers who want to discuss asset plans and management for the years after their retirement.

Furthermore, another strength of Sumitomo Trust is our financial consultants who consider advantageous asset management from the customers' perspectives. Sumitomo Trust established the financial consultant system in advance of other trust banks in 1977, and we place them in our major branches. The financial consultants have acquired a wealth of knowledge in asset management, including will trusts, and they have strengths as well in the real estate business, including the effective utilization and sales of real estate, so that they can provide comprehensive consultation on inheritance and asset management.

* Barrier free: improving access for those with physical disabilities.

Sumitomo Trust will further improve its two strengths of rich product lineup and consulting ability, and aims to be a leader in the retail finance market by using these two strengths as the factors that are driving growth in our retail business.

Nihon Keizai Shimbun Evaluation of Retail Competitiveness

Sumitomo Trust was ranked sixth (third among major banks) overall among 121 banks in Japan in July 2007 in the Nihon Keizai Shimbun's Third Survey of Retail Banking Capability, and was ranked first in the survey of Product Competitiveness, which is made up of three survey items.

The overall ranking was calculated based on a perfect score of 300 points, by adding the scores given by evaluators in visits to each bank main branch for counter service (200 points possible, covering how customers are serviced, consultations and explanations of financial instruments, explanations of housing loans, etc.) and from questionnaires on product offerings (100 points possible, covering the number of products offered including mutual fund, security measures, bank transfer fees and operating hours for ATMs, etc.).

Sumitomo Trust's scores were not as high as they could be for evaluations of housing loan product explanations, and for ATM service since we do not operate them on Saturday and Sunday at our Osaka Business Department (main branch in Osaka), which was the location surveyed. However, we obtained high scores for customer service and ranked sixth, three places higher than our ninth place finish last year.

Sumitomo Trust ranked first (third in last year's survey) in the product competitiveness survey which is made up of the following three items: (1) depth of product line for financial instruments such as mutual funds, (2) customer service, based on a survey of front office customer service, and (3) consultation and explanation of risk products.

We were highly evaluated in the depth of our product line because of the variety of our products including 30 to 40 types of mutual funds and seven to eight types of variable annuities, available at all 60 of our branches. Furthermore, our strengths described in this special feature include the attitude described in our motto, "putting the customer first," and our easily understood explanations of product risks were highly evaluated.

Survey Method

Counter service was evaluated by totaling scores for 24 items, which were evaluated by two evaluators who separately visited each bank main branch during business hours other than at lunch-time during May 2007, and branch staff were not informed of their surveying. They evaluated items from the customers' point of view such points as how the branch was managed, how customers were being treated, how well products were explained, and how long customers had to wait to use ATMs. The survey of depth of financial instruments was based on questionnaires conducted at each bank main branch for products available as of April 1, 2007.

This section is based on articles published in the Nihon Keizai Shimbun and Nikkei Kinyu Shimbun. The Nihon Keizai Shimbun is Japan's representative economic newspaper and the Nikkei Kinyu Shimbun is Japan's representative financial industry specialty newspaper. This survey was conducted jointly by Nikkei Inc., and Nikkei Research Inc.

Special Feature 2:

Meeting CSR through Business Activities

The cornerstone of Sumitomo Trust's CSR activities is providing financial solutions that address the diverse issues facing society today. These issues include the increasingly critical issue of global warming, declining birth rates and aging of Japanese society, and increasing prevalence of crimes related to money.

At Sumitomo Trust, our basic approach is to increase corporate value while contributing to the sustainable growth of society. CSR plays a central role in establishing a corporate culture that encourages each employee to be aware of social responsibility, while fostering the initiative to identify business opportunities in the resolution of social issues. From this perspective, Sumitomo Trust is focusing its efforts on achieving business innovation through an emphasis on formulating and promoting a new model for the financial business – one that increases corporate value while contributing to the sustainability of societal growth and the environment.

This section features case studies that describe some of the ways in which Sumitomo Trust is engaging in these activities.

Case Study No. 1:

Loans for Environmentally Friendly Housing

1. Background Business Environment

Japan Faces the Challenge of Reducing Household Greenhouse Gas Emissions

Under the Kyoto Protocol, Japan is committed to reducing its greenhouse gas emissions by an average of 6% compared with 1990 levels during the period from 2008 to 2012. However, Japan's emissions of greenhouse gases actually increased by 8.1% overall as of 2005. While emissions from manufacturing and other industrial sectors were down by 5.5%, household emissions and emissions from business such as service industries and offices increased by approximately 40%.

In response to the situation, the Japanese Government has begun initiatives to achieve the reduction targets for household emissions. As part of this push, among other measures the government is examining the expansion of the scope of residential housing that is regulated under the Law Concerning the Rational Use of Energy*1.

The Tokyo Metropolitan Government and Sumitomo Trust are already promoting environmentally friendly housing however, predating these efforts by the Japanese government by two years. In May 2005, the Tokyo Metropolitan Government sponsored the Tokyo Environmental Finance Conference under the Tokyo Environmental Finance Project, which was launched in January 2005. Through the conference, the Tokyo Metropolitan Government called on financial institutions to develop financial instruments that promote environmental measures among corporations and individuals.

*1 The existing law applies to new construction or major renovation of multiple dwelling buildings with a total floor area of 2,000 square meters or more. Developers and owners of these structures are obligated to notify local authorities regarding the implementation of energy-efficiency measures relating to equipment such as heating and air-conditioning systems and water heaters.

2. Activities by Sumitomo Trust

Launch of New Environmentally Friendly Housing Loan Product in Partnership with the Tokyo Metropolitan Government

Over the last several years, Sumitomo Trust has positioned itself to support developers and individuals who take environmental measures by providing environmentally friendly housing loans. In 2004, Sumitomo Trust introduced a housing loan product that provides preferential interest rates for homes equipped with solar power generation systems. Starting from 2005, the scope of these products was expanded to include all-electric homes (those whose only power source is electricity) and homes that incorporate energy-efficient gas equipment.

Responding to the city's initiative through the Tokyo Conference on Environmental Financing, Sumitomo Trust developed a new housing loan product that provides preferential interest rates based on the city's new Apartment Environmental Efficiency Label Program*2 for large-scale condominium projects. The housing loan product was launched in October 2005 to coincide with the program launch by the city, and offers a preferential interest rate with a maximum discount of 1.2%, prorated according to the condo rating.

The Apartment Environmental Efficiency Label Program is designed to promote household-related measures to address global warming. The measures include providing information to potential buyers, creating systems to enable market assessment of environmental friendliness, and encouraging voluntary measures by developers.

The loan product developed by Sumitomo Trust assesses each of four required criteria under the Apartment Environmental Efficiency Label Program. The four criteria are: building insulation, energy efficiency of equipment, building life expectancy and green space. Each of the criteria is assessed on a three-point scale and rated by applying a star for each grade of criteria met. For each star, Sumitomo Trust applies a preferential interest rate discount of 0.1%, up to a maximum discount of 1.2%. The system was designed so that buyers can readily grasp the environmental performance of housing.

*2 Launched in October 2005, the Apartment Environmental Efficiency Label Program requires developers to meet certain obligations for new construction or add-on construction of condominium buildings with a total floor area exceeding 10,000 square meters. In addition to submitting a Building Environmental Plan to the Tokyo Metropolitan Government, which details environmentally friendly measures, developers must include labeling in their advertising that indicates condo ratings in each of the four criteria described above.

Apartment Environmental Efficiency Label

Sumitomo Trust Receives Governor's Award under the Tokyo Metropolitan Environmental Awards program and Looks Ahead to the Future

The new loan product raises the incentive for customers to choose environmentally friendly condominiums by offering preferential interest rates to potential buyers. It is also designed to encourage developers to construct environmentally friendly condominiums.

During the product planning phase, there were concerns that developers might conclude that environmental measures were too expensive, and that the program would provide insufficient incentive to them. However, these concerns proved to be unfounded, as the program has succeeded in encouraging developers to implement environmentally friendly measures. In fact, construction of environmentally friendly condominiums has proceeded at an even higher rate than forecasted, with more than half of all condominiums gaining a three-star rating in at least one category of the criteria. Based on its results, Sumitomo Trust's loan product was singled out to receive the Governor's Award as part of the 2006 Tokyo Metropolitan Environmental Awards.

Programs designed to rate the environmental performance of condominiums are also spreading to other areas outside of Tokyo. In October 2006, Kawasaki City in Kanagawa Prefecture launched a similar environmental labeling program, called the Comprehensive Assessment System for Building Environmental Efficiency (CASBEE) program*3. Sumitomo Trust was first on the market to launch a CASBEE-linked housing loan product, introducing it to coincide with the program launch. The housing loan product has drawn a great deal of attention including discussion by a government advisory council.

*3 Comprehensive Assessment System for Building Environmental Efficiency (CASBEE) program: developed by the Ministry of Land, Infrastructure and Transport and leading experts, the program is aimed at reducing environment impact through improvements to the environmental performance of buildings.

Tokyo Metropolitan Government & Tokyo Governor Environmental Prize Ceremony

President and CEO Yutaka Morita (Right)

Comment from Staff

This housing loan is an environmentally friendly product that serves a dual purpose in terms of both contributing to environmental issues and to Sumitomo Trust's business. It truly embodies the ideal CSR initiative that Sumitomo Trust is trying to achieve. We truly wanted it to be successful, and were delighted that the product received the Tokyo Metropolitan Environmental Award, attesting to its results.

Our biggest struggle in developing the product was to make an accurate forecast of the number of stars the average condominium in the Tokyo metropolitan area would receive, and to set the interest rate structure accordingly. We needed to set the level of preferential interest rates to make it attractive to customers, while also considering the impact on Sumitomo Trust's profitability. In the end, we were able to implement a favorable interest rate structure, working closely with the Bureau of Environment of the Tokyo Metropolitan Government.

Personal Loan Promotion Department Nobuhiko Tazoe

Case Study No. 2:

CSR-Conscious Receivables Collective Trusts

1. Background Business Environment

Increase Suppliers' Burden under CSR-Conscious Procurement

The number of companies that have adopted CSR-conscious procurement policies has increased in recent years, centering on large corporations operating in increasingly globalized sectors, such as electronics. As part of supply chain management, CSR-conscious procurement places certain conditions on suppliers of components and materials by requiring them to satisfy CSR criteria, or establishes conditions for preferential trade with suppliers that meet such criteria. The criteria itself can range from legal compliance to environmental considerations and labor management, such as the handling of human rights issues. The background behind this movement includes the increasing prevalence of major boycotts stemming from issues identified by non-profit organizations. Such issues range from the use of toxic substances to suppliers' use of child labor in developing countries.

The concept of green procurement, which distinguishes suppliers by their implementation of environmental activities, has been widely embraced by Japanese industry. CSR-conscious procurement on the other hand encompasses a wider scope of principles than green procurement. However, there are concerns that further progress of CSR-conscious procurement is being hampered by the heavy burden it places on suppliers, particularly on small and medium-sized businesses.

2. Activities by Sumitomo Trust

Launch of CSR-Conscious Receivables Collective Trusts

Sumitomo Trust launched its CSR-Conscious Receivables Collective Trusts product in December 2006, as a service that blends CSR-conscious procurement and financial functions. Under the scheme, Sumitomo Trust verifies the degree to which companies that procure funds (suppliers) comply with our CSR-conscious procurement criteria, and applies a CSR rating to these suppliers. The companies receive a preferential discount rate when entrusting their account receivables, with the discount depending on the level of compliance. In other words, it is designed to reward companies that actively engage in CSR activities, by providing them with better terms for procuring funds through the factoring of account receivables.

Although other measures have been introduced that provide preferential financial treatment for activities such as green procurement, these measures have been aimed at the customer, through assessment of their activities. In contrast, the product introduced by Sumitomo Trust breaks new ground by also encompassing suppliers, making it a rarity among such instruments.

Product Scheme

One of the features of the product is that it arises out of the act of procurement, focusing on account receivables that are tightly linked to CSR-conscious procurement. The debtors for account receivables are often large corporations that are downstream in the supply chain, which means that their credit risk is generally low, even if the supplier (beneficiary of the receivables collective trust) is a small or medium-sized company. This makes it easier to adopt the scheme from the perspective of credit risk management.

Sumitomo Trust developed the product in partnership with Arata Sustainability Co., Ltd. (previously Misuzu

Sustainability Research Institute Co., Ltd.), a company that provides certification services for environmental reports and environmental accounting. Utilizing the network of PricewaterhouseCoopers, Arata Sustainability provides customized services to verify the status of labor management at overseas plants operated by Japanese suppliers, and provides other services such as verifying their level of compliance with the procurement policies of individual corporations. Sumitomo Trust sets transaction terms, such as the aforementioned preferential discount rate, by linking them to the level of compliance (rating) reported by Arata Sustainability.

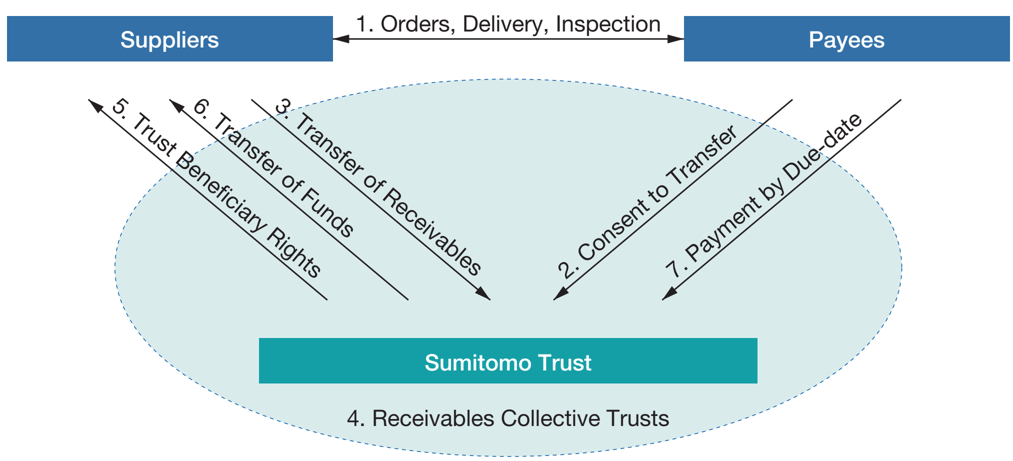
Sumitomo Trust expects that adoption of CSR-conscious procurement by Japanese corporations will shift into high gear moving forward, and that products like this one will lead the way for such changes.

Definitions: Receivables Collective Trust

A receivables collective trust is a financial scheme that provides a new method for payment in place of promissory bills to suppliers. Under the scheme, an agreement is formed between three parties: the supplier, Sumitomo Trust, and the company making payment (payee). On delivery, the account receivables owed by the payee are placed in trust with Sumitomo Trust, and instead of receiving a promissory bill from the payee, the supplier receives trust beneficiary rights.

Under this method, the payee benefits from issuing fewer promissory bills and is able to streamline its payment tasks, as well as benefiting from lower costs, primarily through the reduction of stamp fees for promissory bills. The advantage for suppliers is that it reduces the task of managing promissory bills and lowers their costs, as well as simplifies the procurement of funds at low interest rates.

• Scheme Chart of Receivables Collective Trusts



Comment from Staff

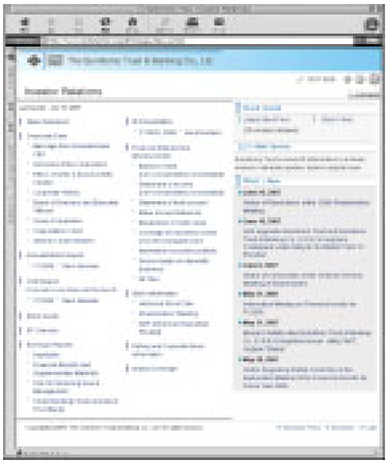
We feel that the emphasis on CSR in supply chain management will continue to grow moving forward. This will lead companies to focus on ways to promote CSR, including the formulation of procurement policies, as issues that they face. We developed this product by looking slightly ahead to these trends.

There are few examples of financial instruments that assess suppliers' efforts to achieve compliance, anywhere in the world. Moving forward, we would be delighted for our customers to effectively use this product to promote CSR-conscious procurement.

Structured Finance Department **Hiroshi Hayasaka**

Sumitomo Trust provides an English language web site containing investor relations (IR) information, so that shareholders and investors can gain a better insight into Sumitomo Trust. In addition to back numbers of Annual Reports and CSR Reports, the site contains other information including past IR presentations and financial data. Interested parties can also sign up to receive E-mail updates when new IR information is posted to the site.

Information about Sumitomo Trust Investor Relations Site



Sumitomo Trust has expanded its archives for the Investor Relations site. All news releases dating back to 2000 and Annual Reports since fiscal year 1999 are now available, as well as IR presentations dating back several years. These materials provide insight into changes in the business strategies of Sumitomo Trust over the years. All CSR Reports since its initial publication in fiscal year 2003 can also be accessed from the site.

Key financial data such as balance sheets and income statements for the last five years have been posted as Excel files to facilitate financial analysis. For information about interpreting financial statements specific to trust banks, refer to Features of Trust Banks' Financial Statements on page 50 of this Annual Report.

http://www.sumitomotrust.co.jp/IR/company/index_en.html

Information about IR Publications

Annual Report

The Annual Report is an English language publication whose purpose is to provide expanded information disclosure, particularly for overseas institutional investors and other institutions. It contains information necessary for making decisions about investing in Sumitomo Trust, such as our business strategies and organizational structure as well as business results and future outlook. The Annual Report is published each year around the end of August.

CSR Report

The CSR Report is published in order to facilitate an understanding of Sumitomo Trust's execution of CSR, particularly for the benefit of investors. It contains many practical examples that illustrate how Sumitomo Trust engages in CSR through its main business of providing financial instruments and services. The CSR Report is published each year around the end of September.

Financial Section

1. Features of Trust Banks' Balance Sheets

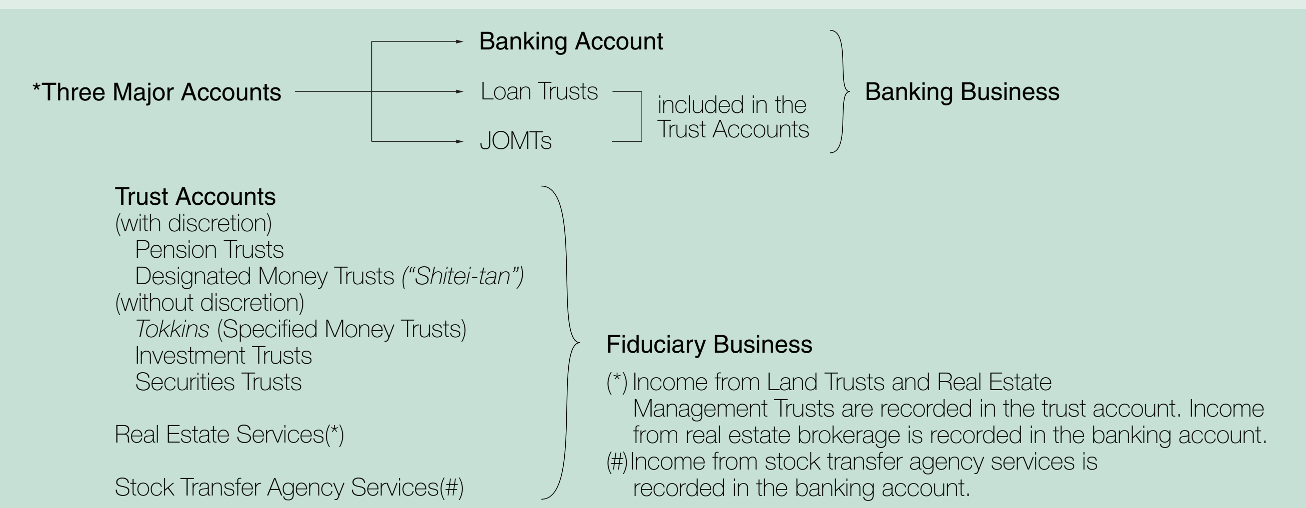
Financial statements of trust banks include two balance sheets, one for the banking account and the other for the trust account (Statement of Trust Account). They are classified by whether businesses are conducted based on trust agreements or not. The balance sheet for the banking account is similar to those of ordinary commercial banks, whereas that for the trust account is unique to trust banks.

Among various trust accounts, Loan trusts and Jointly-operated money trusts ("JOMTs") are subject to principal-guaranteed contracts provided by trust banks and covered by deposit insurance. From the viewpoint that the banking account bears contingent liability by virtue of principal-guaranteed contracts attached to these two types of trusts, these trusts are included in banks' risk assets for the purpose of calculating the BIS capital adequacy ratio. At present, the total principal amount after deduction of the loan amount lent from the trust accounts to the banking account is counted as risk assets.

Those Loan trusts and JOMTs are booked and administrated separately from the banking account. The Sumitomo Trust and Banking Company, Limited ("the Bank"), though, refers to the banking account, Loan trusts, and JOMTs as the "Three Major Accounts" and manages them as a part of the banking business. We manage profits and losses, conduct asset liability management, and control the default risks of the three major accounts in an integrated manner. As a case in point, our data for the loan-deposit margin on a "Three Major Account" basis are calculated through the aggregation of assets and liabilities in the banking account, Loan trusts, and JOMTs.

On the other hand, various trust accounts other than Loan trusts and JOMTs are referred to as "Fiduciary Accounts" since their principals are not guaranteed and all returns and losses are attributed to beneficiaries. Broadly speaking, there are two types of fiduciary accounts: those in which trust banks have discretion over investments (including Pension trusts, Designated money trusts, etc.), and those in which they do not have discretion acting as custodians (including Investment trusts, Tokkins (Specified money trusts), Securities trusts, etc.). The statement of trust account discloses balances of all trust accounts including Loan trusts and JOMTs. Separate balance sheets are also disclosed for Loan trusts and JOMTs.

Loan trusts and JOMTs have reserve accounts for possible losses called Reserve for possible impairment of principal. The reserve account for Loan trusts is stipulated in the Loan Trust Act. In accordance with the Act, trust banks are currently required to set no less than 2.5% and no more than 4.0% of loan trust fees aside for the reserve until it amounts to 0.5% of the total principal amount of Loan trusts. The reserve account for JOMTs is set aside at the rate of 0.3% of the balance of loans and other claims. For reference, non-performing claims of Loan trusts and JOMTs are disposed of by direct write-offs to individual loans or other claims.



Balance sheets of trust banks feature accounts for internal transactions between the banking account and the trust account. These are noted as the "Borrowed Money from Trust Account" (i.e. the banking account's borrowing from the trust accounts), which is posted on the liability side of the banking account, and "Loans to Banking Account," posted on the asset side of the trust account. Assets on the balance sheets for Loan trusts and JOMTs are classified into "Loans and Bills Discounted," "Securities," and "Others." "Others" accounts consist mainly of loans to banking account.

2. Features of Income Statement of Trust Banks

Main items comprising income statement of trust banks are as shown below:

Net Trust Fees (after credit costs for Loan Trusts and JOMTs)
+Net Interest Income
+Net Fees and Commissions
+Net Trading Income
+Other

Gross Profit
−General and Administrative Expenses (excluding Non-recurring expenses)
−Net Transfer to General Reserve

Net Business Profit
(+Trust Account Credit Costs = Net Business Profit before Trust Account Credit Costs
+Net Transfer to General Reserve = **Net Business Profit before Credit Costs**)
+Net Non-recurring Profit (Loss)

Net Operating Profit
+Extraordinary Profit (Loss)

Net Income (Loss) before Income Taxes and Others
−Current Income Taxes and Others
−Deferred Income Taxes and Others

Net Income (Loss)

3. Structure of Trust Banks' Earnings - Trust Fees vs. Other Fees & Commissions

Among various accounts on the income statements of trust banks, "Trust Fees" and "Fees and Commissions" require special mention. For the purpose of financial statements, Fees and commissions earned based on trust agreements are booked as "Trust Fees" and those earned without trust agreements are booked as "Fees and Commissions." Trust fees include "Trust Fees from Loan Trusts and JOMTs" and "Other Trust Fees" derived from various trust businesses such as pension and institutional asset management, securities processing services (Investment trusts and Tokkins), and real estate services (Land trusts and Real estate management trusts). "Fees and Commissions" are those derived from businesses such as custody services, stock transfer agency services, and real estate brokerage services, as well as banking businesses such as guaranty, foreign exchange, and securitization.

* Trust Fees

Trust fees from Loan trusts and JOMTs

Other trust fees

- pension asset management
  (corporate and public pensions)
- securities custody with trust contract services
  (Investment trusts, Tokkins and others)
- real estate services
  (Land trusts and Real estate management trusts)

* Fees and Commissions

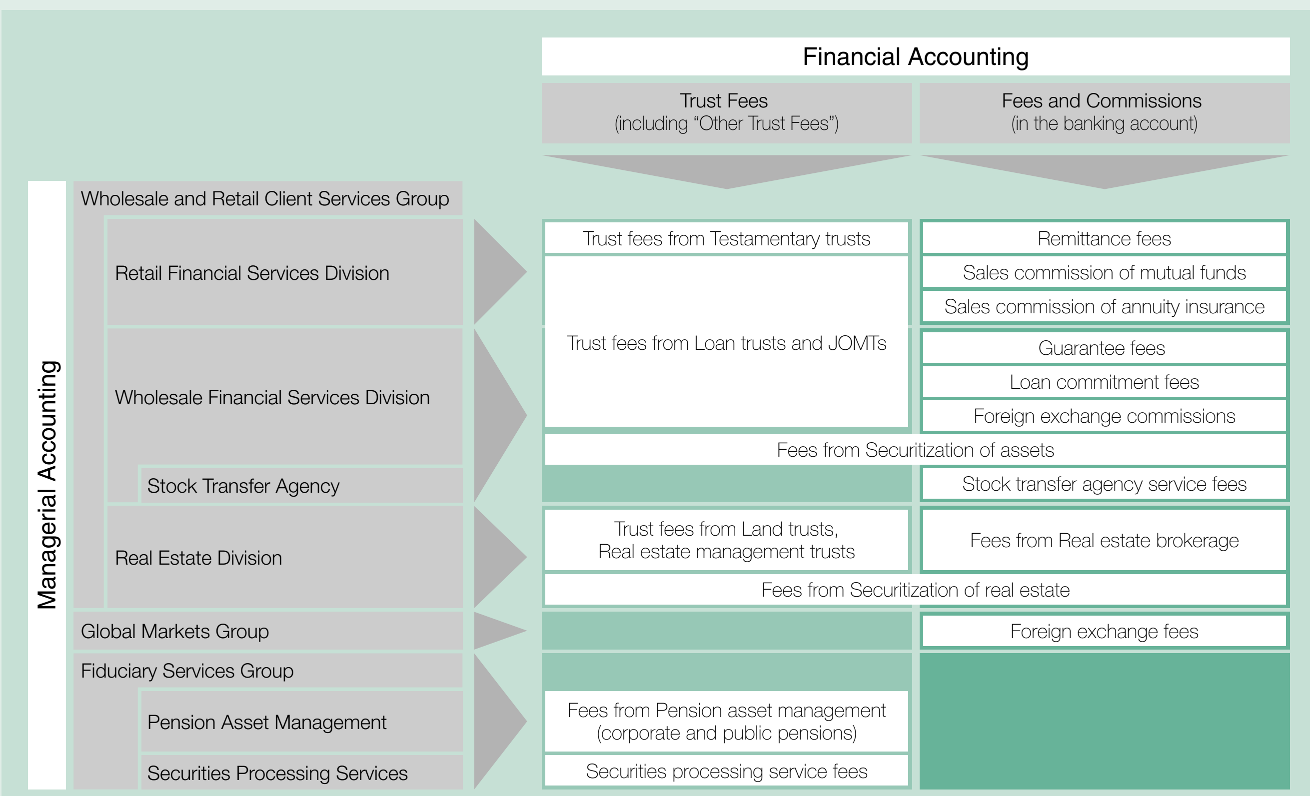
Fees from transfer agency services
Fees from real estate brokerage
Fees from securities custody services, other than trust contract etc.
Fees from banking business (foreign exchange, securitization, etc.)

4. Managerial Accounting for Trust Banks

The Bank consists of three business groups. As of July 1, 2007, these three business groups are the "Wholesale and Retail Client Services Group," "Global Markets Group" and "Fiduciary Services Group." The "Wholesale and Retail Client Services Group" consists of three divisions, which are the "Wholesale Financial Services Division," "Retail Financial Services Division" and "Real Estate Division." Financial accounting is not designed to show the earning status of each business group and division. For the purpose of managing profitability by business, we also provide figures based on managerial accounting.

To reconcile financial accounting and managerial accounting, one should particularly note the following reallocations of income among business groups and divisions. It should be noted that fee income, recorded as either "Trust Fees" or "Fees and Commissions" in terms of financial accounting, must be allocated to each business group and division based on customer attributes.

For example, Trust fees from Loan trusts and JOMTs are allocated to the Wholesale Financial Services Division and Retail Financial Services Division in the Wholesale and Retail Client Services Group. Similarly, Fees from securitization of assets are allocated to the Wholesale Financial Services Division. Foreign exchange fees are allocated to the Wholesale Financial Services Division as well as to the Global Markets Group. Fees from pension asset management (corporate and public pensions) and those from securities processing services—both of which are recorded under "Other Trust Fees" in financial accounting—are allocated, respectively, to "Pension Asset Management" and "Securities Processing Services" to the Fiduciary Services Group. Fees from real estate brokerage and those from Land trusts and Real estate management trust (for the purpose of securitization)—recorded separately under "Fees and Commissions" and "Other Trust Fees" in financial accounting—are combined and allocated to the Real Estate Division.



In June 2007, the Bank redesigned its business groups. Former "Real Estate Group" joined "Wholesale and Retail Client Services Group" as "Real Estate Division" to closely cooperate with "Wholesale Financial Services Division" and "Retail Financial Services Division."

Financial Section | Management's Discussion and Analysis

Looking back the fiscal year ended March 31, 2007, the duration of this economic recovery which started in 2002 became the longest after World War II, which was led by the steady increase in capital expenditure and exports throughout the year.

Under such economic conditions, the Bank of Japan raised interest rates twice and the Japanese stock index kept an average of 17,000 yen despite temporal drops in prices.

Under these circumstances, the Bank's net business profit before credit costs increased 9% to ¥215.4 billion. Additionally, Net income rose ¥3.7 billion, or 3%, over the previous fiscal year, posting another record of ¥103.8 billion following the last fiscal year. This was mainly due to the increase in revenue from consolidated subsidiaries such as the first full-year contribution from First Credit Corporation in addition to income from the realty subsidiary and the overseas subsidiary engages in custodial services.

Net trust fees, Net interest income, Net fees and commissions, Net trading income, and Net other operating income increased by ¥4.3 billion, ¥9.1 billion, ¥3.1 billion, ¥2.6 billion, and ¥5.3 billion, respectively. General and administrative expenses excluding non-recurring expenses increased by ¥13.7 billion. Total credit costs increased by ¥32.2 billion and Net gains on stocks and other securities decreased by ¥2.1 billion.

Net trust fees saw an increase of ¥4.3 billion mainly due to an increase of ¥8.1 billion in Other trust fees, which include those from pension trusts and custody services.

Net interest income increased by ¥9.1 billion. This was mainly due to the first full-year contribution from First Credit Corporation, which became our consolidated subsidiary in October last fiscal year, as well as the increase in net interest spread between loans and deposits.

Net fees and commissions increased by ¥3.1 billion mainly due to the increase of sales of mutual funds and annuities, which were partially offset by the decrease of fees from real estate brokerage fees which was very high in the last fiscal year.

General and administrative expenses, excluding net non-recurring items, increased by ¥13.7 billion. This was mainly due to the investment in remodeling our branches and IT related investments as well as additional costs related to the increased number of consolidated subsidiaries.

Total credit costs increased by ¥32.2 billion mainly due to the reclassification of soundness of borrowers.

In the fiscal year ended March 31, 2007, Net gains on stocks and other securities posted a gain of ¥4.8 billion, however, compared with the previous fiscal year, it was a decrease of ¥2.1 billion, owing to a decrease in Gains on sales of stocks and other securities from ¥15.5 billion to ¥12.3 billion.

Net business profit before credit costs, which expresses core business profit, increased by ¥19.2 billion. Analyzed by business group and division using managerial accounting figures, the Wholesale Financial Services Division slightly increased profit by ¥3.1 billion to ¥96.2 billion mainly by investing in diversified markets despite tougher competition in the corporate loan market. The Retail Financial Services Division increased profit by ¥9.7 billion to ¥29.6 billion. Fees from the sales of mutual funds accounted for approximately one third of the increase in profit of the division and the wider spread margin contributed to the rest of the increase. The Real Estate Division decreased profit by ¥2.6 billion to ¥27.0 billion. Real estate brokerage of the small to mid sized transactions dealt by our subsidiary and the real estate investment management grew steadily and alleviated a drop on a consolidated basis although the division posted a marked increase in the last fiscal year owing to some large transactions. The Fiduciary Services Group increased profit by ¥9.0 billion to ¥33.1 billion due to the growth of the balance of entrusted assets. In spite of the flattened yield curves, Global Markets Group kept profit at ¥39.4 billion.

Other than these three business groups and divisions, miscellaneous revenues and costs such as dividends from holding shares and funding costs are segmented as "Others." Other losses were ¥9.9 billion, same as those in the previous fiscal year.

The Bank adopted the so-called the Basel II standard for calculating the BIS capital adequacy ratio from the end of this fiscal year. However, using the previous method for comparison, Total qualifying capital increased by ¥370.7 billion to ¥1,966.6 billion and Tier I capital rose by ¥137.8 billion to ¥1,047.2 billion. This was due to the accumulation of Retained earnings from Net income and issuance of Noncumulative preferred securities and Subordinated bonds. Similarly, Total risk-adjusted assets increased by ¥1,541.4 billion to ¥16,182.1 billion. This was largely due to an increase in on-balance assets as a result of making STB Leasing Co., Ltd., our consolidated subsidiary.

As a result, BIS capital adequacy ratio under the previous standard would have increased by 1.25% to 12.15% and Tier I capital adequacy ratio would have increased by 0.26% to 6.47%.

On the other hand, under the new Basel II standard, Total qualifying capital, Tier I capital and Total risk-adjusted assets were ¥1,809.8 billion, ¥1,026.1 billion and ¥15,924.9 billion, respectively.

Total qualifying capital under the new standards was lower mainly due to the deduction of 50% of the total Expected loss amount in excess of total eligible provisions. The difference in Total risk-adjusted assets between the two standards stems from the introduction of operational risk component and the decrease in Risk-weighted asset for credit risk computed using the basic internal rating method, each amounted ¥665.3 billion and ¥922.5 billion, respectively.

As a result, BIS capital adequacy ratio under the new Basel II standard was 11.36% and Tier I capital adequacy ratio was 6.44%.

Finally, we have been adopting a policy to increase returns to shareholders through dividends. We target dividend payout ratio to Net income on a consolidated basis to be approximately 30%.

Operating Results (Consolidated)

	Millions of Yen			Millions of U.S. Dollars (Note1)
Years Ended March 31	**2007**	2006	**Changes**	**2007**
Net Trust Fees	**¥ 73,226**	¥ 68,900	**¥ 4,325**	**$ 620**
Net Interest Income	**160,086**	150,972	**9,113**	**1,356**
Net Fees and Commissions	**103,751**	100,572	**3,179**	**879**
Net Trading Income	**8,144**	5,504	**2,639**	**69**
Net Other Operating Income and Expenses	**38,892**	33,591	**5,300**	**329**
General and Administrative Expenses (*)	**183,973**	170,206	**13,767**	**1,558**
Net of Other Income and Expenses	**(32,348)**	(17,995)	**(14,353)**	**(274)**
Income before Income Taxes and Others	**167,778**	171,340	**(3,562)**	**1,421**
Net Income	**103,820**	100,069	**3,750**	**879**
Net Business Profit before Credit Costs	**¥ 215,485**	¥ 196,270	**¥ 19,215**	**$ 1,825**

(*) Excluding Non-recurring expenses

Trust Fees

Trust fees consist of two types of fees. One is trust fees from Loan trusts and JOMTs, which can be categorized as income from quasi-banking business, and the other is fees from asset management or trust and custody operations, such as Pension trusts, Designated money trusts, Securities investment trusts, Securities trusts, etc.

Whereas the first type has a characteristic of interest income, the second is a kind of non-interest income.

The first type of trust fees equaled ¥16.3 billion (before elimination of credit costs in the trust account), a decrease of 16.5% from the previous fiscal year. The balance of Loan trusts continued as the bank decided to discontinue the product, however, the decrease has been generally substituted by the increases in time deposits in the banking account. Other trust fees increased by ¥8.1 billion, or 16.1%, mainly due to the increase in Trust fees from Pension trusts and Securities investment trusts. Net trust fees in total saw a increase of ¥4.3 billion, or 6.2%, from the previous fiscal year.

To Our Shareholders, Customers and Employees
Governance Report
Business Report
A Report from the Front Lines
Financial Section
Risk Management
STB Basic Information

Trust Fees

	Millions of Yen			Millions of U.S. Dollars (Note1)
Years Ended March 31	2007	2006	Changes	2007
Trust Accounts Credit Costs (Deduction)	¥ 1,360	¥ 811	¥ 548	$ 12
Trust Fees from Loan Trusts and Jointly-Operated Money Trusts (before deducting trust accounts credit costs)	16,356	19,587	(3,230)	138
Gains and Losses on Sale of Securities	(0)	4	(4)	(0)
Other Trust Fees	58,230	50,125	8,105	493
Net Trust Fees	¥ 73,226	¥ 68,900	¥ 4,325	$ 620

Net Interest Income

Interest income increased by ¥73.1 billion from ¥271.3 billion to ¥344.5 billion, while Interest expenses increased by ¥64.0 billion from ¥120.3 billion to ¥184.4 billion, which resulted in an increase in Net interest income of ¥9.1 billion, or 6.0%, over the previous fiscal year. This gain was attributed to the consolidation of First Credit Corporation. whose previous fiscal year's contribution accounted only after October, 2005.

Net Interest Income (Consolidated)

	Millions of Yen			Millions of U.S. Dollars (Note1)
Years Ended March 31	2007	2006	Changes	2007
Interest Income	¥ 344,541	¥ 271,359	¥ 73,181	$ 2,917
Interest Income on Loans and Discounts	192,565	141,081	51,483	1,631
Interest Income and Dividends on Securities	127,848	117,590	10,258	1,083
Interest Income on Deposits with Banks	16,409	7,066	9,343	139
Interest Income on Interest Rate Swaps	345	2,866	(2,521)	3
Other Interest Income	7,372	2,754	4,618	62
Interest Expenses	184,455	120,386	64,068	1,562
Interest Expenses on Deposits	113,421	59,801	53,620	960
Interest Expenses on Payables under Repurchase Agreements	36,257	28,729	7,527	307
Interest Expenses on Bonds and Notes	9,014	5,711	3,303	76
Interest Expenses on Borrowings and Rediscounts	6,904	4,192	2,711	58
Interest Expenses on Payables under Securities Lending Transactions	3,324	2,753	570	28
Interest Expenses on Short-term Corporate Bonds	1,311	42	1,268	11
Other Interest Expenses	14,221	19,155	(4,933)	120
Net Interest Income	¥ 160,086	¥ 150,972	¥ 9,113	$ 1,356

Net Other Operating Income

Net other operating income saw an increase of ¥5.3 billion from the previous fiscal year due to an increase in Net gains on foreign exchange transactions which increased by $7.1 million

Net Other Operating Income (Consolidated)

	Millions of Yen			Millions of U.S. Dollars (Note1)
Years Ended March 31	**2007**	2006	**Changes**	**2007**
Other Operating Income	**¥ 261,632**	¥ 234,106	**¥ 27,525**	**$ 2,215**
Gains on Sale of Bonds (1)	**14,863**	28,460	**(13,597)**	**126**
Net Gains on Foreign Exchange Transactions	**11,735**	4,615	**7,119**	**99**
Income from Derivatives other than for Trading Account	**—**	6,722	**(6,722)**	**—**
Others	**235,033**	194,307	**40,726**	**1,990**
Other Operating Expenses	**222,739**	200,514	**22,225**	**1,886**
Losses on Sale of Bonds (2)	**16,182**	33,747	**(17,564)**	**137**
Expenses from Derivatives other than for Trading Account	**176**	—	**176**	**1**
Others	**206,380**	166,767	**39,613**	**1,748**
Net Other Operating Income	**¥ 38,892**	¥ 33,591	**¥ 5,300**	**$ 329**
Net Gains on Bonds [(1)-(2)]	**¥ (1,319)**	¥ (5,286)	**¥ 3,967**	**$ (11)**

General and Administrative Expenses

General and administrative expenses excluding non-recurring expenses increased by ¥13.7 billion, or 8.0%, from the previous fiscal year. Others (non-personal expenses) increased by ¥14.7 billion due to the investment in remodeling our branches and IT related investments. Personnel expenses and Taxes other than income taxes stayed at the same level compared to the last fiscal year.

General and Administrative Expenses (Consolidated)

	Millions of Yen			Millions of U.S. Dollars (Note1)
Years Ended March 31	**2007**	2006	**Changes**	**2007**
Taxes other than Income Taxes	**¥ 6,923**	¥ 6,828	**¥ 94**	**$ 59**
Personnel Expenses (*)	**77,199**	78,318	**(1,119)**	**654**
Others (Non-personnel Expenses)	**99,850**	85,059	**14,791**	**845**
General and Administrative Expenses	**¥ 183,973**	¥ 170,206	**¥ 13,767**	**$ 1,558**

(*) Excluding Non-recurring expenses.

Net of Other Income and Expenses

Net of other income and expenses decreased by ¥14.3 billion. Net gains on stocks and other securities decreased by ¥2.1 billion. Expenses related to problem loans (banking account credit costs) amounted to ¥40.7 billion, an increase of ¥31.7 billion from the previous fiscal year, due to an increase in Provisions for reserve for possible loan losses.

Net of Other Income and Expenses (Consolidated)

Years Ended March 31	Millions of Yen 2007	2006	Changes	Millions of U.S. Dollars (Note1) 2007
Net Gains on Stocks and Other Securities	¥ 4,814	¥ 6,977	¥ (2,162)	$ 41
Gains on Sales of Stocks and Other Securities	12,350	15,555	(3,205)	105
Losses on Sales of Stocks and Other Securities	2,962	838	2,124	25
Losses on Devaluation of Stocks and Other Securities	4,573	7,740	(3,167)	39
Expenses Relating to Problem Loans (Banking Account Credit Cost)	40,713	9,008	31,705	345
Losses on Write-Offs	6,462	3,726	2,735	55
Provisions for Reserve for Possible Loan Losses	34,181	4,117	30,063	289
General Reserves	17,527	9,530	7,997	148
Specific Loan Loss Reserves	16,240	(5,305)	21,546	138
Reserves for Loans to Restructuring Countries	413	(107)	520	4
Other Credit Costs	68	1,163	(1,094)	1
Other Expenses	20,718	86,337	(65,618)	175
Other Gains	24,268	70,373	(46,104)	205
Net of Other Income and Expenses	¥ (32,348)	¥ (17,995)	¥ (14,353)	$ (274)

Financial Condition

Total Assets

As of March 31, 2007, the Bank's total assets stood at ¥21,003.0 billion, an increase of ¥371.1 billion, or 1.7%, from March 31, 2006.

This increase was mainly due to the ¥469.0 billion, or 29.1%, increase in Other assets. Loans and bills discounted also increased by ¥300.9 billion, or 2.9%. On the other hand, Securities decreased by ¥502.3 billion, or 8.7% mainly due to the decrease in Japanese government and corporate bonds.

Total Liabilities, Total Net Assets and Stockholders' Equity

Total liabilities of the Bank as of March 31, 2007 amounted to ¥19,555.1 billion, which was an increase of ¥200.2 billion, or 1.0%, from March 31, 2006. Deposits rose by ¥998.0 billion to ¥11,361.2 billion, while Borrowed money from trust account decreased by ¥413.8 billion. This partly explains the fact that decrease in Loan Trust is often replaced by the deposit to the bank. Net assets increased by ¥329.9 billion, or 29.5%, from Total stockholders' equity at March 31, 2006 including changes in the accounting policy described in the notes to the balance sheet on page 71. The increase would have been ¥201.1 billion lower without the changes. Net unrealized gains (losses) on securities available for sale, net of taxes, would have increased to ¥295.2 billion from ¥248.1 billion, mainly because of higher valuations of stocks held by the Bank.

Capital

The bank adopted the new Basel II standard in calculation of BIS capital adequacy ratio from the end of March 2007.

Under the previous standard, Total risk-adjusted assets would have increased by ¥1,541.4 billion, of which approximately ¥520 billion was attributable to the consolidation of STB Leasing Co., Ltd. Total qualifying capital increased by ¥370.7 billion as a result of the increase in the retained earning, issuance of qualified instruments such as preferred securities and subordinated bonds. Therefore the BIS capital adequacy ratio under the previous standard would have been improved by 1.25%.

On adopting the new Basel II standard, the bank applied the basic internal rating method for calculating the risk-adjusted assets. In connection with this application, the bank introduced an operational risk whose converted risk asset equivalent amount of ¥665.3 billion was added to the risk-adjusted assets, while ¥922.5 billion was reduced as a result of the proportional calculation using internal ratings.

Total qualifying capital under the new standard was approximately ¥160 billion lower compared to the previous standard, partly because of the change in the treatment of the eligible provisions.

The BIS capital adequacy ratio under the new Basel II standard was 11.36%.

BIS Capital Adequacy Ratio

At March 31	2007 new (*1)	2007 old (*1) (a)	2006 (b)	Changes (a-b)
	Billions of Yen, except for percentages			
Total Qualifying Capital	**¥ 1,809.8**	¥ 1,966.6	¥ 1,595.8	**¥ 370.7**
Tier I Capital	**1,026.1**	1,047.2	909.3	**137.8**
Net Unrealized Losses on Securities Available for Sale, Net of Taxes	**—**	—	—	**—**
Minority Interests in Consolidated Subsidiaries	**210.6**	210.6	159.0	**51.6**
including: Noncumulative Preferred Securities (*2)	**183.0**	183.0	133.0	**50.0**
Goodwill (Deduction)	**104.8**	104.8	113.1	**(8.2)**
50% of the Total Expected Loss Amount in Excess of Total Eligible Provisions (Deduction)	**21.0**			
Tier II Capital	**904.6**	977.2	761.1	**216.0**
Upper Tier II	**534.5**	607.1	416.1	**190.9**
Net Unrealized Gains on Securities Available for Sale, Net of Taxes, after 55% Discount	**223.0**	223.6	187.6	**36.0**
Unrealized Gains on Land after 55% Discount	**0.8**	0.8	1.2	**(0.3)**
General Reserve for Possible Loan Losses	**5.6**	77.5	58.2	**19.3**
Subordinated Debts	**305.0**	305.0	169.1	**135.9**
Lower Tier II	**370.0**	370.0	345.0	**25.0**
Deductive Items(-)	**120.9**	57.8	74.6	**(16.8)**
Total Risk-Adjusted Assets	**¥ 15,924.9**	¥ 16,182.1	¥ 14,640.7	**¥ 1,541.4**
Risk-Weighted Assets for Credit Risk	**15,100.6**	16,023.1	14,466.6	**1,556.4**
Market Risk Equivalents	**158.9**	158.9	174.0	**(15.0)**
Operational Risk Equivalents	**665.3**			
Tier I Capital Adequacy Ratio	**6.44%**	6.47%	6.21%	**0.26%**
BIS Capital Adequacy Ratio	**11.36%**	12.15%	10.90%	**1.25%**

(*1) "New" denotes calculation under the new Basel II standard and "old" denotes calculation under the standard previously used at March 2006.
(*2) For detailed information of Noncumulative preferred securities, see "Summary of Description of the Noncumulative Preferred Securities ("The Offered Securities")" on page 61.

Classified Assets under Financial Reconstruction Law

As of March 31, 2007, the total of "Bankrupt and Practically Bankrupt," "Doubtful," and "Substandard" (Banking and Trust Accounts combined; non-consolidated basis) loans slightly increased by ¥8.1 billion. Doubtful category increased by ¥39.1 billion, which was mostly offset by the decrease in Substandard category. The coverage ratio for classified assets kept comparatively higher level in the industry, and the percentage of classified assets to total loan and equivalent assets resulted in 1.0%, which continued to be the lowest ratio among major Japanese banks.

Total Classified Assets
(Banking and Trust Accounts Combined)

Classification	Balance		Coverage Ratio		Collateral/Reserve		Reserve Ratio	
	Billions of Yen, except for percentages							
At March 31	**2007**	2006	**2007**	2006	**2007**		**2007**	2006
Bankrupt and Practically Bankrupt (A)	¥ **6.5**	¥ 7.3	**100%**	100%	Specific Reserve	¥ **0.4**	**100%**	100%
					Collateral/Guarantee	**6.1**		
Doubtful (Kiken-Saiken) (B)	**58.5**	19.3	**85%**	88%	Uncovered	**8.7**		
					Specific Reserve	**18.5**	**68%**	76%
					Collateral/Guarantee	**31.3**		
Substandard (Yo-Kanri-Saiken) (C)	**52.6**	82.7	**64%**	73%	Uncovered	**18.5**		
					General Reserve	**7.6**	**29%**	29%
					Collateral/Guarantee	**26.5**		
Ordinary Assets (Seijo-Saiken)	**11,966.3**	11,458.2			General Reserve	**64.4**		
					Reserve for Losses to Restructuring Countries	**0.7**		
Total of (A), (B) and (C)	¥ **117.6**	¥ 109.4						
Total	**¥12,083.9**	¥11,567.6						

Banking Account (After Partial Direct Write-Off)
(Non-consolidated)

Classification	Balance		Coverage Ratio		Collateral/Reserve		Reserve Ratio	
	Billions of Yen, except for percentages							
At March 31	**2007**	2006	**2007**	2006	**2007**		**2007**	2006
Bankrupt and Practically Bankrupt (D)	¥ **4.2**	¥ 4.1	**100%**	100%	Specific Reserve	¥ **0.4**	**100%**	100%
					Collateral/Guarantee	**3.8**		
Doubtful (Kiken-Saiken) (E)	**58.1**	18.5	**85%**	88%	Uncovered	**8.7**		
					Specific Reserve	**18.5**	**68%**	76%
					Collateral/Guarantee	**30.9**		
Substandard (Yo-Kanri-Saiken) (F)	**35.8**	54.9	**48%**	67%	Uncovered	**18.5**		
					General Reserve	**7.6**	**29%**	33%
					Collateral/Guarantee	**9.7**		
Ordinary Assets (Seijo-Saiken)	**11,556.9**	10,938.4			General Reserve	**64.4**		
					Reserve for Losses to Restructuring Countries	**0.7**		
Total of (D), (E) and (F)	¥ **98.0**	¥ 77.5						
Total	**¥11,654.9**	¥11,015.9						

Trust Accounts
(Non-consolidated)

Classification	Balance		Coverage Ratio		Collateral/Reserve		Reserves
	Billions of Yen, except for percentages						
At March 31	**2007**	2006	**2007**	2006	**2007**		**2007**
Bankrupt and Practically Bankrupt (G)	¥ **2.3**	¥ **3.2**	**100%**	100%	Collateral/Guarantee	¥ **2.3**	Reserve for Loan Trust (Tokubetsu-Ryuhokin)
Doubtful (Kiken-Saiken) (H)	**0.4**	**0.9**	**99%**	93%	Uncovered	**0.0**	¥ **4.1**
					Collateral/Guarantee	**0.4**	Reserve for JOMTs
Substandard (Yo-Kanri-Saiken) (I)	**16.8**	**27.9**	**100%**	85%	Collateral/Guarantee	**16.8**	(Saiken Shoukyaku Junbikin) **1.2**
Ordinary Assets (Seijo-Saiken)	**409.4**	**519.9**					
Total of (G), (H) and (I)	¥ **19.5**	¥ **31.9**					
Total	¥ **428.9**	¥ **551.8**					

Breakdown of Credit Costs (Non-consolidated; Banking and Trust Account)

Years Ended March 31	Millions of Yen 2007	2006	Changes	Millions of U.S. Dollars (Note1) 2007
Banking Account	**¥ 39,167**	¥ 8,988	**¥ 30,178**	**$ 332**
Losses on Write-Offs	**4,820**	2,969	**1,850**	**41**
Provisions for Reserve for Possible Loan Losses	**34,293**	4,880	**29,412**	**290**
General Reserves	**18,878**	10,491	**8,386**	**160**
Specific Loan Loss Reserves	**15,001**	(5,504)	**20,505**	**127**
Reserves for Loans to Restructuring Countries	**413**	(107)	**520**	**4**
Other Credit Costs	**53**	1,137	**(1,084)**	**0**
Trust Account	**1,360**	811	**548**	**12**
Losses on Write-Offs	**(258)**	1,131	**(1,390)**	**(2)**
Losses on Bulk Sale	**1,619**	(320)	**1,939**	**14**
Total Credit Costs	**¥ 40,527**	¥ 9,799	**¥ 30,727**	**$ 343**

Spread (Non-consolidated Domestic Three Major Accounts; Banking A/C and Principal Guaranteed Trust A/C combined)

Years Ended March 31	Percentage Points 2007	2006	Changes
Average Yield on Interest-Earning Assets (a)	**1.26%**	1.21%	**0.05%**
Loans and Bills Discounted (A)	**1.27**	1.13	**0.14**
Securities	**1.11**	1.20	**(0.09)**
Average Yield on Interest-Bearing Liabilities (b)	**0.33**	0.18	**0.15**
Deposits (B)	**0.28**	0.17	**0.11**
Gross Margin (a)-(b)	**0.93**	1.03	**(0.10)**
Loan-Deposit Margin (A)-(B)	**0.99**	0.96	**0.03**

Summary of Description of the Noncumulative Preferred Securities

1. Issuer	STB Preferred Capital (Cayman) Limited	STB Preferred Capital 2 (Cayman) Limited	STB Preferred Capital 3 (Cayman) Limited
2. Description of Securities	Noncumulative Preferred Securities	Same as on the left	Same as on the left
3. Redemption	The Securities may be redeemed in whole or in part on any dividend payment date on or after ten years from the issuance at the option of the Issuer subject to the prior approval of the holders of the ordinary shares and applicable regulatory requirements.	The Securities may be redeemed in whole or in part on any dividend payment date on or after seven years from the issuance at the option of the Issuer subject to the prior approval of the holders of the ordinary shares and applicable regulatory requirements.	The Securities may be redeemed in whole or in part on any dividend payment date on or after ten years from the issuance at the option of the Issuer subject to the prior approval of the holders of the ordinary shares and applicable regulatory requirements.
4. Dividend Rate	Floating Rate (Non Step-up)	<1st year - 10th year > Fixed Rate <Thereafter> Step-up Floating Rate	<1st year - 10th year > Fixed Rate <Thereafter> Step-up Floating Rate
5. Issue Amount	¥83 billion	¥50 billion	¥50 billion
6. Issue Date	March 26, 1999	December 7, 2005	March 2, 2007
7. Outline of Dividend Payment	Dividends are payable by the Issuer in the presence of distributable amount of the Bank in conformity with the calculation of preferred shares of the bank. If the Bank pays any dividends on any of its common stock with respect to any financial year of the Bank, then the Issuer will be required to pay full dividends on the Securities for the applicable year.	Same as on the left	Same as on the left
8. Dividend Limitation	Dividends will not be paid if any of certain criteria have met. The criteria include the following: When the Bank did not pay dividend on any class of preferred shares, if any. When the Bank's BIS capital adequacy ratio or Tier I capital adequacy ratio were to decline below the minimum percentages required by Japanese banking regulations.	Same as on the left	Same as on the left
9. Liquidation Preference	The Securities are intended to provide holders, through the perpetual subordinated loan to the Bank, with rights to liquidation preferences that are the same as those to which holders would be entitled if they had purchased noncumulative nonvoting perpetual preferred stock issued directly by the Bank.	Same as on the left	Same as on the left

Financial Section | Consolidated Balance Sheet

The Sumitomo Trust and Banking Company, Limited at March 31, 2007 and 2006

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2007	2006	2007
Assets:			
Cash and Due from Banks (Notes 2 and 26)	¥ 789,472	¥ 892,274	$ 6,685
Call Loans and Bills Bought	299,623	440,945	2,537
Monetary Claims Bought (Note 2)	753,314	583,153	6,379
Trading Assets (Notes 2, 4 and 11)	608,887	435,044	5,156
Money Held in Trust (Notes 2 and 5)	20,031	14,768	170
Securities (Notes 2, 6 and 11)	5,265,243	5,767,544	44,583
Loans and Bills Discounted (Notes 7 and 11)	10,487,237	10,186,276	88,800
Foreign Exchanges	6,618	3,083	56
Other Assets (Notes 2, 3, 8 and 11)	2,077,233	1,608,153	17,589
Premises and Equipment (Notes 2, 3 and 9)		109,653	
Tangible Fixed Assets (Notes 2, 3 and 9)	131,120		1,110
Intangible Fixed Assets (Notes 2, 3 and 10)	134,619		1,140
Deferred Tax Assets (Note 33)	26,187	20,320	222
Goodwill (Notes 2, 3 and 10)		113,165	
Customers' Liabilities for Acceptances and Guarantees (Note 17)	516,865	533,760	4,377
Reserve for Possible Loan Losses (Note 2)	(106,671)	(76,206)	(903)
Reserve for Losses on Investment Securities (Note 2)	(6,718)	—	(57)
Total Assets (Note 34)	¥ 21,003,064	¥ 20,631,938	$ 177,841
Liabilities:			
Deposits (Notes 11 and 12)	11,361,270	10,363,233	96,200
Negotiable Certificates of Deposit	2,354,648	2,408,656	19,938
Call Money and Bills Sold (Note 11)	153,620	669,023	1,301
Payables under Repurchase Agreements (Note 11)	683,686	983,715	5,789
Payables under Securities Lending Transactions (Note 11)	292,166	703,050	2,474
Trading Liabilities (Notes 2 and 4)	53,682	69,861	455
Borrowed Money (Notes 11 and 13)	927,931	417,089	7,857
Foreign Exchanges	4	1	0
Short-term Corporate Bonds (Note 3)	333,959	331,600	2,828
Bonds and Notes (Notes 3 and 14)	549,455	377,600	4,652
Borrowed Money from Trust Account (Note 15)	1,319,548	1,733,446	11,173
Other Liabilities (Notes 2 and 16)	878,955	664,394	7,442
Reserve for Employees' Bonus (Note 2)	5,752	5,790	49
Reserve for Bonus for Directors and Corporate Auditors (Note 2)	85	—	1
Reserve for Employee Retirement Benefits (Notes 2 and 31)	10,078	10,204	85
Deferred Tax Liabilities (Note 33)	107,334	77,022	909
Deferred Tax Liabilities for Land Revaluation (Note 9)	6,113	6,410	52
Acceptances and Guarantees (Note 17)	516,865	533,760	4,377
Total Liabilities	¥ 19,555,157	¥ 19,354,861	$ 165,581
Minority Interests (Note 3)	¥	¥ 159,085	$
Stockholders' Equity:			
Capital Stock (Notes 24 and 25)		287,283	
Capital Surplus		240,703	
Retained Earnings		349,751	
Revaluation Reserve for Land, Net of Taxes (Note 9)		(3,740)	
Net Unrealized Gains on Securities Available for Sale, Net of Taxes (Notes 2 and 29)		248,116	
Foreign Currency Translation Adjustments (Note 2)		(3,871)	
Treasury Stock (Notes 24 and 25)		(251)	
Total Stockholders' Equity	¥	¥ 1,117,991	$
Total Liabilities, Minority Interests and Stockholders' Equity	¥	¥ 20,631,938	$
Net Assets:			
Owners' Equity:	959,340		8,123
Capital Stock (Notes 24 and 25)	287,517		2,435
Capital Surplus (Note 24)	242,538		2,054
Retained Earnings (Note 24)	429,674		3,638
Treasury Stock (Notes 24 and 25)	(389)		(3)
Valuation and Translation Adjustments:	277,817		2,352
Net Unrealized Gains on Securities Available for Sale, Net of Taxes (Notes 2 and 29)	295,213		2,500
Net Deferred Losses on Hedging Instruments, Net of Taxes (Notes 2 and 3)	(9,710)		(82)
Revaluation Reserve for Land, Net of Taxes (Note 9)	(4,168)		(35)
Foreign Currency Translation Adjustments (Note 2)	(3,517)		(30)
Minority Interests (Note 3)	210,749		1,784
Total Net Assets	¥ 1,447,907	¥	$ 12,260
Total Liabilities and Net Assets	¥ 21,003,064	¥	$ 177,841

	Yen		U.S. Dollars (Note 1)
Net Assets per Share (Note 36)	¥ 738.77	¥ 668.38	$ 6.26

See accompanying notes.

Consolidated Statement of Income

The Sumitomo Trust and Banking Company, Limited for the years ended March 31, 2007 and 2006

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2007	2006	2007
Income:			
Trust Fees	¥ 73,226	¥ 68,900	$ 620
Interest Income:			
Interest on Loans and Discounts	192,565	141,081	1,631
Interest and Dividends on Securities	127,848	117,590	1,083
Other Interest Income (Note 19)	24,127	12,687	204
	344,541	271,359	2,917
Fees and Commissions	134,250	124,999	1,137
Trading Income (Note 20)	8,311	6,317	70
Other Operating Income (Note 21)	261,632	234,106	2,215
Other Income (Note 22)	36,618	85,929	310
Total Income (Note 34)	¥ 858,580	¥ 791,613	$ 7,270
Expenses:			
Interest Expenses:			
Interest on Deposits	113,421	59,801	960
Interest on Borrowings and Rediscounts	6,904	4,192	58
Other Interest Expenses (Note 19)	64,129	56,392	543
	184,455	120,386	1,562
Fees and Commissions	30,498	24,427	258
Trading Expenses (Note 20)	166	812	1
Other Operating Expenses (Note 21)	222,739	200,514	1,886
General and Administrative Expenses (Notes 3 and 23)	183,334	174,527	1,552
Other Expenses (Note 22)	69,606	99,603	589
Total Expenses (Note 34)	¥ 690,801	¥ 620,273	$ 5,849
Income before Income Taxes and Others (Note 34)	¥ 167,778	¥ 171,340	$ 1,421
Income Taxes and Others (Note 33):			
Current	59,830	5,074	507
Deferred	(1,086)	61,978	(9)
Minority Interests	¥ 5,214	¥ 4,218	$ 44
Net Income	¥ 103,820	¥ 100,069	$ 879

	Yen		U.S. Dollars (Note 1)
Net Income per Share (Note 36)	¥ 62.05	¥ 59.91	$ 0.53
Net Income per Share (fully-diluted) (Note 36)	62.04	59.87	0.53

See accompanying notes.

Financial Section

Consolidated Statement of Changes in Net Assets

The Sumitomo Trust and Banking Company, Limited for the year ended March 31, 2007

	Number of Shares (Note 25)	Millions of Yen					
		Owners' Equity					
	Common Stock (Thousands)	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Owners' Equity	
Balance at March 31, 2006	1,672,892	¥ 287,283	¥ 240,703	¥ 349,751	¥ (251)	¥ 877,487	
Changes of Items during the Period:							
Issuance of New Shares	2,141	233	1,832			2,066	
Dividends from Surplus			—	(24,256)		(24,256)	
Bonuses to Directors				(70)		(70)	
Net Income				103,820		103,820	
Purchase of Treasury Stock					(145)	(145)	
Disposal of Treasury Stock			2	—	6	9	
Reversal of Revaluation Reserve for Land, Net of Taxes				429		429	
Provision for Reserve for Losses on Overseas Investment				0		0	
Net Changes of Items other than Owners' Equity							
Total Changes of Items during the Period	2,141	¥ 233	¥ 1,835	¥ 79,922	¥ (138)	¥ 81,853	
Balance at March 31, 2007	1,675,034	¥ 287,517	¥ 242,538	¥ 429,674	¥ (389)	¥ 959,340	

	Millions of U.S. Dollars (Note 1)				
	Owners' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Owners' Equity
Balance at March 31, 2006	$ 2,433	$ 2,038	$ 2,961	$ (2)	$ 7,430
Changes of Items during the Period:					
Issuance of New Shares	2	16			17
Dividends from Surplus		—	(205)		(205)
Bonuses to Directors			(1)		(1)
Net Income			879		879
Purchase of Treasury Stock				(1)	(1)
Disposal of Treasury Stock		0	—	0	0
Reversal of Revaluation Reserve for Land, Net of Taxes			4		4
Provision for Reserve for Losses on Overseas Investment			0		0
Net Changes of Items other than Owners' Equity					
Total Changes of Items during the Period	$ 2	$ 16	$ 677	$ (1)	$ 693
Balance at March 31, 2007	$ 2,435	$ 2,054	$ 3,638	$ (3)	$ 8,123

See accompanying notes.

Financial Section

Consolidated Statement of Stockholders' Equity

The Sumitomo Trust and Banking Company, Limited for the year ended March 31, 2006

	Number of Shares	Millions of Yen			
	Common Stock (Thousands)	Common Stock	Capital Surplus	Retained Earnings	Revaluation Reserve for Land, Net of Taxes
Balance at March 31, 2005	1,672,147	¥ 287,053	¥ 240,472	¥ 279,966	¥ (3,551)
Net Income				100,069	
Dividends Paid				(30,015)	
Exercise of Stock Warrants	745	230	230		
Net Change					
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property				189	(189)
Loss on Disposal of Treasury Stock				(389)	
Bonuses to Directors				(70)	
Balance at March 31, 2006	1,672,892	¥ 287,283	¥ 240,703	¥ 349,751	¥ (3,740)

See accompanying notes.

	Millions of Yen						
	Valuation and Translation Adjustments						
	Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Taxes	Net Deferred Gains (Losses) on Hedging Instruments, Net of Taxes	Revaluation Reserve for Land, Net of Taxes	Foreign Currency Translation Adjustments	Total Valuation and Translation Adjustments	Minority Interests	Total Net Assets
	¥ 248,116	¥ —	¥ (3,740)	¥ (3,871)	¥ 240,504	¥ 159,085	¥ 1,277,076
							2,066
							(24,256)
							(70)
							103,820
							(145)
							9
							429
							0
	47,096	(9,710)	(427)	354	37,312	51,663	88,976
	¥ 47,096	¥ (9,710)	¥ (427)	¥ 354	¥ 37,312	¥ 51,663	¥ 170,830
	¥ 295,213	¥ (9,710)	¥ (4,168)	¥ (3,517)	¥ 277,817	¥ 210,749	¥ 1,447,907

	Millions of U.S. Dollars (Note 1)						
	Valuation and Translation Adjustments						
	Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Taxes	Net Deferred Gains (Losses) on Hedging Instruments, Net of Taxes	Revaluation Reserve for Land, Net of Taxes	Foreign Currency Translation Adjustments	Total Valuation and Translation Adjustments	Minority Interests	Total Net Assets
	$ 2,101	$ —	$ (32)	$ (33)	$ 2,036	$ 1,347	$ 10,814
							17
							(205)
							(1)
							879
							(1)
							0
							4
							0
	399	(82)	(4)	3	316	437	753
	$ 399	$ (82)	$ (4)	$ 3	$ 316	$ 437	$ 1,446
	$ 2,500	$ (82)	$ (35)	$ (30)	$ 2,352	$ 1,784	$ 12,260

	Millions of Yen		
	Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Taxes	Foreign Currency Translation Adjustments	Treasury Stock
	¥ 116,628	¥ (6,376)	¥ (4,466)
	131,488	2,504	4,215
	¥ 248,116	¥ (3,871)	¥ (251)

Consolidated Statement of Cash Flows

The Sumitomo Trust and Banking Company, Limited for the years ended March 31, 2007 and 2006

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2007	2006	2007
Cash Flows from Operating Activities:			
Income before Income Taxes and Others	¥ 167,778	¥ 171,340	$ 1,421
Depreciation (Note 3)	14,071	5,475	119
Losses on Impairment of Fixed Assets	7,088	828	60
Amortization of Goodwill (Negative Goodwill)	6,171	5,343	52
Equity in Losses (Earnings) of Affiliates	(5,861)	(2,695)	(50)
Increase (Decrease) in Reserve for Possible Loan Losses	29,259	(19,062)	248
Increase (Decrease) in Reserve for Losses on Investment Securities	6,718	(17,958)	57
Increase (Decrease) in Reserve for Employees' Bonus	(81)	253	(1)
Increase (Decrease) in Reserve for Bonus for Directors and Corporate Auditors	85	—	1
Increase (Decrease) in Reserve for Employee Retirement Benefits	(635)	(780)	(5)
Interest Income	(344,541)	(271,359)	(2,917)
Interest Expenses	184,455	120,386	1,562
Losses (Gains) on Securities	(3,495)	(1,690)	(30)
Losses (Gains) on Money Held in Trust	(680)	(2,581)	(6)
Losses (Gains) on Foreign Exchanges	(84,777)	(92,888)	(718)
Losses (Gains) on Sale of Premises and Equipment (Note 3)		1,407	
Losses (Gains) on Sale of Fixed Assets (Note 3)	(1,754)		(15)
Net Decrease (Increase) in Trading Assets	(173,842)	(152,232)	(1,472)
Net Increase (Decrease) in Trading Liabilities	(16,179)	18,044	(137)
Net Decrease (Increase) in Loans and Bills Discounted	(257,487)	(1,049,936)	(2,180)
Net Increase (Decrease) in Deposits	997,277	1,224,389	8,444
Net Increase (Decrease) in Negotiable Certificates of Deposit	(54,008)	921,631	(457)
Net Increase (Decrease) in Borrowed Money other than Subordinated Borrowings	37,130	(235,562)	314
Net Decrease (Increase) in Due from Banks other than from Bank of Japan	(147,239)	79,226	(1,247)
Net Decrease (Increase) in Call Loans and Others	75,699	(713,790)	641
Net Increase (Decrease) in Call Money and Others	(815,431)	414,142	(6,905)
Net Increase (Decrease) in Payables under Securities Lending Transactions	(410,884)	649,542	(3,479)
Net Decrease (Increase) in Foreign Exchange Assets	(3,534)	4,313	(30)
Net Increase (Decrease) in Foreign Exchange Liabilities	2	(901)	0
Net Increase (Decrease) in Short-term Corporate Bonds Liabilities	(90,454)	331,600	(766)
Net Increase (Decrease) in Borrowed Money from Trust Account	(413,898)	259,710	(3,505)
Interest Income Received on Cash Basis	336,732	290,262	2,851
Interest Expenses Paid on Cash Basis	(166,196)	(116,786)	(1,407)
Other-Net	(37,586)	(8,536)	(318)
Subtotal	¥ (1,166,098)	¥ 1,811,136	$ (9,874)
Income Tax Paid	(8,396)	(6,203)	(71)
Net Cash Provided by (Used in) Operating Activities	¥ (1,174,494)	¥ 1,804,932	$ (9,945)
Cash Flows from Investing Activities:			
Purchase of Securities	(3,532,205)	(6,593,697)	(29,909)
Proceeds from Sale of Securities	3,386,301	4,950,377	28,673
Proceeds from Redemption of Securities	978,915	501,262	8,289
Increase in Money Held in Trust	(5,000)	(10,299)	(42)
Decrease in Money Held in Trust	417	106	4
Purchase of Premises and Equipment (Note 3)		(6,850)	
Purchase of Tangible Fixed Assets (Note 3)	(51,725)		(438)
Proceeds from Sale of Premises and Equipment (Note 3)		3,034	
Proceeds from Sale of Tangible Fixed Assets (Note 3)	3,722		32
Purchase of Intangible Fixed Assets (Note 3)	(12,259)		(104)
Proceeds from Sale of Intangible Fixed Assets (Note 3)	0		0
Purchase of Stock of New Consolidated Subsidiaries (Note 26)	(23,462)	(135,041)	(199)
Purchase of Stock of Consolidated Subsidiaries	(399)	—	(3)
Net Cash Provided by (Used in) Investing Activities	¥ 744,304	¥ (1,291,109)	$ 6,302
Cash Flows from Financing Activities:			
Proceeds from Subordinated Bonds and Convertible Bonds	205,203	79,271	1,738
Redemption of Subordinated Bonds and Convertible Bonds	(46,800)	(90,500)	(396)
Proceeds from Issuance of Stock	466	461	4
Proceeds from Issuance of Stock to Minority Stockholders	51,735	62,484	438
Dividends Paid	(24,248)	(30,031)	(205)
Dividends Paid to Minority Stockholders	(4,492)	(2,766)	(38)
Purchase of Treasury Stock	(145)	(111)	(1)
Proceeds from Sale of Treasury Stock	10	3,937	0
Net Cash Provided by (Used in) Financing Activities	¥ 181,729	¥ 22,745	$ 1,539
Effect of Exchange Rate Changes on Cash and Cash Equivalents	250	2,749	2
Net Change in Cash and Cash Equivalents	¥ (248,209)	¥ 539,318	$ (2,102)
Cash and Cash Equivalents at Beginning of Year	691,450	152,132	5,855
Cash and Cash Equivalents at End of Year (Note 26)	¥ 443,240	¥ 691,450	$ 3,753

See accompanying notes.

1. Basis of Presenting Financial Statements

The accompanying translated consolidated financial statements have been compiled from the audited consolidated financial statements that are prepared for Japanese domestic purposes in accordance with the Securities and Exchange Law of Japan, the Banking Law of Japan and accounting principles and practices generally accepted in Japan ("Japanese GAAP.") Certain accounting principles and practices generally accepted in Japan are partly different from International Financial Reporting Standards in terms of application and disclosure requirements.

The accounts of the Bank's overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile.

The accompanying consolidated financial statements have been restructured and translated into English (with some modifications and expanded descriptions for facilitation of understanding by readers outside Japan) from the consolidated financial statements in accordance with Japanese GAAP and filed with appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying financial statements.

The Bank, a Japanese corporation, maintains its records and prepares its financial statements in Japanese yen. The accompanying U.S. dollar financial statements have been translated from yen-base financial statements for convenience, and only as a matter of arithmetical computation, at the rate of ¥118.10 to U.S. $1.00, the exchange rate prevailing at March 31, 2007. The convenience translations would not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

In accordance with the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals in yen, and accordingly in U.S. dollars, shown in the consolidated financial statements do not necessarily agree with the sum of the individual amounts.

Certain amounts in prior year have been reclassified to the current presentation.

2. Significant Accounting Policies and Practices

(a) Consolidation

The consolidated financial statements include the accounts of the Bank and its significant subsidiaries, which are substantially controlled by the Bank through the majority of voting rights or through the existence of certain conditions evidencing control of the decision-making of such subsidiaries by the Bank. Of the 24 consolidated subsidiaries for the year ended March 31, 2006, the major subsidiaries are First Credit Corporation, Sumishin Matsushita Financial Services Co., Ltd., The Sumitomo Trust Finance (H.K.) Limited and Sumitomo Trust and Banking Co. (U.S.A.). And of the 34 consolidated subsidiaries for the year ended March 31, 2007, the major subsidiary joined from the previous year is STB Leasing Co., Ltd.

All significant intercompany balances, transactions and profits are eliminated in consolidation process.

Investments in affiliates, of which the Bank has ability to exercise significant influence on operating and financial policies, are accounted for by the equity method. The numbers of affiliates to which equity method applies are 7 and 9 in total, including Japan Trustee Services Bank, Ltd., as of March 31, 2007 and 2006, respectively.

(b) Trading Account Activities

Trading account activities are conducted for short-term profits-taking by market-making and sales arbitrages. Trading assets and liabilities include securities, commercial paper, and financial derivatives.

The mark-to-market accounting method is adopted for such financial instruments, all of which are stated at fair values as "Trading Assets" or "Trading Liabilities" in the consolidated balance sheet.

Gains and losses realized on disposal and fluctuations of the fair value are recognized as gains or losses in the period of the changes. Fair values are determined by quoted market prices for certain products which are traded on market or by internal models for other products including Over-the-Counter (OTC) financial derivatives.

(c) Evaluation for Securities

Under the accounting standard for financial instruments, the Bank is required to explicitly determine the objectives of holding each security and classify them into (1) securities held for trading purposes ("Trading Securities,") (2) debt securities intended to be held to maturity ("Held-to-Maturity Debt Securities,") (3) equity securities issued by subsidiaries and affiliated companies, or (4) all other securities that are not classified in any of the above categories ("Available-for-Sale Securities.")

Held-to-maturity debt securities are carried at amortized cost, using the moving average method. Equity securities issued by subsidiaries and affiliated companies that are neither consolidated nor accounted for using the equity method are stated at moving average cost. Japanese stocks classified as Available-for-sale securities with fair value are revaluated at the average market price of the final month in the fiscal year. Available-for-sale securities other than Japanese stocks with fair value are revaluated at the balance sheet date. Available-for-sale securities with no available fair value are carried at cost or amortized cost using the moving average method. Net unrealized gains (losses) on Available-for-sale securities, net of taxes, are recorded as a separate component of Net assets and reported on the consolidated balance sheet.

Significant declines in the fair value of securities are charged to the statement of income if the declines are not deemed to be other than temporary.

Securities invested in money held in trust, which is solely entrusted by the Bank for security trading purpose, are revalued at the fair value.

(d) Derivative Financial Instruments other than Trading Purposes

Derivative financial instruments other than trading purposes are valued on the assumption that they are settled at the balance sheet date (the mark-to-market accounting method).

(e) Depreciation for Tangible Fixed Assets

Tangible fixed assets at March 31, 2007 and Premises and equipment at March 31, 2006 except buildings acquired after April 1, 1998 are depreciated using the declining-balance method over the following estimated useful lives. Buildings acquired after April 1, 1998 are depreciated using the straight-line method over the following estimated useful lives.

Buildings: 3 to 60 years
Equipment: 2 to 20 years

Tangible fixed asset at March 31, 2007 and Premises and equipment at March 31, 2006 of subsidiaries are depreciated mainly using the declining-balance method over the estimated useful lives.

(f) Depreciation for Intangible Fixed Assets

At the fiscal year ended March 31, 2007, Intangible fixed assets are depreciated primarily using the straight-line method. Expenses related to software for internal use are capitalized in “Intangible Fixed Assets” and amortized over the estimated useful lives, generally 5 years.

At the fiscal year ended March 31, 2006, expenses related to software for internal use are capitalized in “Other Assets” and amortized using the straight-line method over the estimated useful lives of these assets, which are mainly 5 years.

(g) Reserve for Possible Loan Losses

As for the Bank, Reserve for possible loan losses is provided as detailed below, pursuant to the internal rules for self-assessment of assets’ quality (“Self-Assessment Rules”) and the internal rules regarding Reserves for possible credit losses.

For claims to debtors who are legally bankrupt (due to bankruptcy, subject to the Japanese Civil Rehabilitation Law, suspension of transactions with banks by the rules of clearinghouses, etc.) or virtually bankrupt, the specific reserve is provided based on the amount of claims, after direct deduction described below, net of the amount expected to be collected through the disposal of collateral or execution of guarantees.

For claims to debtors who are likely to become bankrupt, the specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment on net amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims to debtors with more than certain amount of the Bank’s claims to debtors, 1) who are likely to become bankrupt, 2) to whom the Bank has Restructured loans (See following Note 7), or 3) whom the Bank classifies as “Special Mention Debtors” other than substandard ones meeting certain credit criteria, where future cash flows from capital collection and interest receipt could be reasonably estimated, a reserve is provided for the difference between the present value of expected future cash flows discounted at the original contracted interest rate before relaxing to support and the current book value of the claims.

For claims that are classified to the categories other than above, the general reserve is provided based on the historical loan-loss-ratio.

Reserve for loans to borrowers in specific foreign countries is provided based on expected losses due to the political and economic situation of these countries.

All claims are assessed by branches and the Global Credit Supervision Department based on the internal rules for self-assessment of assets’ quality. The Corporate Risk Management Department, which is independent from branches and the supervision division, subsequently conducts the audits of their assessments, and the reserve is adjusted to reflect the audit results.

And for claims to debtors who are legally bankrupt or virtually bankrupt with collateral or guarantees, the expected uncollectible amount, net of amounts expected to be collected through the disposal of collateral or through the execution of guarantees, are deducted directly out of the original amount of claims. For the fiscal years ended March 31, 2007 and 2006, the deducted amount was ¥31,963 million and ¥46,368 million, respectively.

As for the consolidated subsidiaries, Reserve for possible loan losses is provided based on the historical loan-loss-ratio for ordinary claims, and based on the amount expected to be uncollectible for each specific claim, respectively.

(h) Reserve for Losses on Investment Securities

Reserve for losses on investment securities is provided for the possible losses on securities, which are estimated based on the financial conditions of issuers.

(i) Reserve for Employees’ Bonus

Reserve for employees’ bonus is provided for the estimated employees’ bonuses attributable to each fiscal year.

(j) Reserve for Bonus for Directors and Corporate Auditors

Bonus for directors and corporate auditors, formerly appropriated and paid from the retained earnings, are accounted for as expense with an allowance of the estimated amount attributable for the fiscal year due to the adoption of the Accounting Standards Board of Japan (hereafter "ASBJ") Statement No.4, "Accounting Standard for Directors' Bonus" (issued by the ASBJ on November 29, 2005) after the fiscal year ending following the enactment of the Corporate Law. As a result, for the fiscal year ended March 31, 2007, "General and Administrative Expenses" increased by ¥85 million and "Income before Income Taxes and Others" decreased by the same amount compared to the previous treatment.

(k) Reserve for Employee Retirement Benefits

Reserve for employee retirement benefits is provided based on the projected benefit obligation and the fair value of the plan assets at the respective balance sheet date.

Prior service cost is recognized in income or expenses using the straight-line method over the average expected remaining service years (mainly 10 years). Actuarial gains and losses are recognized in income or expenses using the straight-line method over the average expected remaining service years (mainly 10 years).

(l) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are primarily translated into yen at the exchange rate at each of the consolidated balance sheet date. Foreign exchange trading positions, including spot, forward, futures and options, are valued at estimated prevailing market rates.

Assets and liabilities of consolidated overseas subsidiaries are translated into yen at the exchange rate at the end of each fiscal year except for Net assets accounts and Shareholders' equity accounts in each fiscal years ended March 2007 and 2006, which are translated at the historical rates.

(m) Accounting for Leases

As for the Bank and its domestic consolidated subsidiaries, finance leases, whereby the ownership of the property was not deemed to be transferred to the lessee, are accounted for by the same accounting treatment used in the operating leases.

(n) Hedge Accounting

The Bank manages interest rate risk arising from various assets and liabilities, such as Loans, Bills discounted, Deposits, etc., by using financial derivative transactions and applies deferred hedge accounting regulated by "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Auditing Committee Report No.24, hereafter "Report No. 24.") In hedging activities to offset changes in the fair value of Deposits, Loans, etc., as hedged items, the Bank designates hedged items and interest rate swaps etc. as hedging transactions by grouping them by their maturities. As for cash-flow-hedge, the effectiveness of the hedge is assessed by confirming the correlation between the fluctuational factor of interest rate for hedged items and for hedging transactions.

In accordance with "Temporary Treatment for Accounting and Auditing concerning Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Auditing Committee Report No.15), the bank had adopted "Macro Hedge Accounting" to account for certain interest related derivatives, which were utilized to manage interest rate exposure of certain changes of transactions such as loans and deposits. Deferred hedge income (losses) resulted from "Macro Hedge Accounting" are amortized over the remaining period for each hedging transaction.

At March 31, 2007, Deferred hedge losses and income (before net of taxes) resulted from "Macro Hedge Accounting" were ¥52,131 million and ¥51,101 million, respectively. At March 31, 2006, Deferred hedge losses and income resulted from the same were ¥83,116 million and ¥83,916 million, respectively.

The Bank manages foreign exchange risk arising from various assets and liabilities denominated in foreign currencies by using financial derivative transactions and applies deferred hedge accounting in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transactions in Banking Industry" (JICPA Industry Auditing Committee Report No. 25, hereafter "Report No. 25.") The Bank designates specific currency swaps and foreign exchange swaps made to mitigate foreign exchange risks arising from monetary claims and debts denominated in foreign currencies as hedging transactions.

The effectiveness of the hedge is assessed by confirming that the monetary claims and debts denominated in foreign currency as hedged items exceed the position of those hedging transactions.

The Bank also applies fair value hedge to mitigate foreign currency exchange rate exposure in Available-for-sale securities denominated in foreign currencies (other than bonds) as "Portfolio Hedges" when hedged foreign currency securities are specified in advance to the inception of the transactions and spot forward liabilities exist on a foreign currency basis that exceed acquisition costs of the foreign currency securities designated as hedged items.

Gains and losses arisen from hedging instruments such as interest rate swaps and cross currency swaps among consolidated subsidiaries and between the trading accounts and other accounts are either accounted as income, losses or deferred as asset, liability or net asset and are not eliminated. This treatment is allowed by the Report No. 24 and 25, under which the Bank operated strictly and nonarbitrarily in conformity with the standard equivalent to the third-party cover transactions that are required for hedge qualification.

The Bank also applies the individual deferred hedge accounting to specific assets and liabilities.

Consolidated subsidiaries apply the individual deferred hedge accounting, the individual fair value hedge accounting and the accrual-basis hedge accounting on interest rate swaps.

(o) National and Local Consumption Taxes

National and local consumption taxes of the Bank and consolidated subsidiaries were accounted for using the tax-exclusion method. However, consumption taxes not eligible for deduction such as those with purchasing properties are charged to expenses when incurred.

(p) Evaluation for Assets and Liabilities of the Consolidated Subsidiaries

In the elimination of investments to the subsidiaries at consolidation process, the assets and liabilities of the subsidiaries including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Bank acquired control of the respective subsidiaries.

(q) Amortization of Goodwill and Negative Goodwill

The difference between the Bank and its subsidiaries' investments in affiliates and their share of the underlying net assets of the investees at the date of acquisition is recorded as goodwill or negative goodwill. Goodwill or Negative goodwill is amortized within 20 years, reasonably determining its duration case by case. However, it is expensed as incurred during the each fiscal year if deemed immaterial.

(r) Scope of Cash and Cash Equivalents in the Consolidated Statement of Cash Flows

In preparing the consolidated statement of cash flows, cash and due from Bank of Japan in the case of the Bank, and cash and due from banks in the case of the consolidated subsidiaries, are considered to be "Cash and Cash Equivalents."

3. Changes in Significant Accounting Policies and Practices

(a) Accounting Standards for Presentation of Net Assets in the Balance Sheet

The Bank adopted of the ASBJ Statement No.5, "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (issued by the ASBJ on December 9, 2005) and the ASBJ Guidance No.8, "Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (issued by the ASBJ on December 9, 2005) from the fiscal year ended March 31, 2007.

"Stockholders' Equity" under the previous definition would have been ¥1,246,868 million at March 31, 2007.

In addition, due to revision of the appended forms in the "Enforcement Ordinance of the Banking Law," which has been applied from the fiscal year starting April, 1, 2006 by the Cabinet Office Ordinance No. 60, April 28, 2006, and regulations concerning consolidated financial statements, the Bank adopted the revisions at the year ended March, 2007.

(b) Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations

The Bank adopted the ASBJ Practical Issues Task Force No.20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" (issued by the ASBJ on September 8, 2006) from the year ended March, 2007. However, the adoption did not have a material impact on the Bank's financial condition.

(c) Accounting for Business Combinations and Business Divestitures

The Bank adopted "Opinions about Setting Accounting Standards for Business Combinations" (issued by the Business Accounting Council on October 31, 2003), the ASBJ Statement No.7 "Accounting Standard for Business Divestitures" (issued by the ASBJ on December 27, 2005) and the ASBJ Guidance No.10 "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (issued by the ASBJ on December 27, 2005) from the year ended March, 2007.

(d) Accounting Standards for Financial Instruments

The Bank adopted the revised ASBJ Statement No.10, "Accounting Standards for Financial Instruments" (revised by the ASBJ on August 11, 2006) from the year ended March, 2007. Accordingly, bonds issued after April 1, 2006, are carried at amortized cost using the straight-line method. As a result, Discounts of bonds included in "Other Assets" decreased by 350 million yen, "Short-term Corporate Bonds" decreased by 240 million yen and "Bonds and Notes" decreased by 109 million yen at March 31, 2007.

In addition, the Bank adopted the transitional treatment of the Practical Issues Task Force No.19, "Tentative Solution on Accounting for Deferred Assets" (issued by the ASBJ on August 11, 2006) from the year ended March, 2007. As a result, discounts of bonds and notes at the March 31, 2006 are depreciated using the straight-line method over the lives of the instruments, and are deducted from "Bonds and Notes" at March 31, 2007.

(e) Revision of the appended forms in the Enforcement Ordinance of the Banking Law

Due to the revision of the appended forms in the "Enforcement Ordinance of the Banking Law" by the Cabinet Office Ordinance No. 60, April 28, 2006, and its adoption from the fiscal year starting April 1, 2006 the presentations have been changed from the year ended March, 2007 as follows:

(Balance Sheet)

(1) Gains and losses from hedging instruments, formerly included in "Other Assets," are netted of taxes and accounted in "Net Deferred Losses on Hedging Instruments, Net of Taxes" in "Valuation and Translation Adjustments."

(2) "Minority Interests," formerly stated after "Liabilities," is presented in "Net Assets."

(3) Former "Premises and Equipment" is reclassified into "Tangible Fixed Assets" for building, land and construction in progress, "Intangible Fixed Assets" for deposits in consideration of the right and "Other Assets" for security deposits.

(4) Software assets, formerly included in "Other Assets," is stated in "Intangible Fixed Assets."

(5) Goodwill, formerly presented separately in the balance sheet, is in a part of "Intangible Fixed Assets."

(Statement of Income)

Amortization of goodwill, formerly charged to "Other Operating Expenses," is charged to "General and Administrative Expenses" as depreciation for intangible fixed assets.

(Statement of Cash Flows)

(1) Since "Premises and Equipment" is reclassified into "Tangible Fixed Assets," "Intangible Fixed Assets" and "Other Assets" in the balance sheet, "Losses (Gains) on Sale of Fixed Assets" replaced "Losses (Gains) on Sale of Premises and Equipment." Similarly, "Purchase of Tangible Fixed Assets" replaced "Purchase of Premises and Equipment," and "Proceeds from Sales of Tangible Fixed Assets" replaced "Proceeds from Sales of Premises and Equipment."

(2) "Purchase of Intangible Fixed Assets" and "Proceeds from Sales of Intangible Fixed Assets," which were included in "Other - Net" in "Cash Flows from Operating Activities" previously, are stated in "Cash Flows from Investing Activities." As a result, "Cash Flows from Operating Activities" increased by ¥12,245 million and "Cash Flows from Investing Activities" decreased by the same amount. Accordingly, "Depreciation" in "Cash Flows from Operating Activities" includes that pertain to intangible fixed assets. "Depreciation" increased by ¥8,577 million and "Other - Net" decreased the same amount.

(f) Statement of Changes in Net Assets

The Bank adopted the ASBJ Statement No.6, "Statement of Changes in Net Assets" (issued by the ASBJ on December 27, 2005) and the ASBJ Guidance No.9, "Guidance on Accounting Standard for Statement of Changes in Net Assets" (issued by the ASBJ on December 27, 2005) from this fiscal year ended March 31, 2007 after the enactment of the "Corporate Law." Accordingly, Statement of Changes in Net Assets replaced Statements of Stockholders' Equity.

4. Trading Assets and Trading Liabilities

(a) Trading assets at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2007	2006	2007
Trading Securities	¥ 4,175	¥ 4,177	$ 35
Derivatives of Trading Securities	4	24	0
Derivatives of Securities Related to Trading Transactions	—	3	—
Trading-Related Financial Derivatives	74,418	69,093	630
Other Trading Assets	530,288	361,745	4,490
Total	**¥ 608,887**	¥ 435,044	**$ 5,156**

(b) Trading liabilities at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2007	2006	2007
Derivatives of Securities Related to Trading Transactions	¥ 47	¥ 20	$ 0
Trading-Related Financial Derivatives	53,634	69,841	454
Total	**¥ 53,682**	¥ 69,861	**$ 455**

5. Money Held in Trust

Money held in trust at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen			
	2007		2006	
	Book Value	Net Unrealized Gains (Losses) Reflected on the Statement of Income	Book Value	Net Unrealized Gains (Losses) Reflected on the Statement of Income
Money Held in Trust for Trading Purpose	**¥ 18,031**	**¥ 460**	¥ 12,468	¥ 547
Money Held in Trust being Held to Maturity	**—**	**—**	—	—
Other Money Held in Trust	**2,000**	**—**	2,300	—
Total	**¥ 20,031**	**¥ 460**	¥ 14,768	¥ 547

6. Securities

Securities held at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2007	2006	**2007**
Japanese Government Bonds	**¥ 1,123,681**	¥ 1,386,288	**$ 9,515**
Japanese Local Government Bonds	**61,984**	80,213	**525**
Japanese Corporate Bonds	**710,010**	979,470	**6,012**
Japanese Stocks	**1,100,436**	1,057,943	**9,318**
Others	**2,269,131**	2,263,628	**19,214**
Total	**¥ 5,265,243**	¥ 5,767,544	**$ 44,583**

At March 31, 2007, Japanese Stocks included investments in unconsolidated subsidiaries and affiliates amounted ¥27,763 million and investment in capital of partnership amounted ¥11,613 million. At March 31, 2006, Japanese Stocks included stocks of affiliates amounted ¥31,752 million.

Others included foreign securities amounted ¥1,926,248 million and ¥2,011,918 million at March 31, 2007 and 2006, respectively.

7. Loans and Bills Discounted

Loans and bills discounted at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	**2007**
Bills Discounted	**¥ 8,165**	¥ 7,260	**$ 69**
Loans on Bills	**368,852**	737,701	**3,123**
Loans on Deeds	**8,701,868**	7,985,831	**73,682**
Overdrafts	**1,408,350**	1,455,482	**11,925**
Total	**¥ 10,487,237**	¥ 10,186,276	**$ 88,800**

Under the Bank's Self-Assessment Rules, the Bank classified loans as "Delinquent Loans" if borrowers were virtually bankrupt or potentially bankrupt. The total of ¥31,963 million and ¥46,368 million of claims to the borrowers who are legally bankrupt or virtually bankrupt which is determined to be uncollectible, after consideration of the amount expected to be collected through the disposal of collateral or execution of guarantees, is directly written off from the claims in the fiscal years ended March 31, 2007 and 2006.

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Loans and bills discounted at March 31, 2007 and 2006 include the followings:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Loans in Bankruptcy Proceedings	¥ 2,534	¥ 2,246	$ 21
Other Delinquent Loans	93,132	43,043	789
Loans more than Three Months Past Due	2	3	0
Restructured Loans	39,596	62,497	335
Total	¥ 135,266	¥ 107,791	$ 1,145

Loans in bankruptcy proceedings are loans determined as nonaccrual to borrowers who have begun bankruptcy proceedings under one or more of the laws pertaining to bankruptcy, or have had their transactions with the promissory note clearinghouse suspended. Other delinquent loans are loans to borrowers categorized as virtually bankrupt or as potentially bankrupt in the Bank's Self-Assessment Rules but exclude loans to borrowers in legal bankruptcy. Loans more than three months past due are those loans for which principal or interest payments are more than three months past due from the date succeeding the due date, excluding those loans classified as loans in bankruptcy proceedings and other delinquent loans. Restructured loans are those loans whose terms have been relaxed to support borrowers who are in financial difficulties, and to promote collections of such loans. Amount described in above schedule are before deducting Reserve for possible loan losses.

The Bank treats bills discounted as financial transaction in accordance with the JICPA Industry Auditing Committee Report No. 24, and holds the right to sell or pledge such bills discounted at its discretion. The total face value of these bills amounted to ¥8,165 million and ¥7,260 million at March 31, 2007 and 2006, respectively.

8. Other Assets

Other assets at March 31, 2007 and 2006 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Domestic Exchange Settlement Account, Debit	¥ 556	¥ 430	$ 5
Prepaid Expenses	3,523	2,006	30
Accrued Income	112,079	86,038	949
Initial Margins of Futures Markets	5,552	4,416	47
Variation Margins of Futures Markets	1,721	1,326	15
Derivatives other than for Trading	591,937	477,247	5,012
Deferred Hedge Losses	—	42,156	—
Discount of Bonds	—	91	—
Receivables for Securities Transactions	139,016	276,949	1,177
Others	1,222,845	717,488	10,354
Total	¥ 2,077,233	¥ 1,608,153	$ 17,589

Security deposits, formerly stated in "Premises and Equipment," are reclassified into Others in "Other Assets." Software, formerly stated in "Other Assets," is reclassified into "Intangible Fixed Assets." Deferred hedge losses, formerly stated in "Other Assets," are reclassified into "Net Deferred Losses on Hedging Instruments, Net of Taxes," in "Net Assets." Discount of bonds, formerly stated in "Other Assets," is deducted directly from "Short-term Corporate Bonds" or "Bonds and Notes."

The amount of Others at both March 31, 2007 and 2006 includes the amount of ¥6,316 million of the provisional withholding tax payment as the Bank received a reassessment notice from the tax office claiming the Bank's responsibility for collecting withholding tax on some of its repurchase agreement transactions. After a petition, the Bank filed a lawsuit in the Tokyo District Court on March 31, 2005, and won the case on April 17, 2007. The defendant appealed to the Tokyo High Court on May 1, 2007.

As of March 31, 2007, the amounts of others increased mainly owing to the increase in lease assets, which mostly consisted of installment receivable of STB Leasing Co., Ltd., a newly consolidated subsidiary in the fiscal year ended March 31, 2007. Another cause of this increase was reclassification of security deposits into Others as mentioned above.

9. Tangible Fixed Assets

Tangible fixed assets at March 31, 2007 and Premises and equipment after reclassification to confirm with current presentation at March 31, 2006 consisted of the following:

Years Ended March 31	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	**2007**
Buildings	**¥ 107,457**	¥ 110,156	**$ 910**
Land	**86,808**	46,284	**735**
Construction in Progress	**478**	127	**4**
Other Tangible Fixed Assets	**42,777**	38,900	**362**
Subtotal	**¥ 237,522**	¥ 195,468	**$ 2,011**
Accumulated Depreciation	**(106,401)**	(104,336)	**(901)**
Total Tangible Fixed Assets	**¥ 131,120**		**$ 1,110**
Security Deposits and Deposits in Consideration of the Right		18,521	
Total Premises and Equipment		¥ 109,653	

Former "Premises and Equipment" is reclassified into "Tangible Fixed Assets" for Building, Land, Construction in progress and Other tangible fixed assets, "Intangible Fixed Assets" for deposits in consideration of the right, and "Other Assets" for security deposits. (See Note 3(e))

Total tax qualified deferred gains on Tangible fixed assets, which are allowed by the tax law, were ¥28,337 million and ¥28,636 million at March 31, 2007 and 2006, respectively.

In accordance with the "Act on Revaluation of Land" (Law No.34, promulgated on March 31, 1998, the "Act"), the Bank revaluated land used for business operation as of March 31, 1999, based on land prices of standardized premises as specified by the Paragraph 1, Article 2 of the "Enforcement Order on Act on Revaluation of Land," and the land prices specified in the Article 4 of the Act after relevant adjustments. Difference between the fair value and revalued book value of the land for business operations subject to the Article 10 of the Act was ¥7,099 million and ¥9,243 million at March 31, 2007 and 2006, respectively.

Net unrealized losses on revaluation deducted by "Deferred Tax Liabilities for Land Revaluations," are recorded as "Revaluation Reserve for Land, Net of Taxes" in "Net Assets."

10. Intangible Fixed Assets

Intangible fixed assets at March 31, 2007 consisted of the following:

	Millions of Yen	U.S. Dollars (Note1)
	2007	**2007**
Software	**¥ 28,595**	**$ 242**
Goodwill	**104,877**	**888**
Other Intangible Fixed Assets	**1,146**	**10**
Total	**¥ 134,619**	**$ 1,140**

Software formerly included in "Other Assets," "Goodwill" formerly presented separately in the balance sheet, and Other intangible fixed assets formerly included in "Premises and Equipment" as Deposits in consideration of the right are presented in "Intangible Fixed Assets."(See Note 3(e))

11. Assets Pledged

Assets which are pledged as collateral at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Assets Pledged as Collateral:			
Trading Assets	¥ 44,365	¥ 170,980	$ 376
Securities	1,608,556	2,098,959	13,620
Loans and Bills Discounted	272,204	89,130	2,305
Other Assets	65,971	42,679	559
Corresponding Liabilities of the Assets Pledged as Collateral:			
Deposits	1,230	26,654	10
Call Money and Bills Sold	—	595,500	—
Payables under Repurchase Agreements	683,686	983,715	5,789
Payables under Securities Lending Transactions	292,166	703,050	2,474
Borrowed Money	219,024	44,682	1,855

In addition to the items outlined above, at March 31, 2007, "Securities" of ¥743,159 million and "Other Assets" of ¥172 million were pledged mainly as collateral in substitution for settlement of cash or margin of future markets. "Other Assets" includes margin of future markets of ¥5,552 million, security deposits of ¥17,036 million and cash collateral for derivative transactions of ¥16,807 million.

Similarly, at March 31, 2006, "Securities" of ¥404,905 million and "Other Assets" of ¥105 million were pledged mainly as collateral in substitution for settlement of cash or margin of future markets. Furthermore, "Premises and Equipment" includes deposits in consideration of the right and security deposits of ¥18,521 million. "Other Assets" includes margin of future markets of ¥4,416 million and cash collateral for derivative transactions of ¥10,098 million.

12. Deposits

Deposits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Current Deposits, Ordinary Deposits and Deposits at Notice	¥ 2,058,613	¥ 2,038,086	$ 17,431
Time Deposits	8,913,443	7,970,916	75,474
Others	389,212	354,230	3,296
Total	¥ 11,361,270	¥ 10,363,233	$ 96,200

13. Borrowed Money

Borrowed money at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Subordinated Debt	¥ 138,500	¥ 138,500	$ 1,173
Other Borrowed Money	789,431	278,589	6,684
Total	¥ 927,931	¥ 417,089	$ 7,857

Average interest rates of the borrowed money were 1.12% and 1.22% for the years ended March 31, 2007 and 2006, respectively. For the year ended March 31, 2007, other borrowed money increased mainly owing to STB Leasing Co., Ltd., newly consolidated subsidiary.

Years to Maturity

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
1 year or less	**¥ 386,979**	¥ 49,285	**$ 3,277**
More than 1 year but less than 2 years	**122,599**	60,430	**1,038**
More than 2 years but less than 3 years	**94,969**	45,448	**804**
More than 3 years but less than 4 years	**86,323**	40,156	**731**
More than 4 years but less than 5 years	**41,543**	48,038	**352**

14. Bonds and Notes

Bonds and notes at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
The Sumitomo Trust and Banking Company, Ltd. (The Bank)			
Unsecured Subordinated Bonds	**¥ 229,890**	¥ 160,000	**$ 1,947**
Euro Perpetual Subordinated Notes	**6,000**	6,000	**51**
Euro Medium-Term Subordinated Notes	**24,700**	26,700	**209**
Subtotal	**260,590**	192,700	**2,207**
STB Finance Cayman Limited			
Euro Perpetual Subordinated Notes	**204,015**	68,100	**1,727**
Euro Medium-Term Subordinated Notes	**72,000**	116,800	**610**
Subtotal	**276,015**	184,900	**2,337**
STB Leasing Co., Ltd.			
Unsecured Bonds	**12,850**		**109**
Subtotal	**12,850**		**109**
Total	**¥ 549,455**	¥ 377,600	**$ 4,652**

The Bank publicly issued Unsecured Subordinated Bonds under the shelf registration system for the domestic issuance. It has issued ¥30,000 million bonds, bearing fixed interest at 1.67%, on April 28, 2005 and issued ¥50,000 million and ¥20,000 million bonds, bearing fixed interest at 2.25% and 2.78%, respectively, on April 27, 2006. Furthermore, on May 10, 2007, the Bank issued ¥50,000 million and ¥10,000 million bonds, bearing fixed interest at 1.95% and 2.49%, respectively.

The Bank and its wholly-owned subsidiary, STB Finance Cayman Limited issued Euro Medium-Term Notes under the Medium-Term Note Programme. For the year ended March 31, 2006, the Bank and STB Finance Cayman Limited have issued ¥50,000 million of notes under the programme, and exercised options to redeem notes totaling ¥90,500 million. And for the year ended March 31, 2007, the Bank and STB Finance Cayman Limited have issued ¥20,000 million and £500 million of notes under the programme, and exercised options to redeem notes totaling ¥46,800 million.

Years to Maturity

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
1 year or less	**¥ 850**	¥ 2,000	**$ 7**
More than 1 year but less than 2 years	**2,000**	—	**17**
More than 2 years but less than 3 years	**2,000**	—	**17**
More than 3 years but less than 4 years	**6,000**	—	**51**
More than 4 years but less than 5 years	**2,000**	—	**17**

15. Borrowed Money from Trust Account

Borrowed money from trust account represents surplus funds in the Trust account loaned to the Banking account and utilized herein.

16. Other Liabilities

Other liabilities at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	**2007**
Domestic Exchange Settlement Account, Credit	**¥ 370**	¥ 210	**$ 3**
Income Taxes Payable	**65,463**	4,472	**554**
Accrued Expenses	**92,529**	73,495	**783**
Unearned Income	**19,798**	14,767	**168**
Variation Margins of Futures Markets	**—**	12	**—**
Derivatives other than for Trading	**567,599**	502,862	**4,806**
Payables for Securities Transactions	**28,388**	32,553	**240**
Others	**104,804**	36,020	**887**
Total	**¥ 878,955**	¥ 664,394	**$ 7,442**

17. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees, other than those relating to Principal Guaranteed Trusts, are included in "Acceptances and Guarantees." As a contra account, "Customers' Liabilities for Acceptances and Guarantees" is shown as an asset on the balance sheets and represents the Bank's right of indemnity from customers.

Regarding Principal Guaranteed Trusts, the Bank guaranteed the principal amount of ¥903,689 million, ¥1,216,743 million for Jointly-Operated Money Trusts and ¥694,587 million, ¥927,283 million for Loan Trusts at March 31, 2007 and 2006, respectively.

The Bank guaranteed ¥95,073 million of corporate bonds in "Securities" which were privately offered (subject to the Paragraph 3, Article 2 of the "Securities Exchange Law") at the end of March 31, 2007.

Due to the revision of the appended forms in the "Enforcement Ordinance of the Banking Law" by the "Cabinet Office Ordinance No.38, April 17, 2007," from the fiscal year starting April 1, 2006, this amount was excluded from both "Acceptances and Guarantees" and "Customers' Liabilities of Acceptances and Guarantees." As a result both "Acceptances and Guarantees" and "Customers' Liabilities of Acceptances and Guarantees" at the end of March 31, 2007 decreased by ¥95,073 million.

18. Commitment Line Contracts on Overdrafts and Loans

Commitment line contracts on overdrafts and loans are agreements to loan up to committed limit as long as there have been no breach of contracts upon the customers' request. The balance of unused commitment line contracts was ¥8,967,492 million and ¥8,128,358 million, including ¥7,876,673 million and ¥7,515,222 million of those either maturing within 1 year or unconditionally cancelable at March 31, 2007 and 2006, respectively.

Because most of these contracts expire without being drawn down, the balance of unused commitment line contracts itself does not necessarily represent future cash flows of the Bank and its subsidiaries. In addition, most of these contracts contain clauses allowing the Bank and its subsidiaries to reject requests or to reduce committed limits, when there are reasonable reasons such as changes in the monetary condition or needs to protect claims. The Bank and its subsidiaries may request customers to provide necessary collateral such as real estate or securities at the time of the contract, and may ask customers to amend clauses or take measures to secure soundness of the credit thereafter through periodical internal monitoring procedures.

19. Other Interest Income and Expenses

(a) Other interest income for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Interest Income on Receivables under Securities Borrowing Transactions	¥ 180	¥ 1	$ 2
Interest Income on Deposits with Banks	16,409	7,066	139
Interest Income on Interest Rate Swaps	345	2,866	3
Other Interest Income	7,192	2,753	61
Total	¥ 24,127	¥ 12,687	$ 204

(b) Other interest expenses for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Interest Expenses on Payables under Repurchase Agreements	¥ 36,257	¥ 28,729	$ 307
Interest Expenses on Payables under Securities Lending Transactions	3,324	2,753	28
Interest Expenses on Short-term Corporate Bonds	1,311	42	11
Interest Expenses on Bonds and Notes	9,014	5,711	76
Other Interest Expenses	14,221	19,155	120
Total	¥ 64,129	¥ 56,392	$ 543

20. Trading Income and Expenses

(a) Trading income for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Income from Trading Securities and Derivatives	¥ 197	¥ 145	$ 2
Income from Trading-Related Financial Derivatives Transactions	6,735	5,895	57
Other Trading Income	1,377	276	12
Total	¥ 8,311	¥ 6,317	$ 70

(b) Trading expenses for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Expenses on Securities and Derivatives Related to Trading Transactions	¥ 166	¥ 812	$ 1
Total	¥ 166	¥ 812	$ 1

21. Other Operating Income and Expenses

(a) Other operating income for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	**2007**
Net Gains on Foreign Exchange Transactions	**¥ 11,735**	¥ 4,615	**$ 99**
Gains on Sales of Bonds	**14,863**	28,460	**126**
Gains on Redemption of Bonds	**0**	—	**0**
Income from Derivatives other than for Trading or Hedging	**—**	6,722	**—**
Others	**235,032**	194,307	**1,990**
Total	**¥ 261,632**	¥ 234,106	**$ 2,215**

For the years ended March 2007 and 2006, Others mainly consisted of lease income and installments received from consolidated subsidiaries.

(b) Other operating expenses for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	**2007**
Losses on Sales of Bonds	**¥ 16,182**	¥ 33,747	**$ 137**
Expenses on Derivatives other than for Trading or Hedging	**176**	—	**1**
Others	**206,380**	166,767	**1,748**
Total	**¥ 222,739**	¥ 200,514	**$ 1,886**

For the years ended March 2007 and 2006, Others consisted mainly of lease expenses and installments paid to consolidated subsidiaries.

22. Other Income and Expenses

(a) Other income for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	**2007**
Gains on Sales of Stocks and Other Securities	**¥ 12,350**	¥ 15,555	**$ 105**
Gains on Money Held in Trust	**680**	2,581	**6**
Gains on Dispositions of Premises and Equipment		111	
Gains on Dispositions of Fixed Assets	**2,273**		**19**
Recoveries of Written-Off Claims	**441**	1,626	**4**
Others	**20,873**	66,053	**177**
Total	**¥ 36,618**	¥ 85,929	**$ 310**

For the year ended March 31, 2007, Others include a settlement amount of ¥2,500 million in connection with the settlement in response to settlement recommendation by the Tokyo High Court regarding our legal action on damages against three UFJ Group companies including UFJ Holdings (currently three Mitsubishi UFJ Group companies including Mitsubishi UFJ Financial Group).

For the year ended March 31, 2006, Others include ¥57,002 million of Gains on stock derivatives transactions.

(b) Other expenses for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	**2007**
Provisions for Reserve for Possible Loan Losses	**¥ 34,181**	¥ 4,117	**$ 289**
Write-Offs of Loans	**6,462**	3,726	**55**
Losses on Sales of Stocks and Other Securities	**2,962**	838	**25**
Losses on Devaluation of Stocks and Other Securities	**4,573**	7,740	**39**
Losses on Dispositions of Premises and Equipment		1,518	
Losses on Dispositions of Fixed Assets	**518**		**4**
Losses on Impairment of Fixed Assets	**7,088**	828	**60**
Others	**13,819**	80,832	**117**
Total	**¥ 69,606**	¥ 99,603	**$ 589**

For the year ended March 31, 2007, Losses on impairment of fixed assets were impairment losses of ¥4,736 million for the buildings to be demolished or sold under the joint redevelopment projects such as the Bank's plan to relocate Tokyo headquarter and consolidate several main offices in the center of Tokyo. In addition, impairment losses of ¥2,352 million were incurred for items such as other buildings and premises to be sold, and software.

Impairment tests were conducted on groups of assets primarily by the branch with headquarters, back offices and welfare facilities as shared assets. Assets held for sale or disposal are tested individually.

Recoverable values are used to assess impairment losses, where net realizable value (mainly appraisal value) depends on the recoverability and those that are not recoverable are fully written down.

For the year ended March 31, 2006, Others include ¥61,784 million of losses on stock derivatives transactions.

23. General and Administrative Expenses

General and administrative expenses for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	**2007**
Taxes other than Income Taxes	**¥ 6,923**	¥ 6,828	**$ 59**
Personnel Expenses	**76,560**	82,639	**648**
Others	**99,850**	85,059	**845**
Total	**¥ 183,334**	¥ 174,527	**$ 1,552**

24. Owners' Equity

Under the Corporate Law of Japan, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Banking Law of Japan provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal retained earnings until the total amount of legal retained earnings and additional paid-in capital equals 100% of common stock. Legal retained earnings and additional paid-in capital could be used to eliminate or reduce a deficit, or could be capitalized generally require a resolution of the shareholders' meeting. All additional paid-in capital and all legal retained earnings may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Bank is able to distribute as dividend subject to the approval of shareholders is calculated based on the non-consolidated financial statements of the Bank in accordance with the Corporate Law of Japan.

The numbers of authorized and issued preferred and common stock at the end of March 31, 2007 and 2006 were as follows:

	2007		2006	
	Authorized	Issued	Authorized	Issued
Preferred Stock	**—**	**—**	125,000,000	—
Common Stock	**3,000,000,000**	**1,675,034,546**	3,000,000,000	1,672,892,956
Treasury Stock		**(429,396)**		(322,191)

25. Statement of Changes in Net Assets

(a) Issued Share and Treasury Stock

Issued share and Treasury stock for the year ended March 31, 2007 consisted of the following:

	Thousands of Shares			
	Number of Shares Outstanding at the End of Previous Period	Increase	Decrease	Number of Shares Outstanding at the End of Current Period
Number of issued shares:				
Common Stock	1,672,892	2,141	—	1,675,034
Treasury Stock:				
Common Stock	322	115	8	429

Of 2,141 thousand shares increase in issued share for the year ended March 31, 2007, 1,282 thousand shares were due to the stock-for-stock exchange in connection with the full acquisition of STB Leasing Co., Ltd., and 859 thousand shares were due to the execution of the stock option plans. As for Treasury stocks, increase of 115 thousand shares were due to the requests for redemption of odd-lot stocks and decrease of 8 thousand shares was due to the request for additional purchase of odd-lot stocks.

(b) Dividends

Under the Bank's articles of incorporation, financial accounts are closed on March 31 of each year, and dividends, if any, are paid to shareholders who are recorded at March 31 according to the approval on ordinary General Meeting of Shareholders. At the end of fiscal periods, retained earnings include the amount of dividends and bonuses to directors. In addition to year-end dividends, interim dividends may be made by Board of Directors to shareholders as of September 30 of each year.

Dividends for the year ended March 31, 2007 consisted of the following:

Resolution	Type of Shares	Cash Dividends Declared	Cash Dividends per Share	Record Date	Effective Date
		Millions of Yen	Yen		
June 29, 2006					
Ordinary General Meeting of Shareholders	Common Stock	¥ 10,035	¥ 6.00	March 31, 2006	June 30, 2006
November 20, 2006					
Board of Directors	Common Stock	¥ 14,221	¥ 8.50	September 30, 2006	December 8, 2006

For the year ended March 31, 2007, Dividends, whose record date is by this period and whose effective date of distribution is after the end of this period, are as follows:

Resolution	Type of Shares	Cash Dividends Declared	Resources allotted for the distribution	Cash Dividends per Share	Record Date	Effective Date
		Millions of Yen		Yen		
June 28, 2007						
Ordinary General Meeting of Shareholders	Common Stock	¥ 14,234	Retained earnings	¥ 8.50	March 31, 2007	June 29, 2007

26. Statement of Cash Flows

(a) Reconciliation of Cash and Cash Equivalents

Following table shows the reconciliation between cash and cash equivalents in the statement of cash flows, and cash and due from banks in the balance sheet at March 31, 2007 and 2006.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2007	2006	**2007**
Cash and Due from Banks	**¥ 789,472**	¥ 892,274	**$ 6,685**
Due from Banks (excluding due from Bank of Japan)	**(346,231)**	(200,824)	**(2,932)**
Cash and Cash Equivalents	**¥ 443,240**	¥ 691,450	**$ 3,753**

(b) Assets and Liabilities of the Newly Consolidated Subsidiaries as the Result of Stock Acquisition

At the fiscal year ended March 31, 2007, reconciliation of assets, liabilities and cash flows related to the acquisition of STB Leasing Co., Ltd. as the newly consolidated subsidiary was as follows:

STB Leasing Co.,Ltd.

	Millions of Yen	Millions of U.S. Dollars (Note 1)
	2007	2007
Assets	¥ 530,353	$ 4,491
Other Assets	450,350	3,813
Liabilities	(483,854)	(4,097)
Borrowed Money	(341,039)	(2,888)
Minority Interest	(2,440)	(21)
Negative Goodwill	(1,225)	(10)
Subtotal	42,833	363
Profits Accumulated by the Equity Method	(13,279)	(112)
Purchase Price of Additional Common Stock	29,553	250
Cash and Cash Equivalents of STB Leasing Co.,Ltd.	(6,091)	(52)
Net Cash Used for the Purchase of Stock of STB Leasing Co.,Ltd.	**¥ 23,462**	**$ 199**

At the fiscal year ended March 31, 2006, reconciliation of assets, liabilities and cash flows related to the acquisition of Sumishin Matsushita Financial Services Co., Ltd. and First Credit Corporation as the newly consolidated subsidiary was as follows.

Sumishin Matsushita Financial Services Co.,Ltd.

	Millions of Yen	Millions of U.S. Dollars (Note 1)
	2006	2006
Assets	¥ 518,271	$ 4,413
Other Assets	334,085	2,845
Liabilities	(489,261)	(4,166)
Borrowed Money	(381,360)	(3,247)
Minority Interest	(9,863)	(84)
Goodwill	10,078	86
Purchase Price of Additional Common Stock	29,224	249
Cash and Cash Equivalents of Sumishin Matsushita Financial Services Co.,Ltd.	(310)	(3)
Net Cash Used for the Purchase of Stock of Sumishin Matsushita Financial Services Co.,Ltd.	**¥ 28,914**	**$ 246**

First Credit Corporation

	Millions of Yen	Millions of U.S. Dollars (Note 1)
	2006	2006
Assets	¥ 134,542	$ 1,146
Loans and Bills Discounted	115,245	981
Liabilities	(113,112)	(963)
Borrowed Money	(110,000)	(937)
Goodwill	109,037	928
Purchase Price of Additional Common Stock	130,468	1,111
Cash and Cash Equivalents of First Credit Corporation	(24,325)	(207)
Net Cash Used for the Purchase of Stock of First Credit Corporation	**¥ 106,142**	**$ 904**

27. Lease Transactions

(a) Finance Leases

As lessee:

Acquisition costs, Accumulated depreciation, Accumulated losses on impairment and Net book value for finance leases without transfer of ownership at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Acquisition Costs			
Equipment	¥ 65	¥ 658	$ 1
Others	—	93	—
Total	¥ 65	¥ 751	$ 1
Accumulated Depreciation			
Equipment	52	500	0
Others	—	46	—
Total	¥ 52	¥ 547	$ 0
Accumulated Losses on Impairment			
Equipment	—	—	—
Others	—	—	—
Total	¥ —	¥ —	$ —
Net Book Value			
Equipment	13	157	0
Others	—	46	—
Total	¥ 13	¥ 204	$ 0

Total of future lease payments at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Due in 1 year or less	¥ 278	¥ 94	$ 2
Due more than 1 year	282	109	2
Total	¥ 561	¥ 204	$ 5

Annual lease payments and Estimated annual depreciation expenses for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Lease Payments	¥ 94	¥ 149	$ 1
Estimated Annual Depreciation Expenses	94	149	1

Acquisition costs and future lease payments are computed including interest portion due to the fact that total of future lease payments are considered to be immaterial as compared with the amount of Tangible fixed assets at March 31, 2007 and Premises and equipment at March 31, 2006.

Estimated annual depreciation expenses are computed using the straight-line method over the lease terms assuming no salvage value for the fiscal years ended March 31, 2007 and 2006.

As lessor:

Acquisition costs, Accumulated depreciation, Accumulated losses on impairment and Net book value for finance leases without transfer of ownership at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	**2007**
Acquisition Costs			
Equipment	¥ —	¥ —	$ —
Others	**1,832,291**	935,597	**15,515**
Total	**¥ 1,832,291**	¥ 935,597	**$15,515**
Accumulated Depreciation			
Equipment	—	—	—
Others	**1,180,692**	619,818	**9,997**
Total	**¥ 1,180,692**	¥ 619,818	**$ 9,997**
Accumulated Losses on Impairment			
Equipment	—	—	—
Others	—	—	—
Total	**¥ —**	¥ —	**$ —**
Net Book Value			
Equipment	—	—	—
Others	**651,598**	312,439	**5,517**
Total	**¥ 651,598**	¥ 312,439	**$ 5,517**

Total of future lease payments receivable at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	**2007**
Due in 1 year or less	**¥ 225,659**	¥ 110,144	**$ 1,911**
Due more than 1 year	**435,215**	207,647	**3,685**
Total	**¥ 660,874**	¥ 317,792	**$ 5,596**

Annual lease receipt, Annual depreciation expenses, and Estimated interest receipt for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	**2007**
Lease Receipt	**¥ 174,633**	¥ 146,448	**$ 1,479**
Annual Depreciation Expenses	**152,472**	126,405	**1,291**
Estimated Interest Receipt	**18,820**	17,657	**159**

Interest income represents the difference between the additional amount of the lease payments receivable and estimated salvage values, and the acquisition costs of the lease assets. The allocation of such interest income over the lease term is computed using the effective interest method.

(b) Operating Leases

As lessee:

Total of future lease payments under non-cancelable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Due in 1 year or less	¥ 83	¥ 2,425	$ 1
Due more than 1 year	192	12,107	2
Total	¥ 275	¥ 14,533	$ 2

As lessor:

Total of future lease payments receivable under non-cancelable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Due in 1 year or less	¥ 20,330	¥ 7,019	$ 172
Due more than 1 year	64,415	29,022	545
Total	¥ 84,746	¥ 36,041	$ 718

28. Fair Value Information for Securities

The following information includes a part of Cash and due from banks, Trading assets, and Monetary claims bought in addition to Securities in the consolidated balance sheet.

(a) Trading Securities

	Millions of Yen	
March 31, 2007	Book Value	Net Unrealized Gains (Losses) Reflected on the Statement of Income
Trading Securities	¥ 534,464	¥ 218

	Millions of Yen	
March 31, 2006	Book Value	Net Unrealized Gains (Losses) Reflected on the Statement of Income
Trading Securities	¥ 365,923	¥ 50

(b) Held-to-Maturity Debt Securities with Fair Value

March 31, 2007	Millions of Yen				
	Book Value	Fair Value	Net	Unrealized Gains (Losses)	
				Gains	(Losses)
Japanese Government Bonds	¥ 502,183	¥ 501,472	¥ (711)	¥ 785	¥ (1,497)
Japanese Local Government Bonds	100	99	(0)	0	(0)
Japanese Short-term Corporate Bonds	—	—	—	—	—
Japanese Corporate Bonds	204,292	203,361	(930)	—	(930)
Others	295	322	27	29	(1)
Foreign Bonds	295	322	27	29	(1)
Total	¥ 706,871	¥ 705,256	¥ (1,614)	¥ 815	¥ (2,429)

March 31, 2006	Millions of Yen				
	Book Value	Fair Value	Net	Unrealized Gains (Losses)	
				Gains	Losses
Japanese Government Bonds	¥ 517,690	¥ 512,513	¥ (5,176)	¥ 31	¥ (5,208)
Japanese Local Government Bonds	50	49	(0)	—	(0)
Japanese Short-term Corporate Bonds	—	—	—	—	—
Japanese Corporate Bonds	319,650	317,881	(1,769)	19	(1,788)
Others	1,423	1,480	56	59	(2)
Foreign Bonds	1,423	1,480	56	59	(2)
Total	¥ 838,814	¥ 831,924	¥ (6,889)	¥ 110	¥ (6,999)

Fair value is based on the closing market prices at the end of the fiscal years ended March 31, 2007 and 2006.

(c) Available-for-Sale Securities with Fair Value

March 31, 2007	Millions of Yen				
	Cost	Book Value	Net	Unrealized Gains (Losses)	
				Gains	(Losses)
Japanese Stocks	¥ 481,914	¥ 989,188	¥ 507,273	¥ 514,775	¥ (7,501)
Japanese Bonds	955,035	951,480	(3,555)	1,340	(4,895)
Government Bonds	623,930	621,497	(2,433)	802	(3,235)
Local Government Bonds	62,061	61,884	(177)	234	(412)
Short-term Corporate Bonds	—	—	—	—	—
Corporate Bonds	269,042	268,098	(944)	303	(1,248)
Others	2,150,581	2,143,336	(7,245)	17,803	(25,049)
Foreign Stocks	3	27	24	24	—
Foreign Bonds	1,692,225	1,672,190	(20,035)	3,572	(23,607)
Others	458,352	471,117	12,765	14,207	(1,441)
Total	¥ 3,587,532	¥ 4,084,004	¥ 496,472	¥ 533,919	¥ (37,446)

March 31, 2006	Millions of Yen				
	Cost	Book Value	Net	Unrealized Gains (Losses)	
				Gains	(Losses)
Japanese Stocks	¥ 463,943	¥ 911,397	¥ 447,454	¥ 450,672	¥ (3,218)
Japanese Bonds	1,411,328	1,392,721	(18,606)	832	(19,438)
Government Bonds	882,368	868,598	(13,770)	697	(14,468)
Local Government Bonds	81,824	80,163	(1,660)	40	(1,701)
Short-term Corporate Bonds	—	—	—	—	—
Corporate Bonds	447,134	443,960	(3,174)	94	(3,269)
Others	2,076,139	2,059,100	(17,038)	15,505	(32,544)
Foreign Stocks	3,493	3,824	330	340	(10)
Foreign Bonds	1,729,594	1,701,732	(27,861)	4,416	(32,277)
Others	343,051	353,543	10,492	10,748	(256)
Total	¥ 3,951,410	¥ 4,363,219	¥ 411,809	¥ 467,010	¥ (55,201)

1) Book value of Japanese stocks in the consolidated balance sheet is calculated using the average market price during final month of the fiscal period, while that of securities other than Japanese stocks is mainly calculated using the fair value at the end of the fiscal period.

2) Available-for-sale securities with fair value other than trading securities are written off when the fair value of each securities remarkably declines compared to its cost and the decline is other than temporary at each fiscal year end, and the valuation differences are recognized as losses. According to the Self-Assessment Rules, a "Remarkable Decline in the Fair Value" is recognized based on the classification of issuers as follows:

- Issuers whose classification are ordinary :
  Fair value is 50% or more lower than cost
- Issuers whose classification are other than ordinary :
  Fair value is 30% or more lower than cost

(d) Held-to-Maturity Debt Securities sold during the years ended March 31, 2007 and 2006

There were no corresponding items for the years ended March 31, 2007 and 2006.

(e) Available-for-Sale Securities sold during the years ended March 31, 2007 and 2006

	Millions of Yen		
Year ended March 31, 2007	Amount Sold	Gains	(Losses)
Available-for-Sale Securities	**¥ 3,248,298**	**¥ 27,204**	**¥ (19,143)**

	Millions of Yen		
Year ended March 31, 2006	Amount Sold	Gains	(Losses)
Available-for-Sale Securities	¥ 5,096,186	¥ 44,016	¥ (34,585)

(f) Securities with No Available Fair Value

The following tables summarize main items of book value of Securities with no available fair value at March 31, 2007 and 2006.

	Millions of Yen
March 31, 2007	Book Value
Held-to-Maturity Debt Securities	**¥ —**
Available-for-Sale Securities	
Unlisted Japanese Bonds	**237,619**
Trust Certificates of Loan Trust	**225,258**
Unlisted Foreign Securities	**92,060**

	Millions of Yen
March 31, 2006	Book Value
Held-to-Maturity Debt Securities	¥ —
Available-for-Sale Securities	
Unlisted Japanese Bonds	215,859
Trust Certificates of Loan Trust	185,397
Unlisted Foreign Securities	143,911

(g) Change of Classification by Holding Purpose of Securities

There were no corresponding items for the years ended March 31, 2007 and 2006.

(h) Redemption Schedule of Securities

The redemption schedules of securities classified as "Available-for-Sale Securities" with maturity and "Held-to-Maturity Debt Securities" at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
	Book Value			
March 31, 2007	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Japanese Bonds	¥ 344,357	¥ 960,828	¥ 535,419	¥ 55,069
Government Bonds	196,627	463,310	410,683	53,060
Local Government Bonds	5,109	23,829	33,045	—
Short-term Corporate Bonds	—			
Corporate Bonds	142,620	473,689	91,690	2,009
Others	264,901	712,136	628,122	661,043
Foreign Bonds	164,101	522,380	600,519	436,140
Others	100,799	189,756	27,602	224,902
Total	¥ 609,258	¥ 1,672,965	¥ 1,163,542	¥ 716,112

	Millions of Yen			
	Book Value			
March 31, 2006	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Japanese Bonds	¥ 569,278	¥ 1,093,959	¥ 630,518	¥ 152,215
Government Bonds	239,842	488,405	508,118	149,923
Local Government Bonds	4,508	37,654	38,050	—
Short-term Corporate Bonds	—			
Corporate Bonds	324,927	567,900	84,349	2,292
Others	168,515	792,124	777,072	516,267
Foreign Bonds	36,585	647,533	724,858	365,847
Others	131,929	144,591	52,214	150,420
Total	¥ 737,793	¥ 1,886,084	¥ 1,407,591	¥ 668,483

(i) Investments in Subsidiaries and Affiliates with Fair Value (Non-consolidated)

There were no corresponding items at March 31, 2007 and 2006.

29. Net Unrealized Gains on Securities Available for Sale, Net of Taxes

Net unrealized gains on securities available for sale, net of taxes at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	**2007**
Net Unrealized Gains on Securities Available for Sale	¥ 497,074	¥ 411,996	$ 4,209
Net Unrealized Gains on Other Money Held in Trust	—	—	—
Total Net Unrealized Gains	¥ 497,074	¥ 411,996	$ 4,209
Amount Equivalent to Deferred Tax Liabilities	(201,564)	(166,916)	(1,707)
Total Net Unrealized Gains, Net of Taxes (before adjustment for Minority Interests)	¥ 295,510	¥ 245,079	$ 2,502
Minority Interests	(274)	(53)	(2)
Parent Company's portions in Securities Available for Sale owned by its affiliates	(22)	3,090	(0)
Net Unrealized Gains on Securities Available for Sale, Net of Taxes	¥ 295,213	¥ 248,116	$ 2,500

1) Net unrealized gains on securities available for sale include foreign currency translation adjustments on foreign securities with no available fair value and net unrealized gains on investment associations at March 31, 2007 and 2006.

2) Net unrealized gains do not include ¥643 million, which was spent as a result of the fair value hedging at March 31, 2007.

30. Fair Value Information for Financial Derivatives

(a) Interest Related Transactions

Interest related transactions at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen							
	2007				2006			
	Contract Value	Over 1Year	Fair Value	Unrealized Gains (Losses)	Contract Value	Over 1Year	Fair Value	Unrealized Gains (Losses)
Listed								
Interest Futures								
Sold	¥19,454,224	¥ 2,556,984	¥ 1,635	¥ 1,635	¥17,870,918	¥ 3,524,963	¥ 19,763	¥19,763
Purchased	18,359,178	1,815,857	(2,537)	(2,537)	17,797,878	2,724,017	(21,080)	(21,080)
Interest Options								
Sold	2,165,560	—	(85)	196	1,120,469	—	(511)	(262)
Purchased	1,711,491	—	152	(180)	1,005,702	—	379	157
Over-the-Counter								
Forward Rate Agreements								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Interest Rate Swaps								
Fix Rcv-Flt Pay	45,196,447	40,308,449	93,276	93,276	30,034,952	26,313,064	(305,262)	(305,262)
Flt Rcv-Fix Pay	45,193,109	39,820,712	(67,320)	(67,320)	30,306,868	26,115,683	323,932	323,932
Flt Rcv-Flt Pay	2,170,165	1,972,725	1,364	1,364	2,072,478	1,450,378	1,972	1,972
Interest Options								
Sold	21,087,970	21,036,136	(50,493)	39,215	7,282,762	7,233,076	(27,783)	1,706
Purchased	12,951,464	12,939,464	93,914	(38,989)	3,090,749	3,059,549	35,014	5,444
Others								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total			¥ 69,905	¥ 26,659			¥ 26,423	¥ 26,370

1) Transactions listed above are evaluated on a mark-to-market basis and calculated net unrealized gains (losses) are reflected on the consolidated statement of income.

The schedule above does not include derivative transactions which are subject to hedge accounting treatments based on "Treatment for Accounting and Auditing of Application of Accounting Standards for Financial Instruments in the Banking Industry." (JICPA Industry Auditing Committee Report No.24)

2) Fair values of listed transactions are calculated mainly using the closing prices on the Tokyo International Financial Futures Exchange. Fair values of OTC transactions are calculated mainly using discounted present value and option pricing models.

(b) Currency Related Transactions

Currency related transactions at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen							
	2007				2006			
	Contract Value	Over 1Year	Fair Value	Unrealized Gains (Losses)	Contract Value	Over 1Year	Fair Value	Unrealized Gains (Losses)
Listed								
Currency Futures								
Sold	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased	—	—	—	—	—	—	—	—
Currency Options								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Over-the-Counter								
Currency Swaps	**270,125**	**99,331**	**46**	**46**	403,409	251,147	30	30
Forward								
Sold	**2,810,313**	**265,427**	**(38,889)**	**(38,889)**	2,594,785	194,816	(32,095)	(32,095)
Purchased	**3,394,952**	**411,540**	**52,899**	**52,899**	3,442,496	301,678	39,089	39,089
Currency Options								
Sold	**2,517,170**	**932,301**	**(58,089)**	**(1,427)**	1,186,383	424,928	(38,001)	(6,304)
Purchased	**2,170,678**	**676,941**	**41,473**	**(2,808)**	993,549	382,532	27,358	4,179
Others								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total			**¥ (2,558)**	**¥ 9,820**			¥ (3,618)	¥ 4,899

1) Transactions listed above are evaluated on a mark-to-market basis and calculated net unrealized gains (losses) are reflected on the consolidated statement of income.

2) The schedule above does not include derivative transactions which are subject to hedge accounting treatments based on "Treatment for Accounting and Auditing of Application of Accounting Standards for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Auditing Committee Report No.25), and transactions accompanied by foreign currency monetary claims or obligations, which are either reflected on the consolidated balance sheet at the end of the fiscal period or eliminated therefrom in the process of consolidation.

3) Fair values of OTC transactions are calculated mainly using discounted present values and option pricing models.

(c) Stock Related Transactions

Stock related transactions at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen							
	2007				2006			
	Contract Value	Over 1Year	Fair Value	Unrealized Gains (Losses)	Contract Value	Over 1Year	Fair Value	Unrealized Gains (Losses)
Listed								
Stock Index Futures								
Sold	**¥ 100,111**	**¥ —**	**¥(1,274)**	**¥(1,274)**	¥ 39,988	¥ —	¥ (977)	¥ (977)
Purchased	**66,261**	**—**	**575**	**575**	45,036	—	572	572
Stock Index Options								
Sold	**53,965**	**—**	**(334)**	**127**	33,480	—	(119)	48
Purchased	**78,457**	**—**	**320**	**(345)**	10,587	—	11	(42)
Over-the-Counter								
Stock Options								
Sold	**—**	**—**	**—**	**—**	—	—	—	—
Purchased	**—**	**—**	**—**	**—**	—	—	—	—
Stock Index and Other Swaps								
Stock price index volatility receivable/ short-term floating interest rate payable	**—**	**—**	**—**	**—**	—	—	—	—
Short-term floating interest rate receivable/ Stock price index volatility payable	**—**	**—**	**—**	**—**	—	—	—	—
Others								
Sold	**—**	**—**	**—**	**—**	—	—	—	—
Purchased	**—**	**—**	**—**	**—**	—	—	—	—
Total			**¥ (712)**	**¥ (916)**			¥ (514)	¥ (399)

1) Transactions listed above are evaluated on a mark-to-market basis and calculated net unrealized gains (losses) are reflected on the consolidated statement of income.

The schedule above does not include derivative transactions which are subject to hedge accounting treatments.

2) Fair values of listed transactions are calculated mainly using the closing prices on the Tokyo Stock Exchange.

(d) Bond Related Transactions

Bond related transactions at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen							
	2007				2006			
	Contract Value	Over 1Year	Fair Value	Unrealized Gains (Losses)	Contract Value	Over 1Year	Fair Value	Unrealized Gains (Losses)
Listed								
Bond Futures								
Sold	**¥ 1,101,633**	**¥ —**	**¥ 3,526**	**¥ 3,526**	¥ 729,921	¥ —	¥ 4,608	¥ 4,608
Purchased	**1,142,550**	**—**	**(3,769)**	**(3,769)**	666,533	—	(3,995)	(3,995)
Bond Future Options								
Sold	**340,376**	**—**	**(379)**	**287**	321,765	—	(818)	42
Purchased	**474,311**	**—**	**362**	**(533)**	229,366	—	1,102	301
Over-the-Counter								
Bond Options								
Sold	**—**	**—**	**—**	**—**	9,925	—	(41)	6
Purchased	**—**	**—**	**—**	**—**	4,947	—	10	(18)
Others								
Sold	**—**	**—**	**—**	**—**	—	—	—	—
Purchased	**—**	**—**	**—**	**—**	—	—	—	—
Total			**¥ (260)**	**¥ (489)**			¥ 865	¥ 944

1) Transactions listed above are evaluated on a mark-to-market basis and calculated net unrealized gains (losses) are reflected on the consolidated statement of income.

The schedule above does not include derivative transactions which are subject to hedge accounting treatments.

2) Fair values of listed transactions are calculated mainly using the closing prices on the Tokyo Stock Exchange. Fair values of OTC transactions are calculated mainly using option pricing models.

(e) Commodity Related Transactions

There were no commodity related transactions at March 31, 2007 and 2006.

(f) Credit Derivative Transactions

Credit derivative transactions at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen							
	2007				2006			
	Contract Value	Over 1Year	Fair Value	Unrealized Gains (Losses)	Contract Value	Over 1Year	Fair Value	Unrealized Gains (Losses)
Over-the-Counter								
Credit Derivatives								
Sold	**¥ 81,000**	**¥ 81,000**	**¥ 153**	**¥ 153**	¥83,500	¥83,500	¥(211)	¥(211)
Purchased	**264,209**	**264,209**	**(679)**	**(679)**	40,000	40,000	(216)	(216)
Total			**¥(525)**	**¥(525)**			¥(428)	¥(428)

1) Transactions listed above are evaluated on a mark-to-market basis and calculated net unrealized gains (losses) are reflected on the consolidated statement of income.

The schedule above does not include derivative transactions which are subject to hedge accounting treatments.

2) Fair values are calculated using discounted present value.

3) “Sold” indicates credit risks assumed, and “Purchased” indicates credit risks transferred.

31. Reserve for Employee Retirement Benefits

The liabilities from the retirement benefits included in the consolidated balance sheet as of March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Projected Benefit Obligation	¥ (230,848)	¥ (222,301)	$ (1,955)
Plan Assets (fair value)	310,612	322,252	2,630
Unfunded Projected Benefit Obligation	79,764	99,950	675
Unrecognized Net Actuarial Loss	(10,294)	(43,195)	(87)
Unrecognized Net Prior Service Cost	842	1,108	7
Net Amount Recognized in the Consolidated Balance Sheet	70,313	57,863	595
Prepaid Pension Cost (-) (Note 8)	80,391	68,067	681
Total	¥ (10,078)	¥ (10,204)	$ (85)

Retirement benefits expenses, which are included in the consolidated statement of income for the years ended March 31, 2007 and 2006, were consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	2007
Service Costs-Benefits Earned during the Fiscal Period	¥ 5,049	¥ 4,748	$ 43
Interest Cost on Projected Benefit Obligation	4,421	4,241	37
Expected Return on Plan Assets	(14,091)	(8,007)	(119)
Amortization of Prior Service Cost	320	287	3
Amortization of Net Actuarial Loss	(1,779)	5,240	(15)
Others	974	776	8
Total	¥ (5,105)	¥ 7,287	$ (43)

The discount rates used by the Bank were 2.0% for the years ended March 31, 2007 and 2006, respectively. The rates of expected return on plan assets used by the Bank were 2.0 – 4.8% and 2.0 – 3.7% for the years ended March 31, 2007 and 2006, respectively.

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years.

32. Stock Option Plans

The Bank maintains stock option plans from 1999. Under the plans, options are granted at 105% of the average market closing price during the month immediately prior to the month when the options were granted. The following tables are the summary of the stock options plans at March 31, 2007.

(a) Stock Option Plans

Resolution Date	June 27, 2003		June 27, 2002	
Number of Eligible Persons by Positions	Directors	13	Directors	13
	Executive Officers	13	Executive Officers	13
	Employees	415	Employees	400
Total Number and Type of Stock Granted	1,186,000 shares of Common Stock		2,514,000 shares of Common Stock	
Grant Date	June 30, 2003		July 23, 2002	
Prerequisite to be Vested	None		None	
Required Service Period	None		None	
Exercise Period	from July 1, 2005 to June 30, 2007		from July 1, 2004 to June 30, 2006	

(b) Size and Change of Stock Options

1) Number of Stock Options

Resolution Date	Shares	
	June 27, 2003	June 27, 2002
Unvested Stock Options		
At the Beginning of Fiscal Year	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
At the End of Fiscal Year	—	—
Vested Stock Options		
At the Beginning of Fiscal Year	501,000	470,000
Vested	—	—
Exercised	401,000	458,000
Forfeited	1,000	12,000
At the End of Fiscal Year	99,000	—

2) Price Information

Resolution Date	Yen	
	June 27, 2003	June 27, 2002
Exercise Price	¥ 415	¥ 656
Weighted-Average Exercise Date Stock Price	1,285	1,171

33. Income Taxes and Others

Income taxes and others, which consist of corporation, inhabitant and enterprise taxes, are calculated based on taxable income. The approximate effective income tax rate was 40.60% and 40.61% for the years ended March 31, 2007 and 2006, respectively.

For the year ended March 31, 2007, effective tax payout ratio after adopting deferred tax accounting was 35.01%. For the year ended March 31, 2006, difference between approximate effective income tax rate and effective tax payout ratio was less than 5%.

Deferred tax assets and liabilities at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2007	2006	**2007**
Deferred Tax Assets:			
Reserve for Possible Loan Losses (including Direct Write-offs of Loans with Guarantees or Collateral)	**¥ 40,255**	¥ 9,115	**$ 341**
Devaluation of Securities	**33,053**	34,838	**280**
Reserve for Employee Retirement Benefits	**15,896**	16,164	**135**
Tax Losses Carried Forward	**13,098**	49,381	**111**
Unrealized Gains (Losses)	**5,463**	3,010	**46**
Other Addition	**41,860**	26,633	**354**
Subtotal	**¥ 149,627**	¥ 139,144	**$ 1,267**
Valuation Allowance	**(22,077)**	(24,220)	**(187)**
Amount set off Against Deferred Tax Liabilities	**(101,363)**	(94,602)	**(858)**
Deferred Tax Assets	**¥ 26,187**	¥ 20,320	**$ 222**
Deferred Tax Liabilities:			
Amount set off Against Deferred Tax Liabilities on Net Unrealized Gains on Securities Available for Sale	**201,455**	167,486	**1,706**
Other Amount set off against Deferred Tax Liabilities	**7,242**	4,138	**61**
Subtotal	**¥ 208,698**	¥ 171,625	**$ 1,767**
Amount set off Against Deferred Tax Asset	**(101,363)**	(94,602)	**(858)**
Deferred Tax Liabilities	**¥ 107,334**	¥ 77,022	**$ 909**

34. Segment Information

(a) Business Segment

The following tables present information attributable by business for the years ended March 31, 2007, and identifiable assets of each business at March 31, 2007.

	Millions of Yen					
Year Ended March 31, 2007	Trust Banking Business	Leasing Business	Financial-Related Business	Total	Elimination	Consolidated
Income:						
Unaffiliated Customers	¥ 575,825	¥ 241,472	¥ 41,282	¥ 858,580	¥ —	¥ 858,580
Intersegment	4,574	242	9,209	14,025	(14,025)	—
Total Income	580,399	241,714	50,491	872,606	(14,025)	858,580
Total Expenses	431,779	231,598	31,911	695,288	(4,486)	690,801
Income before Income Taxes and Others	¥ 148,620	¥ 10,116	¥ 18,580	¥ 177,317	¥ (9,538)	¥ 167,778
Total Assets	¥ 20,209,834	¥ 1,114,690	¥ 240,724	¥ 21,565,248	¥ (562,183)	¥ 21,003,064
Depreciation	12,997	635	439	14,071	—	14,071
Impairment	6,950	102	35	7,088	—	7,088
Capital Expenditure	61,405	2,049	530	63,985	—	63,985

	Millions of U.S. Dollars (Note 1)					
Year Ended March 31, 2007	Trust Banking Business	Leasing Business	Financial-Related Business	Total	Elimination	Consolidated
Income:						
Unaffiliated Customers	$ 4,876	$ 2,045	$ 350	$ 7,270	$ —	$ 7,270
Intersegment	39	2	78	119	(119)	—
Total Income	4,914	2,047	428	7,389	(119)	7,270
Total Expenses	3,656	1,961	270	5,887	(38)	5,849
Income before Income Taxes and Others	$ 1,258	$ 86	$ 157	$ 1,501	$ (81)	$ 1,421
Total Assets	$ 171,125	$ 9,439	$ 2,038	$ 182,602	$ (4,760)	$ 177,841
Depreciation	110	5	4	119	—	119
Impairment	59	1	0	60	—	60
Capital Expenditure	520	17	4	542	—	542

For the year ended March 31, 2007, the notes with regard to the tables above are as follows:

1) Business segment is determined by the principal business of each consolidated subsidiary.

2) The primary contents of each business segment are as follows:

(1) Trust Banking Business: trust banking and its supplemental and associated businesses.

(2) Leasing Business: leasing business

(3) Financial-Related Business: real estate secured loan, credit cards and other businesses.

3) The tables above listed Total income and Income before income taxes and others, instead of Gross sales and Business profit of companies in other industries.

4) Capital expenditures include IT related investments.

Since the importance of Leasing Business increased as STB Leasing Co., Ltd. became the consolidated subsidiary of the Bank, Leasing Business, formerly included in Financial-Related Business, is separately presented. The segment information as of March 31, 2007 and 2006 using the former segment classification is as follows:

Year Ended March 31, 2007	Millions of Yen				
	Trust Banking Business	Financial-Related Business	Total	Elimination	Consolidated
Income:					
Unaffiliated Customers	¥ 575,825	¥ 282,754	¥ 858,580	¥ —	¥ 858,580
Intersegment	4,574	9,314	13,888	(13,888)	—
Total Income	580,399	292,068	872,468	(13,888)	858,580
Total Expenses	431,779	263,476	695,255	(4,454)	690,801
Income before Income Taxes and Others	¥ 148,620	¥ 28,592	¥ 177,212	¥ (9,434)	¥ 167,778
Total Assets	¥ 20,209,834	¥ 1,355,414	¥ 21,565,248	¥ (562,183)	¥ 21,003,064
Depreciation	12,997	1,074	14,071	—	14,071
Impairment	6,950	137	7,088	—	7,088
Capital Expenditure	61,405	2,580	63,985	—	63,985

Year Ended March 31, 2006	Millions of Yen				
	Trust Banking Business	Financial-Related Business	Total	Elimination	Consolidated
Income:					
Unaffiliated Customers	¥ 569,583	¥ 222,029	¥ 791,613	¥ —	¥ 791,613
Intersegment	3,935	1,037	4,973	(4,973)	—
Total Income	573,519	223,067	796,587	(4,973)	791,613
Total Expenses	414,861	210,294	625,156	(4,883)	620,273
Income before Income Taxes and Others	¥ 158,657	¥ 12,773	¥ 171,430	¥ (90)	¥ 171,340
Total Assets	¥ 20,288,434	¥ 629,400	¥ 20,917,835	¥ (285,897)	¥ 20,631,938
Depreciation	12,687	1,836	14,524	—	14,524
Impairment	762	66	828	—	828
Capital Expenditure	12,551	1,554	14,106	—	14,106

For the year ended March 31, 2006, the notes with regard to the table above are as follows:

1) Business segment is determined by the principal business of each consolidated subsidiary.

2) The primary contents of each business segment are as follows:

(1) Trust Banking Business: trust banking and its supplemental and associated businesses.

(2) Financial-Related Business: leasing business, credit cards and other businesses.

3) The table above listed Total income and Income before income taxes and others, instead of Gross sales and Business profit of companies in other industries.

4) Capital expenditures include IT related investments.

(b) Geographic Segment

The following tables present information attributable to domestic and overseas operations for the years ended March 31, 2007 and 2006, and identifiable assets of each operation at March 31, 2007 and 2006.

	Millions of Yen						
Year Ended March 31, 2007	Japan	Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
Income:							
Unaffiliated Customers	¥ 742,478	¥ 46,825	¥ 42,642	¥ 26,634	¥ 858,580	¥ —	¥ 858,580
Intersegment	13,614	10,859	2,570	3,855	30,899	(30,899)	—
Total Income	756,092	57,684	45,212	30,489	889,479	(30,899)	858,580
Total Expenses	596,926	52,056	42,598	28,446	720,028	(29,226)	690,801
Income before Income Taxes and Others	¥ 159,165	¥ 5,628	¥ 2,614	¥ 2,042	¥ 169,451	¥ (1,672)	¥ 167,778
Total Assets	¥ 19,424,891	¥ 1,506,628	¥ 1,050,218	¥ 509,191	¥ 22,490,930	¥ (1,487,866)	¥ 21,003,064

	Millions of U.S. Dollars (Note 1)						
Year Ended March 31, 2007	Japan	Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
Income:							
Unaffiliated Customers	$ 6,287	$ 396	$ 361	$ 226	$ 7,270	$ —	$ 7,270
Intersegment	115	92	22	33	262	(262)	—
Total Income	6,402	488	383	258	7,532	(262)	7,270
Total Expenses	5,054	441	361	241	6,097	(247)	5,849
Income before Income Taxes and Others	$ 1,348	$ 48	$ 22	$ 17	$ 1,435	$ (14)	$ 1,421
Total Assets	$ 164,478	$ 12,757	$ 8,893	$ 4,312	$ 190,440	$ (12,598)	$ 177,841

	Millions of Yen						
Year Ended March 31, 2006	Japan	Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
Income:							
Unaffiliated Customers	¥ 670,315	¥ 37,571	¥ 68,171	¥ 15,555	¥ 791,613	¥ —	¥ 791,613
Intersegment	3,827	6,605	1,332	2,421	14,187	14,187	—
Total Income	674,143	44,177	69,504	17,976	805,801	14,187	791,613
Total Expenses	508,983	39,800	67,575	17,108	633,468	13,195	620,273
Income before Income Taxes and Others	¥ 165,159	¥ 4,376	¥ 1,928	¥ 867	¥ 172,332	¥ 991	¥ 171,340
Total Assets	¥ 19,616,225	¥ 1,157,298	¥ 734,000	¥ 748,327	¥ 22,255,851	¥ 1,623,913	¥ 20,631,938

1) The tables above listed Total income and Income before income taxes and others, which are classified each regions into geographic proximity, similarity of economic activities and relationship of business activities, instead of Gross sales and Business profit of companies in other industries.

2) Americas includes United States, Europe includes United Kingdom and Asia/Oceania includes Singapore.

(c) Total Income from Overseas Operation

Total income from overseas operation for the fiscal years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen (except for percentage data)		Millions of U.S. Dollars (Note1)
Year Ended March 31	**2007**	2006	**2007**
Operating Income from Overseas Operations (A)	**¥ 116,101**	¥ 121,298	**$ 983**
Consolidated Operating Income (B)	**858,580**	791,613	**7,270**
(A)/(B)	**13.5%**	15.3%	

1) The table above shows Total income instead of Gross sales of companies in other industries.
2) Total income from overseas operation consists of income from transactions of overseas branches of the Bank and overseas consolidated subsidiaries (excluding internal total income among consolidated subsidiaries). These extensive transactions are not categorized by transaction party, and geographic segment information is not presented.

35. Related Party Transactions

There were no material transactions with related parties to be reported for the fiscal years ended March 31, 2007 and 2006.

36. Amount per Share

Net income per share and Net income per share (fully-diluted) for the years ended March 31, 2007 and 2006 consisted of following:

Year Ended March 31, 2007	Net Income (Loss) [Millions of Yen] (Numerator)	Average Common Stock Outstanding [Thousands of Shares] (Denominator)	Per-Share Amount [Yen]
Net Income	**¥ 103,820**		
Basic Net Income per Share			
Net Income Available to Common Shareholders	**103,820**	**1,673,128**	**¥ 62.05**
Effect of Dilutive Securities			
Warrants		**283**	
Fully-Diluted Net Income per Share			
Net Income Available to Common Shareholders with Assumed Conversions	**¥ 103,820**	**1,673,412**	**¥ 62.04**

Year Ended March 31, 2006	Net Income (Loss) [Millions of Yen] (Numerator)	Average Common Stock Outstanding [Thousands of Shares] (Denominator)	Per-Share Amount [Yen]
Net Income as Reported	¥ 100,069		
Less:Bonuses to Directors	(75)		
Basic Net Income per Share			
Net Income Available to Common Shareholders	99,994	1,668,962	¥ 59.91
Effect of Dilutive Securities			
Warrants		1,088	
Fully-Diluted Net Income per Share			
Net Income Available to Common Shareholders with Assumed Conversions	¥ 99,994	1,670,050	¥ 59.87

Net assets per share is calculated by dividing Net assets excluding the amount of Preferred stock, Dividends on preferred stock outstanding and Bonuses to directors by the number of common stock outstanding at each year-end.

Net assets per share for the year ended March 31, 2007 consisted of following:

Year Ended March 31, 2007	Net Assets [Millions of Yen] (Numerator)	Common Stock Outstanding [Thousands of Shares] (Denominator)	Net Assets per Share [Yen]
Net Assets as Reported	¥ 1,447,907		
Less:Minority Interests	(210,749)		
Net Assets Available to Common Shareholders	¥ 1,237,157	1,674,605	¥ 738.77

The Bank adopted the ASBJ Guidance No.4, "Guidance on Accounting Standard for Earnings per Share" (revised by the ASBJ on January 31, 2006). Accordingly, the Bank includes Net of differed hedge income and losses in the calculation of Net income per share. As a result, Net income per share decreased by 5.79 yen compared to the amount calculated in the previous way.

37. Subsequent Event

There were no material events to be reported for the fiscal years ended March 31, 2007 and 2006.

Independent Auditors' Report

To the Board of Directors of
The Sumitomo Trust and Banking Company, Limited:

We have audited the accompanying consolidated balance sheets of The Sumitomo Trust and Banking Company, Limited (the "Bank") and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income for the years then ended, the consolidated statement of changes in net assets for the year ended March 31, 2007, the consolidated statement of shareholders' equity for the year ended March 31, 2006, and the consolidated statements of cash flows for the years ended March 31, 2007 and 2006, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Bank and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 28, 2007

Financial Section | Statement of Trust Account (Unaudited)

At March 31	Millions of Yen 2007	Millions of Yen 2006	Millions of U.S. Dollars (Note 1) 2007
Assets:			
Loans and Bills Discounted (Note 2)	**¥ 591,989**	¥ 755,381	**$ 5,013**
Securities (Note 3)	**10,496,104**	7,725,066	**88,875**
Money Held in Trust	**50,601,325**	41,287,117	**428,462**
Securities Held in Custody Accounts	**399,129**	239,005	**3,380**
Money Claims	**7,058,417**	4,650,703	**59,766**
Premises and Equipment		3,426,969	
Tangible Fixed Assets	**3,854,098**		**32,634**
Intangible Fixed Assets	**23,865**		**202**
Other Claims	**2,524,875**	1,615,217	**21,379**
Call Loans	**3,800**	3,000	**32**
Loans to Banking Account (Note 4)	**1,319,548**	1,733,446	**11,173**
Cash and Due from Banks	**276,793**	233,959	**2,344**
Total Assets	**¥ 77,149,949**	¥ 61,669,866	**$ 653,260**
Liabilities:			
Money Trusts (Note 5)	**21,369,242**	18,070,043	**180,942**
Pension Trusts	**6,970,683**	5,811,884	**59,024**
Property Formation Benefit Trusts	**8,207**	9,214	**69**
Loan Trusts (Note 6)	**685,561**	885,962	**5,805**
Securities Investment Trusts	**16,912,419**	11,982,306	**143,204**
Money Entrusted, other than Money Trusts	**3,020,418**	2,376,059	**25,575**
Securities Trusts	**13,535,165**	12,063,798	**114,608**
Money Claim Trusts	**6,740,747**	4,373,386	**57,077**
Equipment Trusts	**1,147**	1,686	**10**
Land and Fixtures Trusts	**146,802**	154,251	**1,243**
Composite Trusts	**7,759,552**	5,941,271	**65,703**
Other Trusts	**0**	0	**0**
Total Liabilities	**¥ 77,149,949**	¥ 61,669,866	**$ 653,260**

See accompanying notes.

1. Basis of Presenting Financial Statements

The Trust account is separated from the Banking account in accordance with the Japanese Trust Law, which requires the trustee to administer the trust accounts separately from other accounts.

U.S. dollar amounts are translated solely for convenience at the rate of ¥118.10 to U.S.$1.00, at March 31, 2007.

2. Loans and Bills Discounted

Loans and bills discounted at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2007	2006	2007
Loans on Deeds	¥ 347,082	¥ 752,731	$ 2,939
Loans on Bills	244,907	2,649	2,074
Total	**¥ 591,989**	¥ 755,381	**$ 5,013**

The balances of Guaranteed trust account loans at March 31, 2007 and 2006 were ¥428,943 million and ¥551,752 million, respectively, which included the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2007	2006	2007
Loans in Bankruptcy Proceedings	¥ —	¥ 188	$ —
Other Delinquent Loans	2,688	3,836	23
Loans more than Three Months Past Due	—	—	—
Restructured Loans	16,829	27,873	142

Note: Refer to page 73 for the definition of each item.

3. Securities

Securities held at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2007	2006	2007
Japanese Government Bonds	¥ 4,324,625	¥ 3,255,995	$ 36,618
Japanese Local Government Bonds	294,706	195,261	2,495
Japanese Corporate Bonds and Debentures	1,254,963	855,197	10,626
Japanese Stocks	2,469,301	1,560,143	20,909
Foreign Securities	2,151,716	1,858,465	18,219
Others	791	3	7
Total	**¥ 10,496,104**	¥ 7,725,066	**$ 88,875**

4. Loans to Banking Account

Loans to banking account is surplus funds generated through the management of trust assets, which is presented as Borrowed money from trust account in the Banking account.

5. Balance of Jointly-Operated Money Trusts

The Bank makes provisions for possible loan losses from Jointly-operated money trusts. Jointly-operated money trusts are included in "Money Trusts" in the statement of trust account.

Funds in a trust account that are reinvested in other trusts managed by the Bank are deducted from these other accounts to prevent duplication. The figures in the accompanying statements of trust account at March 31, 2007 and 2006 are calculated on this basis. However, the following figures include funds reinvested from other trusts managed by the Bank.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2007	2006	**2007**
Assets:			
Loans and Bills Discounted	**¥ 428,943**	¥ 167,347	**$ 3,632**
Securities	**14,673**	43,787	**124**
Others	**461,846**	1,007,038	**3,911**
Total	**¥ 905,462**	¥ 1,218,173	**$ 7,667**
Liabilities:			
Principal	**903,689**	1,216,743	**7,652**
Reserve for Possible Impairment of Principal	**1,235**	504	**10**
Others	**537**	925	**5**
Total	**¥ 905,462**	¥ 1,218,173	**$ 7,667**

6. Balance of Loan Trusts

Funds in a trust account that are reinvested in other trusts managed by the Bank are deducted from these other accounts to prevent duplication. The figures in the accompanying statements of trust account at March 31, 2007 and 2006 are calculated on this basis. However, the following figures include funds reinvested from other trusts managed by the Bank.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2007	2006	**2007**
Assets:			
Loans and Bills Discounted	**¥ —**	¥ 384,405	**$ —**
Securities	**—**	9,609	**—**
Others	**700,772**	543,082	**5,934**
Total	**¥ 700,772**	¥ 937,096	**$ 5,934**
Liabilities:			
Principal	**694,587**	927,283	**5,881**
Reserve for Possible Impairment of Principal	**4,136**	5,011	**35**
Others	**2,047**	4,801	**17**
Total	**¥ 700,772**	¥ 937,096	**$ 5,934**

Non-consolidated Balance Sheet (Unaudited)

The Sumitomo Trust and Banking Company, Limited at March 31, 2007 and 2006

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2007	2006	**2007**
Assets:			
Cash and Due from Banks	**¥ 761,614**	¥ 876,989	**$ 6,449**
Call Loans	**244,125**	352,514	**2,067**
Bills Bought	**—**	39,800	**—**
Monetary Claims Bought	**646,072**	582,553	**5,471**
Trading Assets	**610,925**	438,031	**5,173**
Money Held in Trust	**20,031**	14,768	**170**
Securities	**5,504,467**	5,938,057	**46,609**
Loans and Bills Discounted	**10,797,440**	10,352,598	**91,426**
Foreign Exchanges	**6,618**	3,104	**56**
Other Assets	**1,041,532**	1,098,778	**8,819**
Premises and Equipment		93,237	
Tangible Fixed Assets	**114,020**		**965**
Intangible Fixed Assets	**21,392**		**181**
Customers' Liabilities for Acceptances and Guarantees	**741,588**	648,335	**6,279**
Reserve for Possible Loan Losses	**(97,879)**	(66,501)	**(829)**
Reserve for Losses on Investment Securities	**(6,993)**	(535)	**(59)**
Total Assets	**¥ 20,404,956**	¥ 20,371,732	**$ 172,777**
Liabilities:			
Deposits	**11,317,081**	10,316,161	**95,826**
Negotiable Certificates of Deposit	**2,371,648**	2,421,656	**20,082**
Call Money	**153,620**	123,523	**1,301**
Payables under Repurchase Agreements	**683,686**	983,715	**5,789**
Payables under Securities Lending Transactions	**292,166**	703,050	**2,474**
Bills Sold	**—**	545,500	**—**
Trading Liabilities	**55,720**	72,848	**472**
Borrowed Money	**826,578**	501,049	**6,999**
Foreign Exchanges	**183**	157	**2**
Short-term Corporate Bonds	**293,490**	331,600	**2,485**
Bonds and Notes	**260,590**	192,700	**2,207**
Borrowed Money from Trust Account	**1,319,548**	1,733,446	**11,173**
Other Liabilities	**776,518**	614,763	**6,575**
Reserve for Employees' Bonus	**3,620**	3,786	**31**
Reserve for Bonus for Directors and Corporate Auditors	**85**	—	**1**
Reserve for Employee Retirement Benefits	**200**	195	**2**
Deferred Tax Liabilities	**107,010**	76,782	**906**
Deferred Tax Liabilities for Land Revaluation	**6,113**	6,410	**52**
Acceptances and Guarantees	**741,588**	648,335	**6,279**
Total Liabilities	**¥ 19,209,450**	¥ 19,275,682	**$ 162,654**
Stockholders' Equity:			
Capital Stock		287,283	
Capital Surplus		240,703	
Capital Surplus Reserve		240,703	
Retained Earnings		327,379	
Earned Surplus Reserve		46,580	
Voluntary Reserves		191,870	
Unappropriated Profits at End of the Period		88,929	
Revaluation Reserve for Land, Net of Taxes		(3,740)	
Net Unrealized Gains on Securities Available for Sale, Net of Taxes		244,674	
Treasury Stock		(251)	
Total Stockholders' Equity	¥	¥ 1,096,049	$
Total Liabilities and Stockholders' Equity	¥	¥ 20,371,732	$
Net Assets:			
Owners' Equity	**914,963**		**7,747**
Capital Stock	**287,517**		**2,435**
Capital Surplus:	**242,538**		**2,054**
Capital Surplus Reserve	**242,536**		**2,054**
Other Capital Surplus	**2**		**0**
Retained Earnings:	**385,296**		**3,262**
Earned Surplus Reserve	**46,580**		**394**
Other Retained Earnings	**338,715**		**2,868**
Reserve for Losses on Overseas Investment	**0**		**0**
Other Voluntary Reserve	**251,870**		**2,133**
Earned Surplus Brought Forward	**86,845**		**735**
Treasury Stock	**(389)**		**(3)**
Valuation and Translation Adjustments	**280,542**		**2,375**
Net Unrealized Gains on Securities Available for Sale, Net of Taxes	**294,424**		**2,493**
Net Deferred Losses on Hedging Instruments, Net of Taxes	**(9,713)**		**(82)**
Revaluation Reserve for Land, Net of Taxes	**(4,168)**		**(35)**
Total Net Assets	**1,195,505**		**10,123**
Total Liabilities and Net Assets	**20,404,956**		**172,777**

	Yen		U.S. Dollars (Note 1)
Net Assets per Share	**¥ 713.90**	¥ 655.26	**$ 6.04**

See accompanying notes.

Non-consolidated Statement of Income (Unaudited)

The Sumitomo Trust and Banking Company, Limited for the years ended March 31, 2007 and 2006

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2007	2006	**2007**
Income:			
Trust Fees	**¥ 73,226**	¥ 68,900	**$ 620**
Interest Income:			
Interest on Loans and Discounts	**181,363**	134,832	**1,536**
Interest and Dividends on Securities	**128,535**	117,376	**1,088**
Other Interest Income	**23,294**	13,044	**197**
	333,194	265,252	**2,821**
Fees and Commissions	**97,249**	98,583	**823**
Trading Income	**8,311**	6,317	**70**
Other Operating Income	**27,953**	40,545	**237**
Other Income	**23,745**	80,263	**201**
Total Income	**¥ 563,680**	¥ 559,864	**$ 4,773**
Expenses:			
Interest Expenses:			
Interest on Deposits	**109,869**	58,133	**930**
Interest on Borrowings and Rediscounts	**16,584**	9,254	**140**
Other Interest Expenses	**61,066**	54,934	**517**
	187,521	122,323	**1,588**
Fees and Commissions	**39,500**	37,278	**334**
Trading Expenses	**166**	812	**1**
Other Operating Expenses	**16,392**	33,747	**139**
General and Administrative Expenses	**120,959**	125,840	**1,024**
Other Expenses	**66,643**	91,281	**564**
Total Expenses	**¥ 431,183**	¥ 411,284	**$ 3,651**
Income before Income Taxes and Others	**¥ 132,497**	¥ 148,580	**$ 1,122**
Income Taxes and Others:			
Current	**48,046**	82	**407**
Deferred	**2,636**	60,000	**22**
Net Income	**¥ 81,813**	¥ 88,497	**$ 693**

	Yen		U.S. Dollars (Note 1)
Net Income per Share	**¥ 48.89**	¥ 52.98	**$ 0.41**
Net Income per Share (fully-diluted)	**48.89**	52.94	**0.41**
Annual Dividends per Share	**17.00**	12.00	**0.14**

See accompanying notes.

Financial Section

Non-consolidated Statement of Changes in Net Assets (Unaudited)

The Sumitomo Trust and Banking Company, Limited for the year ended March 31, 2007

	Number of Shares	Millions of Yen			
		Owners' Equity			
			Capital Surplus		
	Common Stock (Thousands)	Capital Stock	Capital Surplus Reserve	Other Capital Surplus	Total Capital Surplus
Balance at the End of Previous Period	1,672,892	¥ 287,283	¥ 240,703	¥ —	¥ 240,703
Changes of Items during the Period:					
Issuance of New Shares	2,141	233	1,832		1,832
Dividends from Surplus			—	—	—
Bonuses to Directors					
Net Income					
Purchase of Treasury Stock					
Disposal of Treasury Stock			—	2	2
Reversal of Revaluation Reserve for Land, Net of Taxes					
Provision for Reserve for Losses on Overseas Investment					
Net Changes of Items other than Owners' Equity					
Total Changes of Items during the Period	2,141	¥ 233	¥ 1,832	¥ 2	¥ 1,835
Balance at the End of the Current Period	1,675,034	¥ 287,517	¥ 242,536	¥ 2	¥ 242,538

	Millions of U.S. Dollars (Note 1)			
	Owners' Equity			
		Capital Surplus		
	Capital Stock	Capital Surplus Reserve	Other Capital Surplus	Total Capital Surplus
Balance at the End of Previous Period	$ 2,433	$ 2,038	$ —	$ 2,038
Changes of Items during the Period:				
Issuance of New Shares	2	16		16
Dividends from Surplus		—	—	—
Bonuses to Directors				
Net Income				
Purchase of Treasury Stock				
Disposal of Treasury Stock		—	0	0
Reversal of Revaluation Reserve for Land, Net of Taxes				
Provision for Reserve for Losses on Overseas Investment				
Net Changes of Items other than Owners' Equity				
Total Changes of Items during the Period	$ 2	$ 16	$ 0	$ 16
Balance at the End of the Current Period	$ 2,435	$ 2,054	$ 0	$ 2,054

See accompanying notes.

Financial Section

Non-consolidated Statement of Stockholders' Equity (Unaudited)

The Sumitomo Trust and Banking Company, Limited for the year ended March 31, 2006

	Number of Shares		Millions of Yen			
	Preferred Stock (Thousands)	Common Stock (Thousands)	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings
Balance at March 31, 2005	—	1,672,147	¥ —	¥ 287,053	¥ 240,472	¥ 269,167
Net Income						88,497
Dividends Paid						(30,015)
Exercise of the Right of Share Warrant		745		230	230	
Net Change						
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property						189
Loss on Disposal of Treasury Stock						(389)
Bonuses to Directors						(70)
Balance at March 31, 2006	—	1,672,892	¥ —	¥ 287,283	¥ 240,703	¥ 327,379

See accompanying notes.

Millions of Yen									
Owners' Equity					Valuation and Translation Adjustments				
Retained Earnings									
Earned Surplus Reserve	Other Retained Earnings	Total Retained Earnings	Treasury Stock	Total Owners' Equity	Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Taxes	Net Deferred Gains (Losses) on Hedging Instruments, Net of Taxes	Revaluation Reserve for Land, Net of Taxes	Total Valuation and Translation Adjustments	Total Net Assets
¥ 46,580	¥ 280,799	¥ 327,379	¥ (251)	¥ 855,115	¥ 244,674	¥ —	¥ (3,740)	¥ 240,934	¥ 1,096,049
				2,066					2,066
0	(24,256)	(24,256)		(24,256)					(24,256)
	(70)	(70)		(70)					(70)
	81,813	81,813		81,813					81,813
			(145)	(145)					(145)
	—	—	6	9					9
	429	429		429					429
	0	0		0					0
					49,749	(9,713)	(427)	39,608	39,608
¥ 0	¥ 57,916	¥ 57,916	¥ (138)	¥ 59,847	¥ 49,749	¥ (9,713)	¥ (427)	¥ 39,608	¥ 99,455
¥ 46,580	¥ 338,715	¥ 385,296	¥ (389)	¥ 914,963	¥ 294,424	¥ (9,713)	¥ (4,168)	¥ 280,542	¥ 1,195,505

Millions of U.S. Dollars (Note 1)									
Owners' Equity					Valuation and Translation Adjustments				
Retained Earnings									
Earned Surplus Reserve	Other Retained Earnings	Total Retained Earnings	Treasury Stock	Total Owners' Equity	Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Taxes	Net Deferred Gains (Losses) on Hedging Instruments, Net of Taxes	Revaluation Reserve for Land, Net of Taxes	Total Valuation and Translation Adjustments	Total Net Assets
$ 394	$ 2,378	$ 2,772	$ (2)	$ 7,241	$ 2,072	$ —	$ (32)	$ 2,040	$ 9,281
				17					17
0	(205)	(205)		(205)					(205)
	(1)	(1)		(1)					(1)
	693	693		693					693
			(1)	(1)					(1)
	—	—	0	0					0
	4	4		4					4
	0	0		0					0
					421	(82)	(4)	335	335
0	490	$ 490	$ (1)	$ 507	$ 421	$ (82)	$ (4)	$ 335	$ 842
$ 394	$ 2,868	$ 3,262	$ (3)	$ 7,747	$ 2,493	$ (82)	$ (35)	$ 2,375	$ 10,123

Millions of Yen		
Revaluation Reserve for Land, Net of Taxes	Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Taxes	Treasury Stock
¥ (3,551)	¥ 114,337	¥ (4,466)
	130,337	4,215
(189)		
¥ (3,740)	¥ 244,674	¥ (251)

The accompanying non-consolidated financial statements should be read in conjunction with the notes to consolidated financial statements.

1. Basis of Presenting Financial Statements

The accompanying translated non-consolidated financial statements have been compiled from the non-consolidated financial statements that are prepared for Japanese domestic purposes in accordance with the Securities and Exchange Law of Japan, the Banking Law of Japan and accounting principles and practices generally accepted in Japan ("Japanese GAAP.") Certain accounting principles and practices generally accepted in Japan are partly different from International Financial Reporting Standards in terms of application and disclosure requirements.

The accompanying non-consolidated financial statements include only the accounts of the Bank. The accounts of its subsidiaries are not consolidated. Investments in subsidiaries and affiliated companies are stated at cost. Earnings of subsidiaries and affiliated companies are recorded in the Bank's books only to the extent that cash dividends are accrued.

The accompanying financial statements have been restructured and translated into English (with some modifications and expanded descriptions for facilitation of understanding by readers outside Japan) from the financial statements in accordance with Japanese GAAP and filed with appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language financial statements, but not required for fair presentation is not presented in the accompanying financial statements.

The Bank, a Japanese corporation, maintains its records and prepares its financial statements in Japanese yen. The accompanying U.S. dollar financial statements have been translated from yen-base financial statements for convenience, and as a matter of arithmetical computation only, at the rate of ¥118.10 to U.S.$1.00, the exchange rate prevailing at March 31, 2007. The convenience translations would not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

In accordance with the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the total in yen, and accordingly in U.S. dollars, shown in the non-consolidated financial statements do not necessarily agree with the sum of the individual amounts.

2. Significant Accounting Policies and Practices

Refer to notes of consolidated financial statements for information other than mentioned above.

3. Changes in Significant Accounting Policies and Practices

Refer to notes of consolidated financial statements for information other than mentioned above.

Loans by Industry (Consolidated basis)

(i) Banking Account

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Domestic Offices (Excluding Offshore Loans):			
Manufacturing	¥ 1,223,520	¥ 1,257,483	$ 10,360
Agriculture, Forestry, Fishing, and Mining	26,429	19,356	224
Construction	144,876	134,688	1,227
Energy	159,790	141,749	1,353
Communication	136,607	163,010	1,157
Transportation	697,461	572,772	5,906
Wholesale and Retail	891,318	876,499	7,547
Finance and Insurance	1,773,192	1,907,541	15,014
Real Estate	1,501,184	1,306,040	12,711
Various Services	1,069,720	1,308,682	9,058
Local Governments	59,998	34,134	508
Individuals and Others	1,807,687	1,571,602	15,306
Subtotal	¥ 9,491,788	¥ 9,293,561	$ 80,371
Overseas Offices (Including Offshore Loans of Domestic Offices):			
Governments and Official Institutions	1,215	3,757	10
Banks and Other Financial Institutions	7,686	4,806	65
Others	986,547	884,151	8,353
Subtotal	¥ 995,449	¥ 892,714	$ 8,429
Total	¥ 10,487,237	¥ 10,186,276	$ 88,800

Note: U.S. dollar amounts are translated solely for convenience at the rate of ¥118.10 to U.S.$1.00, at March 31, 2007.

(ii) Trust Account

	Millions of Yen		Millions of U.S. Dollars
	2007	2006	2007
Domestic Offices (Excluding Offshore Loans):			
Manufacturing	¥ 24,877	¥ 26,475	$ 211
Agriculture, Forestry, Fishing, and Mining	—	136	—
Construction	1,575	19,757	13
Energy	2,679	54,518	23
Communication	1,315	1,614	11
Transportation	10,052	127,305	85
Wholesale and Retail	12,003	21,671	102
Finance and Insurance	50,961	81,295	432
Real Estate	10,330	50,509	87
Various Services	195,310	20,388	1,654
Local Governments	32,771	34,717	277
Individuals and Others	250,110	316,989	2,118
Total	¥ 591,989	¥ 755,381	$ 5,013

Note: U.S. dollar amounts are translated solely for convenience at the rate of ¥118.10 to U.S.$1.00, at March 31, 2007.

Financial Section

Five-Year Summary

The Sumitomo Trust and Banking Company, Limited at/for the years ended March 31

Consolidated Statement of Banking Account	Millions of Yen				
	2007	2006	2005	2004	2003
At Year-End					
Assets:					
Cash and Due from Banks	¥ **789,472**	¥ 892,274	¥ 432,183	¥ 747,328	¥ 673,327
Securities	**5,265,243**	5,767,544	4,587,489	3,636,779	3,458,250
Loans and Bills Discounted	**10,487,237**	10,186,276	9,013,920	8,862,059	9,143,155
Premises and Equipment		109,653	106,826	108,861	116,026
Tangible Fixed Assets	**131,120**				
Intangible Fixed Assets	**134,619**				
Customers' Liabilities for Acceptances and Guarantees	**516,865**	533,760	399,099	340,283	319,217
Others	**3,791,896**	3,218,636	1,467,620	1,790,879	2,208,847
Reserve for Possible Loan Losses	**(106,671)**	(76,206)	(80,806)	(111,785)	(139,060)
Reserve for Losses on Investment Securities	**(6,718)**	—	(17,958)	(3,027)	—
Total Assets	**¥ 21,003,064**	¥ 20,631,938	¥ 15,908,374	¥ 15,371,378	¥ 15,779,764
Liabilities:					
Deposits and Negotiable Certificates of Deposit	**13,715,918**	12,771,890	10,617,221	10,167,535	10,257,451
Acceptances and Guarantees	**516,865**	533,760	399,099	340,283	319,217
Others	**5,322,373**	6,049,210	3,897,076	3,971,173	4,486,172
Total Liabilities	**¥ 19,555,157**	¥ 19,354,861	¥ 14,913,397	¥ 14,478,992	¥ 15,062,840
Minority Interest	¥	¥ 159,085	¥ 85,250	¥ 90,356	¥ 89,093
Total Stockholders' Equity	¥	¥ 1,117,991	¥ 909,726	¥ 802,029	¥ 627,830
Total Liabilities, Minority Interest and Stockholders' Equity	¥	¥ 20,631,938	¥ 15,908,374	¥ 15,371,378	¥ 15,779,764
Net Assets:					
Owners' Equity	¥ **959,340**	¥	¥	¥	¥
Valuation and Translation Adjustments	**277,817**				
Minority Interests	**210,749**				
Total Net Assets	**¥ 1,447,907**	¥	¥	¥	¥
Total Liabilities and Net Assets	**¥ 21,003,064**	¥	¥	¥	¥
For The Year					
Income:					
Trust Fees	¥ **73,226**	¥ 68,900	¥ 71,316	¥ 76,401	¥ 71,382
Interest Income	**344,541**	271,359	238,698	213,292	270,666
Fees and Commissions	**134,250**	124,999	88,466	72,137	59,445
Trading Income	**8,311**	6,317	4,239	3,760	8,094
Other Operating Income	**261,632**	234,106	46,861	76,227	123,267
Other Income	**36,618**	85,929	79,930	64,455	32,560
Total Income	¥ **858,580**	¥ 791,613	¥ 529,513	¥ 506,274	¥ 565,416
Expenses:					
Interest Expenses	**184,455**	120,386	89,684	93,583	119,054
Fees and Commissions	**30,498**	24,427	20,996	19,309	23,353
Trading Expenses	**166**	812	72	—	478
Other Operating Expenses	**222,739**	200,514	51,008	49,015	118,963
General and Administrative Expenses	**183,334**	174,527	138,239	132,716	135,147
Other Expenses	**69,606**	99,603	71,657	72,993	294,912
Total Expenses	¥ **690,801**	¥ 620,273	¥ 371,658	¥ 367,618	¥ 691,909
Income (Loss) before Income Taxes and Others	¥ **167,778**	¥ 171,340	¥ 157,854	¥ 138,656	¥ (126,493)
Net Income (Loss)	¥ **103,820**	¥ 100,069	¥ 96,865	¥ 79,629	¥ (72,967)
Per Share (Common Stock)					
Net Income (Loss) per Share (Yen)	¥ **62.05**	¥ 59.91	¥ 59.86	¥ 53.98	¥ (50.80)
Net Income per Share (fully-diluted) (Yen)	**62.04**	59.87	58.07	48.32	—
Net Assets per Share (Yen)	**738.77**	668.38	545.98	481.03	361.44

Financial Section

Five-Year Summary

The Sumitomo Trust and Banking Company, Limited at/for the years ended March 31

	Millions of Yen				
Non-consolidated Statement of Banking Account	**2007**	2006	2005	2004	2003
At Year-End					
Assets:					
Cash and Due from Banks	**¥ 761,614**	¥ 876,989	¥ 429,308	¥ 751,656	¥ 670,518
Securities	**5,504,467**	5,938,057	4,587,448	3,636,250	3,468,066
Loans and Bills Discounted	**10,797,440**	10,352,598	9,035,826	8,887,978	9,168,024
Premises and Equipment		93,237	96,126	97,932	105,000
Tangible Fixed Assets	**114,020**				
Intangible Fixed Assets	**21,392**				
Customers' Liabilities for Acceptances and Guarantees	**741,588**	648,335	561,253	474,756	432,641
Others	**2,569,306**	2,529,550	1,405,403	1,738,137	2,162,103
Reserve for Possible Loan Losses	**(97,879)**	(66,501)	(77,076)	(109,091)	(136,094)
Reserve for Losses on Investment Securities	**(6,993)**	(535)	(19,704)	(4,774)	(719)
Total Assets	**¥ 20,404,956**	¥ 20,371,732	¥ 16,018,584	¥ 15,472,846	¥ 15,869,541
Liabilities:					
Deposits and Negotiable Certificates of Deposit	**13,688,729**	12,737,818	10,591,348	10,145,980	10,248,045
Acceptances and Guarantees	**741,588**	648,335	561,253	474,756	432,641
Others	**4,779,131**	5,889,529	3,962,969	4,043,677	4,550,351
Total Liabilities	**¥ 19,209,450**	¥ 19,275,682	¥ 15,115,571	¥ 14,664,414	¥ 15,231,038
Stockholders' Equity:					
Capital Stock		287,283	287,053	287,018	287,015
Reserves and Surplus		808,765	615,960	521,414	351,487
Total Stockholders' Equity	¥	¥ 1,096,049	¥ 903,013	¥ 808,432	¥ 638,503
Total Liabilities and Stockholders' Equity	¥	¥ 20,371,732	¥ 16,018,584	¥ 15,472,846	¥ 15,869,541
Net Assets:					
Owners' Equity	**¥ 914,963**	¥	¥	¥	¥
Valuation and Translation Adjustments	**280,542**				
Total Net Assets	**¥ 1,195,505**	¥	¥	¥	¥
Total Liabilities and Net Assets	**¥ 20,404,956**	¥	¥	¥	¥
For The Year					
Income:					
Trust Fees	**¥ 73,226**	¥ 68,900	¥ 71,316	¥ 76,401	¥ 71,382
Interest Income	**333,194**	265,252	238,477	212,429	273,533
Fees and Commissions	**97,249**	98,583	72,405	57,984	45,748
Trading Income	**8,311**	6,317	4,239	3,760	8,094
Other Operating Income	**27,953**	40,545	46,858	76,201	123,259
Other Income	**23,745**	80,263	69,389	60,799	51,360
Total Income	**¥ 563,680**	¥ 559,864	¥ 502,687	¥ 487,577	¥ 573,379
Expenses:					
Interest Expenses	**187,521**	122,323	91,547	94,981	120,718
Fees and Commissions	**39,500**	37,278	34,236	30,453	27,309
Trading Expenses	**166**	812	72	—	478
Other Operating Expenses	**16,392**	33,747	50,972	49,015	118,901
General and Administrative Expenses	**120,959**	125,840	115,260	113,467	119,010
Other Expenses	**66,643**	91,281	70,597	73,660	291,726
Total Expenses	**¥ 431,183**	¥ 411,284	¥ 362,686	¥ 361,578	¥ 678,145
Income (Loss) before Income Taxes and Others	**¥ 132,497**	¥ 148,580	¥ 140,000	¥ 125,998	¥ (104,766)
Net Income (Loss)	**¥ 81,813**	¥ 88,497	¥ 84,700	¥ 73,928	¥ (56,565)
Annual Dividends	**28,455**	20,057	19,992	9,631	5,134
Per Share (Common Stock)					
Net Income (Loss) per Share (Yen)	**¥ 48.89**	¥ 52.98	¥ 52.34	¥ 50.09	¥ (39.49)
Net Income per Share (fully-diluted) (Yen)	**48.89**	52.94	50.77	44.86	—
Annual Dividends per Share (Yen)	**17.00**	12.00	12.00	6.00	3.00
Interim	**8.50**	6.00	—	—	—
Year-end	**8.50**	6.00	12.00	6.00	3.00
Net Assets per Share (Yen)	**713.90**	655.26	541.95	485.27	368.76

Financial Section | Five-Year Summary

The Sumitomo Trust and Banking Company, Limited at the years ended March 31

Statement of Trust Account	Millions of Yen				
	2007	2006	2005	2004	2003
At Year-End					
Assets:					
Loans and Bills Discounted	**¥ 591,989**	¥ 755,381	¥ 912,294	¥ 1,132,607	¥ 1,761,904
Securities	**10,496,104**	7,725,066	6,717,120	5,796,846	4,476,065
Other Assets	**66,061,854**	53,189,419	45,016,095	44,959,710	46,378,161
Total Assets	**¥ 77,149,949**	¥ 61,669,866	¥ 52,645,509	¥ 51,889,165	¥ 52,616,131
Liabilities:					
Money Trusts	**21,369,242**	18,070,043	17,256,145	18,475,916	20,108,266
Pension Trusts	**6,970,683**	5,811,884	4,980,875	6,017,425	5,477,868
Property Formation Benefit Trusts	**8,207**	9,214	10,806	11,256	11,515
Loan Trusts	**685,561**	885,962	1,043,955	1,362,069	1,963,838
Other Trusts	**48,116,254**	36,892,761	29,353,727	26,022,497	25,054,641
Total Liabilities	**¥ 77,149,949**	¥ 61,669,866	¥ 52,645,509	¥ 51,889,165	¥ 52,616,131

Total Employable Funds	Millions of Yen				
	2007	2006	2005	2004	2003
At Year-End					
Deposits	**¥ 13,688,729**	¥ 12,737,818	¥ 10,591,348	¥ 10,145,980	¥ 10,248,045
Money Trusts	**21,369,242**	18,070,043	17,256,145	18,475,916	20,108,266
Pension Trusts	**6,970,683**	5,811,884	4,980,875	6,017,425	5,477,868
Property Formation Benefit Trusts	**8,207**	9,214	10,806	11,256	11,515
Loan Trusts	**685,561**	885,962	1,043,955	1,362,069	1,963,838
Total Employable Funds*	**¥ 42,722,424**	¥ 37,514,923	¥ 33,883,131	¥ 36,012,648	¥ 37,809,535

* Total Employable Funds represents the total amount of the Deposits in the Banking Account and funds included under the Money Trusts, Pension Trusts, Property Formation Benefit Trusts and Loan Trusts in the Trust Account.

Risk Management

Risk Management

1. Basic Philosophy on Risk Management

Financial products and services are evolving day by day in response to a wide array of customer needs and business opportunities for financial institutions are expanding dramatically due to the deregulation and globalization of financial markets as well as to the sophistication of financial technologies. On the other hand, risks financial institutions must manage are becoming increasingly complicated and diverse, pressing for a further sophistication of risk management, as seen in the shift of capital adequacy regulations to the Basel II framework as from the end of March 2007.

In this environment, as the “main bank for asset investment and servicing” for retail customers, and as the “strategic partner” for corporate customers and institutional investors to provide value-added services in response to their needs, we will strive to enhance their confidence in us and further boost our corporate value in a wide range of operations from banking to trust services. In order to realize this vision, we have given the top priority to the sophistication of our risk management framework which meets the characteristics of our business operations.

In Sumitomo Trust’s risk management framework, under the “Risk Management Policy” set by the Board of Directors, authority and its delegation, organizational structure, and processes and procedures are clarified, and PDCA cycles are established for each risk category, including identification, assessment, monitoring, control and mitigation of risk assets across Sumitomo Trust.

Along with the sophistication and elaboration of these risk management frameworks, we will take risks in an appropriate manner to pursue the increased efficiency of capital use. We do not consider risk management simply as a way of “self-protection” but rather a vital means of realizing our corporate philosophy of “putting the customer first.” In order to establish a firm management foundation to support expanding business operations and sustained growth of the Sumitomo Trust Group, we will continue to make efforts toward the enhancement and sophistication of risk management.

(1) Types and Characteristics of Risks

Our “Risk Management Policy” classifies risk categories, by the cause of potential loss, into credit risk, market risk/liquidity risk, and operational risk.

Credit risk is the risk of reduction or impairment of the value of assets (including off-balance sheet assets and securitization transactions) that causes us to incur loss.

Market risk is the risk of loss caused by changes in the value of assets or liabilities we hold due to fluctuations of market factors such as interest rates, stock prices and exchange rates. Another market-related risk is liquidity risk, the risk that raising of necessary funds becomes difficult.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, which in our case, includes business processing risk, infor-

• Risk Categories

		Risk Category	Risk Management related Department	Risk Description
Enterprise Risk Management (Risk Management through Comprehensive Assessment of All Risk Categories)	Integrated Risk Management (Quantitative Risk Management using VaR as an Integrated Measurement)	Credit Risk	Corporate Risk Management Department	Risk of incurring losses due to the value of an asset (including off-balance sheet assets) decreasing or impairing, owing to reasons such as deterioration in the financial condition of a obligor.
		Market Risk	Corporate Risk Management Department	Risk of incurring losses due to fluctuations in the value of assets/liabilities or revenues thereof, either due to fluctuations of items such as interest rates, stocks and foreign exchange rates, or owing to fluctuations in the value of other assets.
		Operational Risk	Corporate Risk Management Department	Risk of incurring loss resulting from inadequate or failed internal processes, people and systems or from external events (including the following risks).
		Business Processing Risk	IT & Business Process Planning Department (or Personnel Department for Internal Fraud)	Risk of incurring losses arising from executives or employees neglecting to engage in proper business activities, or other incidents such as accident or fraud.
		Information Security Risk	IT & Business Process Planning Department	Risk of incurring losses for reasons such as loss of confidentiality, integrity or availability of information or information systems belonging to Sumitomo Trust, owing to factors such as information management, system failure or improper management of system development projects.
		Compliance Risk	Legal and Compliance Department	Risk of incurring losses for reasons such as penalties, claims or lawsuits arising from a lack of compliance with laws, regulations or social standards in Japan and abroad, or an inability to complete transactions due to contractual impediments including the lack of necessary provisions or lack of legal capacity by the transaction counterparty.
		Human Resource Risk	Personnel Department	Risk of incurring losses due to issues such as unequal or unfair management of personnel, including issues related to compensation, benefits, release from employment and harassment.
		Event Risk	Corporate Administration Department	Risk of incurring losses arising from extraordinary situations such as natural disasters, war and criminal offenses.
		Reputational Risk	Corporate Risk Management Department	Risk of incurring losses due to a (possible) major impact on business as a result of deterioration in reputation for Sumitomo Trust or its subsidiaries, owing to reasons such as mass media reports, rumors or speculation.
		Liquidity Risk	Corporate Risk Management Department	Risk of difficulties in securing necessary funds, due to reasons such as mismatches in the timing of management and procurement, or unforeseen outflow of funds.

mation security risk, compliance and legal risk, human resource risk, event risk and reputational risk.

(2) Organizational Structure for Risk Management

In accordance with the "Risk Management Policy," we set down the roles and responsibilities of operational organizations and departments related to risk management as follows:

1) Board of Directors

Formulates policies and plans concerning the management of overall risks that are faced by Sumitomo Trust, and disseminates the policies and plans throughout the company. It also builds management and reporting structures, and vests relevant organizations including the Executive Committee and other committees and/or executives with authority.

2) Executive Committee

Sets rules and provisions regarding the identification, assessment, monitoring, control and mitigation of risks in line with the policies set out by the Board of Directors, and develops frameworks to put them into practice.

3) Risk Management related Departments

Responsible for accurate recognition and continuous assessment, appropriate management and administration of risks, as well as integrity of the compliance (observance of relevant laws and regulations) frameworks, as independent departments.

Among them, the Corporate Risk Management Department has the company-wide coordination function for risk management for comprehensive management of various risks. Each risk category has a risk management related department in charge, which undertakes the monitoring and analysis of risks and the planning and promotion of appropriate risk management frameworks.

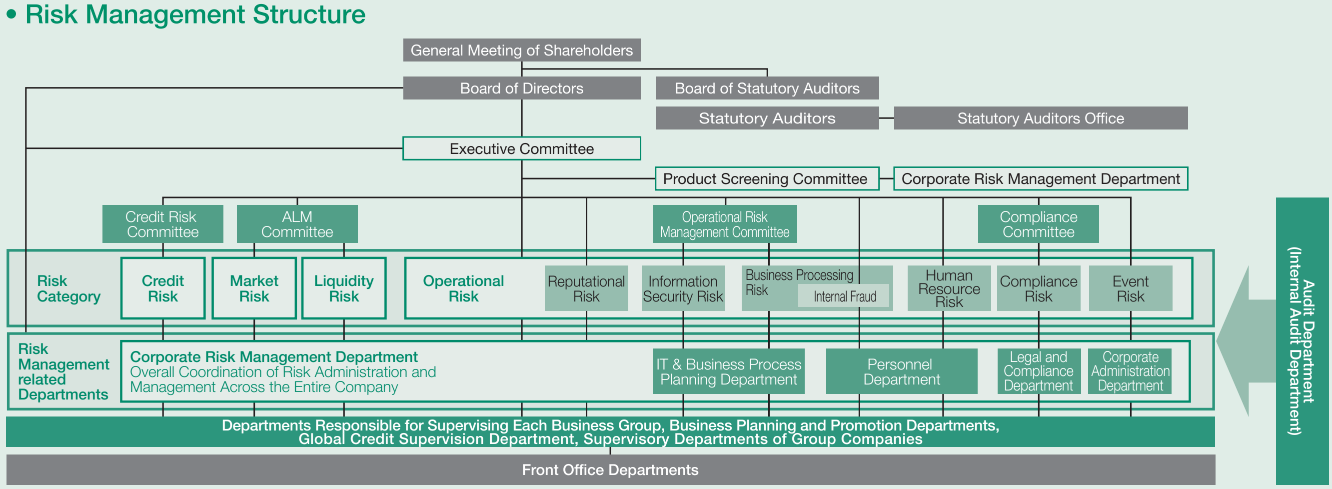
4) Front Office Departments

Execute transactions and operations with the purpose of maximizing revenues, while also supervising the accompanying planning and review functions and engaging in administrative management. In accordance with the policies and plans set out by the Board of Directors, Front Office Departments engage in operational administration aimed at ensuring the effectiveness of risk management, such as implementing appropriate controls that reflect the scale and characteristics of risks.

5) Internal Audit Department

Involved in preparing the necessary framework to implement effective internal auditing. Reporting directly to the President and CEO, the Internal Audit Department assesses and verifies the status of all activities as an independent department.

• Risk Management Structure



(3) Enterprise Risk Management and Integrated Risk Management (Economic Capital Management)

It is our policy to identify various risks we face, including risk categories not included in the calculation of the capital adequacy ratio, comprehensively measure them after individually assessing respective risk categories, and manage these risks by comparing them with our overall financial strength (Enterprise Risk Management).

In addition, among risk categories, quantifiable risks (credit risk, market risk and operational risk) held by our corporate group are measured quantitatively by the integrated VaR*, the combination of various risks measured by the unified criteria (the one-tailed confidence interval of 99.9%, the one-year time horizon) (Integrated Risk Management).

* Value at Risk (VaR): A common risk management. The maximum amount of loss anticipated within a certain period (the time horizon) within the range of certain probability (the confidence interval). The larger the percentile of confidence interval, the greater the VaR, which means Sumitomo Trust applies conservative economic capital measurement.

Aiming to achieve simultaneously both of the management goals of "securing of financial soundness" and "maximization of shareholders' value," the Integrated Risk Management seeks to control the total risk amount for the group as a whole within a certain target level, and allocates capital to various risk categories and business divisions according to business plans, and pursues the efficiency of capital use through risk-return as an indicator.

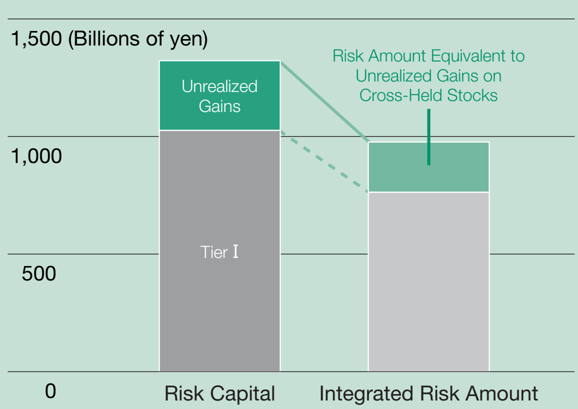
From the depositors' point of view, financial soundness should be strictly evaluated by comparing the "integrated risk amount (under stress scenarios)" that does not have the diversification effect assumed between various risk categories with the "risk buffer (capacity to absorb risks)," which is "Tier I" capital plus unrealized gains on securities and perpetual subordinated notes. The risk amount at the end of March 2007 was less than the amount of the risk buffer, which shows Sumitomo Trust's financial soundness. Further, we compare the "integrated risk amount" that takes account of the diversification effect among various risk categories, with the "risk capital," which is the sum of "Tier I capital" (the core of capital), and unrealized gains on securities. At the end of March 2007, the "integrated risk amount" was within "Tier I capital" (capital adequacy).

Regarding the "maximization of shareholders' value," "Risk capital" is allocated to business groups and divisions capital efficiency for each business group or division is assessed in terms of SVA (shareholder value added) and ROE (return on equity), using risk-adjusted return as an indicator (capital efficiency).

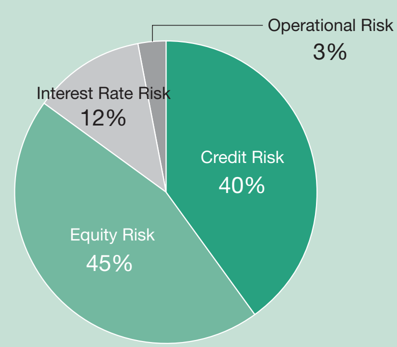
• Check of Capital Adequacy (1 Year Time Horizon, One-tailed 99.9% Confidence Interval)

(As of the end of March 2007, Billions of yen)

Tier I	1,026.1	Integrated Risk Amount (excluding risk amount equivalent to unrealized gains on stocks)	762.8
Risk Capital (Tier I + 60% of unrealized gains on securities)	1,322.5	Integrated Risk Amount	976.5



Ratio by Risk Category



(4) Coping with Basel II

As of the end of March 2007, the capital adequacy regulation shifted to the Basel II framework. The Basel II framework, designed to assure the capital adequacy by international standards, consists of the following three pillars.

Sumitomo Trust has built and is still improving the internal management framework for economic capital, which enables Sumitomo Trust to meet the requirements of Basel II.

1) "The First Pillar"

The first pillar is designed to manage the minimum required capital calculated under the regulation-prescribed methods. As an internationally active bank, we have been required under the BIS regulation to have total capital of at least 8% of the aggregate of credit risk and market risk. The Basel II framework requires the banks to have total capital of at least 8% of a more elaborately measured credit risk and market risk combined with operational risk.

Under Basel II, banks are allowed to choose risk measurement methods according to their internal risk management frameworks, and we have adopted the following approaches.

Credit Risk	Foundation Internal Ratings-Based (IRB) Approach (see page 120)
Market Risk	Internal Models Approach (see page 127)
Operational Risk	Standardized Approach (see page 130)

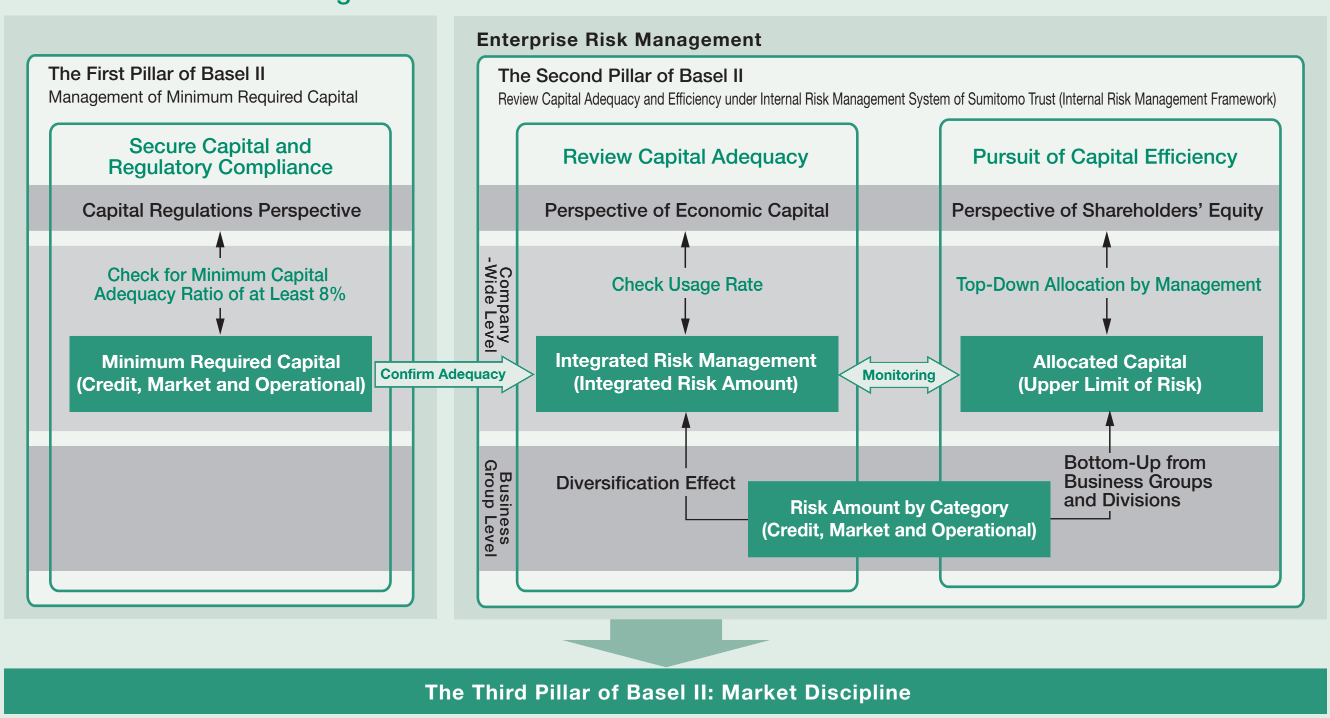
2) "The Second Pillar"

The second pillar is designed for promoting banks' initiative in risk management as well as for covering "interest rate risk in the banking account" and "credit concentration risk," which are particularly important among risks not covered by the first pillar. We are managing these risks within the internal risk management framework.

3) "The Third Pillar"

The third pillar is designed to help maintain and improve the soundness of bank management through market discipline or external assessment by enhancing disclosure on capital, the risk management framework and other matters.

• Framework for Risk Management at Sumitomo Trust



2. Credit Risk

(I) Internal Risk Management Framework

Credit risk is the risk that arises mainly from credit businesses including loans, and the most fundamental risk concerning the "credit creating function," which is one of the basic functions of financial institutions. Increasing the accuracy of measurement of credit risk is one of the features of the revised framework for bank capital adequacy, Basel II. To further improve our financial strength, we are striving toward the sophistication of our credit risk management framework and our credit risk measurement methods.

(1) Risk Management Policy

The basic policy of our credit risk management calls for "a diversified credit portfolio" and "strict credit management for individual credits." While mitigating credit concentration risk by the diversification of the overall credit portfolio by industry sector and country, we are managing individual credits in a more elaborate manner through credit screening, self-assessment and internal credit ratings. Furthermore, we measure profitability by taking into account expense rate and expected loss ratios for each credit rating, and reflect the results of this measurement in terms and conditions of each transaction in a bid to secure profit margins (spreads) commensurate with their risk amount for ensuring appropriate risk-return. Our credit risk management covers not only credit transactions in the banking account but also transactions in the trust account with contracts for replacement of losses (Money Trusts and Loan Trusts).

(2) Organizational Structure for Credit Risk Management

We have established a credit risk management framework under which various organizations and departments are closely organized for mutual support and effective checks and balances.

Relevant organizations and departments assume their respective roles based on the credit strategies and credit risk management plans formulated by the Board of Directors:

1) Board of Directors

Decides on important matters related to credit risk management when establishing semiannual management plans. Based on reports on credit risk management (including the results of asset assessment), the Board of Directors decides on the credit strategy and economic capital plan, and approves standards for self-assessment, and for write-offs and reserves, strengthen and improve the fund management base, as well as securing the effective use of funds and the soundness of assets, including assets in trust.

2) Executive Committee

Based on the reports of credit risk management (including the results of asset assessment), the Executive Committee deliberates on the credit strategy and economic capital plan, and develops the framework to carry out self-assessment and the calculation of write-offs and reserves in an appropriate manner.

3) Credit Risk Committee

Deliberates and decides on investment and loan transactions, and secures the strengthening and improvement of the fund management base, the effective use of funds and the soundness of assets, including assets in trust.

4) Corporate Risk Management Department

Undertakes credit risk management through the measuring of credit risk amounts, monitoring credit portfolios and validation of the appropriateness of self-assessment, write-offs and reserves.

5) Research Department

Assigns credit ratings by using expertise in industry research, credit investigations and quantitative analysis conducted from an objective standpoint independent from business units and the Credit Supervision Department.

6) Credit Supervision Department

Screens credit transactions strictly, provides appropriate guidance to business units, and conducts self-assessment (secondary assessment).

7) Business Units

Manage credit transactions appropriately and conduct self-assessment (initial assessment).

8) Internal Audit Department

Conducts the internal audit of internal risk management frameworks for various processes.

(3) Credit Concentration Risk Management

We consider keeping close tabs on credit exposure to each obligor as the basics of credit risk management. Therefore, we manage loans, stocks, off-balance sheet and other transactions in a comprehensive and integrated manner. Off-balance sheet transactions are managed on a current exposure basis (i.e., the reproduction cost of the transaction concerned). We place limits on credit exposures, and also look into the impact of credit risk realization of large obligors and particular degree of concentration on industry sectors with large credit exposures, reporting to the Credit Risk Committee on a quarterly basis.

To cope with country risk (the risk of investments or lending becoming irrecoverable due to political, economic or social conditions of that country), we control exposures by country (the total sum of exposures obligor in a given country) in addition to control of exposure to each obligor.

(4) Credit Ratings and Self-assessment

"Credit ratings"* that indicate the credit status of obligors and the possibility of defaults provide the basis for credit screening of individual transactions and credit portfolio management.

* Please refer to "3. Internal Ratings System," page 123, for details of our credit rating systems.

Our credit ratings use a method that combines a statistical quantitative model and qualitative assessment ascertaining characteristics of individual obligors, and they also serve as the basis for the risk asset calculation using the "IRB Approach" of the Basel II framework. Our credit rating systems assigns ratings from 1 through 10 to a wide range of obligors, from all corporate customers, including banks, to project finance and other structured finance transactions.

In principle, we conduct the self-assessment for all assets in the banking account on a constant basis, and determine the "obligor category" by assessing customers' repayment capacity by their financial standing, cash positions, profit-earning capacity, etc., as well as the "asset classification" according to the risk of assets becoming irrecoverable and the risk of the value of assets being impaired. We manage credit risk through self-assessment, and also write off bad loans and set aside loan loss reserves in an appropriate manner.

The credit rating systems and the self-assessment system share basic financial data of customers and are administered in a mutually consistent manner to enable Sumitomo Trust to evaluate the soundness of credit portfolios by property reflecting the creditworthiness of customers.

• Comparative Table of Credit Ratings and Self-assessment

Credit Ratings	Self-Assessment	
	Classification of obligors	Categories
1	Sound	Not categorized (not Ⅱ, Ⅲ or Ⅳ)
2	Sound	Not categorized (not Ⅱ, Ⅲ or Ⅳ)
3	Sound	Not categorized (not Ⅱ, Ⅲ or Ⅳ)
4	Sound	Not categorized (not Ⅱ, Ⅲ or Ⅳ)
5	Sound	Not categorized (not Ⅱ, Ⅲ or Ⅳ)
6	Sound	Not categorized (not Ⅱ, Ⅲ or Ⅳ)
7	Requiring careful monitoring	Ⅱ
8	3-month delinquent/restructured	Ⅱ (Default)
9	At risk of bankruptcy	Ⅲ (Default)
10	Legally bankrupt and virtually bankrupt	Ⅳ (Default)

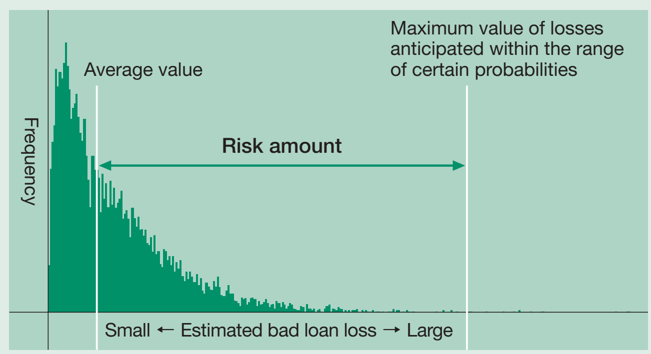
(Note) Individual credit ratings can be further adjusted, where necessary, through the addition of [+] or [-] symbols.

(5) Credit Risk Quantification

The measurement of credit risk amount we conduct is designed to quantitatively grasp the extent to which the company's assets are likely to incur losses from credit events over the coming year. Based on estimates of default rates in each grade of credit rating and recovery rates, we measure the difference between the maximum value of loan losses anticipated within the range of certain probabilities and the expected loan loss, which is the average value of anticipated loan losses, as the credit risk amount. The measurement results are reported regularly to the Board of Directors and the Credit Risk Committee.

As our risk measurement method, we have adopted Monte Carlo simulation, which generates a variety of scenarios (100,000 in our case) to plot a distribution of losses from which the maximum value of losses is estimated (See the chart below).

• Risk Amount



As our method is designed to factor in the correlation between individual assets, the risk amount reflects not only the quality of assets but also the degree of diversification of credit portfolios. Therefore, by regularly monitoring the risk amount, we can ascertain the status of our Credit Risk Management policy, i.e., "a diversified credit portfolio" and "strict credit management for individual credits," and also can check the appropriateness of capital allocation and the soundness of business operations. In managing the credit portfolio by making use of the results of this monitoring, we seek to maximize returns on the overall portfolio while maintaining the risk amount within a certain range through diversification by individual customer and industry sector, and other measures.

The estimates of default rates and other factors used in the measurement and grasping of the risk amount are also used in measuring required capital under Basel II. Going forward, we will develop more precise methods of credit risk measurements by expanding and improving internal data on the recovery rates and other factors.

Usually, the measurement of risk amount is conducted using the above-mentioned estimates based on data on actual results. On the other hand, it is important to estimate maximum possible losses in situations far removed from actual results to supplement risk measurement efforts. This estimation is called stress testing. We set out multiple stress scenarios and conduct simulations to see how the risk amount changes in each of these scenarios. The results of these tests are reported to the Board of Directors.

(II) Coping with Basel II

(1) Measurement of Required Capital by the IRB Approach

The new Basel II framework calls for a further sophistication of credit risk measurement methods than the preceding BIS regulation.

Credit risk measurement methods are broadly divided into the "Standardized Approach," which is an improved version of the risk measurement method adopted under the preceding BIS regulation, and the "IRB Approach," newly adopted under Basel II. The "IRB Approach" is designed to make use of the results of banks' internal risk management for regulatory purposes by utilizing credit ratings that banks assign to their customer for credit risk management as well, one of the major points that characterize Basel II.

We have adopted the "IRB Approach" to calculate required capital under Basel II.

(a) Basic Process of the IRB Approach

Under the IRB Approach, the amount of regulatory required capital is calculated by the following three stages:

1) Assignment of Credit Ratings

A bank develops its own ratings system (Internal Ratings System)* in accordance with its risk profiles, and based on this system, the bank assigns ratings to obligors. Credit ratings ensure the consistency with the results of self-assessment, and the accuracy of credit ratings is secured with credit risk management related departments validating internal rating system and rating grades assigned to individual obligors.

* For details of our credit ratings system, please refer to "3. Internal Ratings System," page 123.

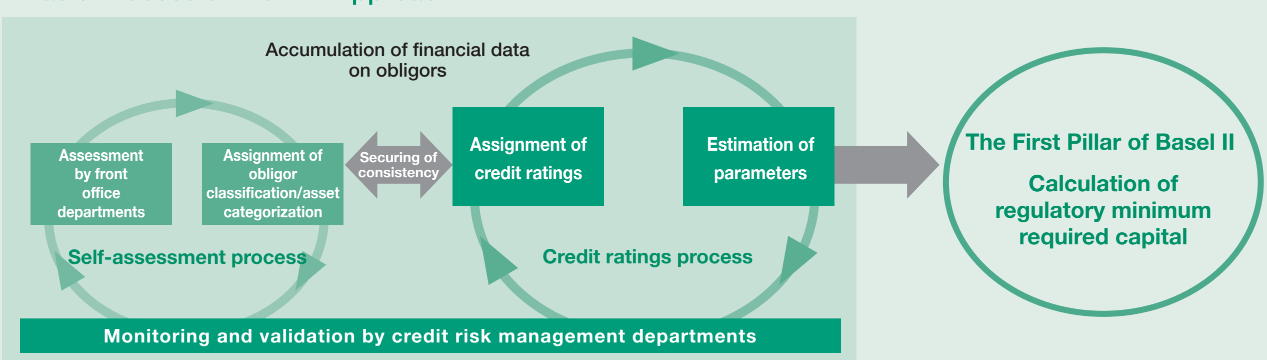
2) Estimation of Parameters

Estimation of some parameters (input variables) necessary for risk measurement is implemented by collecting the actual results (performance data) of credit extended to individual credit transactions on the basis of ratings assigned under 1).

3) Calculation of Minimum Required Capital

The minimum required capital is calculated by applying the result of 2) above to the calculating formula based on the notification by the Financial Services Agency.

• Basic Process of the IRB Approach



(b) Approaches Applicable to Respective Exposures

Under Basel II, methods of calculating risk weights and credit ratings used are varied depending on asset classes. Please refer to the table below for the breakdown of calculation methods and credit ratings we apply to respective exposures:

• Calculation Methods and Ratings Applied to Respective Exposures

Approach	Asset Classification		Sub-category	Applicable Calculation Approaches*	Applicable Ratings
Internal Ratings-Based Approach	Corporate Exposure	Corporate Exposure	Large enterprises	Regulatory Formula	Obligor Ratings
			Small and medium-sized enterprises	Regulatory Formula	Obligor Ratings
		Specialized Lending	Loans for commercial real estate (with high volatility)	Slotting Criteria Approach	Structured Ratings
			Project Finance, Commodity Finance, Object Finance	Slotting Criteria Approach	Structured Ratings
		Purchased Receivables	Regulatory formula for underlying assets	Regulatory Formula	Obligor Ratings
			Slotting criteria approach for underlying assets	Slotting Criteria Approach	Structured Ratings
			Cases where classification is not possible due to multiple underlying assets	Top-down Approach	—
		Sovereign Exposure		Regulatory Formula	Obligor Ratings
		Bank Exposure		Regulatory Formula	Obligor Ratings
		Equities, etc.	Domestic listed equities (including OTC equities), equities of domestic unlisted obligors	PD/LGD Approach	Obligor Ratings
			Equities of domestic unlisted firms with no credit exposure, foreign equities	Simplified Approach	—
Standardized Approach	Retail Exposure	Retail Exposure	Residential mortgage exposures	—	—
			Qualifying revolving retail credit exposures	—	—
			Other retail exposures	—	—

* Regulatory Formula & PD/LGD Approach: Formulas prescribed in the Notification (by the Financial Services Agency) are used.
Slotting Criteria Approach: An approach to calculate credit risk by mapping internal credit ratings to the five regulatory categories, each of which is associated with a specific risk weight.
Simplified Approach: An approach that uses predetermined risk weights.
External Ratings-Based Approach: An approach that uses risk weights mapped to external ratings.
Top-Down Approach: An approach that uses formulas prescribed in the Notification (by the Financial Services Agency), with assets purchased regarded as an aggregate.

Notes:
1. We use the external ratings-based approach and the formulas for "securitization exposures." For details, please refer to page 131, "(I) Securitization Exposures."
2. For "funds," we apply calculation methods depending on respective underlying assets.

(c) Estimated Parameters

As described below, there are three parameters necessary for the measurement of risk amount. Exposures with higher levels of parameters need higher required capital. In order to ensure the objectivity and accuracy, we use, in principle, the same parameters used for internal risk management purposes for Basel II as well.

1) Probability of Default (PD)

The prior probability that a single obligor or a single transaction is likely to default during a specified period

2) Loss Given Default (LGD)

The prior estimate of the ratio of a loss likely to be incurred in the event of a default by a certain obligor or a certain transaction to the exposure at default

3) Exposure at Default (EAD)

The likely exposure amount at the time of occurrence of events of default, including additional credit that may be drawn from lines of credit or other financing, before a customer defaults on obligations.

Under the Basel II framework, there are two kinds of the IRB Approach: the "Advanced IRB Approach," where banks estimate all three kinds of the parameters on their own, and the "Foundation IRB Approach," under which banks provide their own estimates of PD and rely on regulatory estimates for LGD and EAD. We have adopted the "Foundation IRB Approach."

(d) PD Estimation Method

In our internal risk management, we estimate PD, LGD and EAD, and of them, we use estimates of PD as parameters for the IRB Approach under Basel II.

For domestic credit ratings, we estimate PD in line with the definition of default, which equates with Basel II definition, on the basis of our performance data ("the internal historical data method"). For overseas credit ratings, we estimate PD on the basis of the mapping with default data provided by Moody's Investors Service, Inc. ("the mapping method").

In principle, we estimate PD for credit ratings on the basis of the cumulative default rate from the internal historical data for the latest 10 years and by taking into account applicable external data. For transactions subject to credit pool management that do not have the transition in ratings, we estimate PD, in principle, by using the average of the actual default rates for the latest 10 years. Where the period of accumulation of performance data has yet to reach 10 years, we estimate PD on the basis of the actual default rates of the years for which the performance data is available.

Credit costs for fiscal year 2006 by exposure can be divided as shown in the table below. Actual losses are far smaller than the expected loss (EL), which is a long-term estimated figure, thus precluding a situation going beyond our assumption.

(Billions of yen)

	FY2006		At March 31, 2007
	Credit Costs	Writebacks	EL
Corporate Exposures	36.6	(26.8)	114.8
Sovereign Exposures	0.0	(0.4)	0.6
Bank Exposures	—	—	0.1

Notes:
1. Of credit costs for FY2006, only those that can be identified as the specified asset classes are shown in the table.
2. For EL at the end of March 2007, only the portion that corresponds to credit costs was utilized.
3. No calculation was made for the actual performance for FY2005 and earlier, because it was before the introduction of Basel II.

(e) Usage of Various Estimates for Purposes other than Calculation of Capital Adequacy Ratio

Our estimates used for the calculation of the capital adequacy ratio of Basel II are applied for the following items.

1) Use of estimated PD

Measurement of credit risk amount, management of regulatory required capital, controls of credit limits, etc.

2) Use of Credit Ratings

Authority for originating transactions, criteria for self-assessment, standards for credit pricing, etc.

(2) Exposures where the Standardized Approach is Applied

The Standardized Approach calculates risk assets by using external ratings provided by qualified rating agencies, instead of our own credit ratings. We have adopted the IRB Approach. We, however, partially use the Standardized Approach for exposures subject to the transitional phase to the IRB Approach ("the phased rollout of IRB Approach") because of not adequate accumulation of internal data, and for insignificant exposures carved out from the application of the IRB Approach.

We use ratings provided by the following qualified rating agencies for the Standardized Approach: Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc.; Standard & Poors Rating Services (S&P); and Fitch Ratings Ltd.

(a) The "Phased Roll-out" Exposures

We apply the Standardized Approach to our subsidiaries (business units) and transactions (asset classes) that are in the middle of preparatory work toward the application of the IRB Approach.

Subject to our "phased roll-out" exposures are, among retail exposures (including retail business-related affiliates Sumishin Card Co. Ltd., and Sumishin Guaranty Company Limited) and subsidiaries undertaking lending operations*, those exposures that require a certain period for developing systems to estimate parameters applied for their credit pools or credit ratings. For these exposures, we plan to shift to the IRB Approach in sequence by the end of March 2010.

* First Credit Corporation, STB Leasing Co., Ltd. Group, Life Housing Loan, Ltd., and Sumishin Matsushita Financial Services Co., Ltd.

(b) The "Carved Out" Exposures

We apply the Standardized Approach to subsidiaries that undertake little credit businesses if any as well as certain transactions that are not significant in terms of credit risk management, carving them out from the IRB Approach.

Decisions on whether to carve out business units or transactions from the IRB Approach are made after fully considering their importance with respect to the following points:

1) The size and frequency of the credit loss
2) Rank under the credit portfolio plan or the credit risk management policy
3) The ratio to overall credit risk-weighted assets

3. Internal Ratings System

(1) Outline of the Internal Ratings System

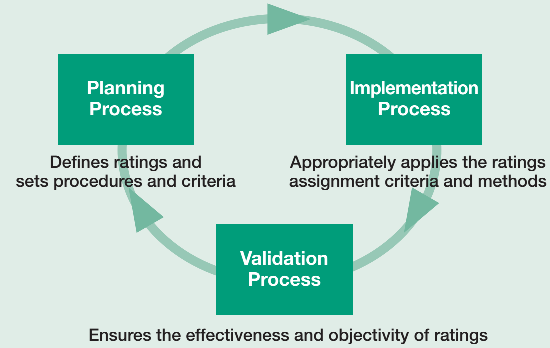
The internal ratings system ranks the probability of default (PD) of obligors and assigns the "typical PD" for each credit rating grade. The typical PD is a single-year PD that typically represents the level of creditworthiness conservatively estimated to obtain the long-term and stable level by excluding the impact of economic cycles.

Our internal credit ratings system is broadly divided into the domestic ratings system (hereinafter referred to as "domestic ratings") and the overseas ratings system (hereinafter referred to as "overseas ratings"). Each system includes credit ratings assigned to corporations as well as structured ratings assigned to project finance transactions and securitized products, etc.

(2) Administration of the Internal Ratings System

The process related to credit rating assignment comprises the "Planning Process" for defining ratings and setting procedures and criteria ("Policy on Credit Ratings"), the "Implementation Process" for appropriately applying the ratings assignment criteria and methods, and the "Validation Process" for ensuring the effectiveness and objectivity of ratings.

• Administration Process of Credit Ratings



(a) Planning Process

The planning process is the procedure to establish credit rating criteria and the credit rating model* to secure the objectivity of the internal rating system, for which credit risk management related departments are responsible.

* Our credit rating model is the tool we have developed on our own to allocate the rating grade that corresponds statistically to the probability of default (PD) by using financial data of obligors.

(b) Implementation Process

In the implementation process, the credit rating assignment procedure is undertaken in accordance with the criteria prescribed in the planning process.

The procedure of rating assignment consists of a new assignment, regular review and monthly review, and the rating system is run in a way where credit ratings are reviewed in a timely manner in response to changes in the creditworthiness of obligors.

Furthermore, we assign credit ratings to customers in a combination of "quantitative assessment" and "qualitative assessment." "Quantitative assessment" is an assessment based on our credit rating model and mapping with external ratings, while "qualitative assessment" is an assessment based on human judgments by trained bankers (hereinafter referred to as "expert judgment"). As we take the approach to determine credit ratings ultimately by combining "quantitative assessment" and "qualitative assessment," the monitoring of the objectivity of "qualitative assessment" made by expert judgment becomes important in ensuring the effectiveness of ratings.

Throughout the implementation process, credit risk management related departments are monitoring the proper implementation of credit ratings in accordance with criteria. Through the monitoring function of the implementation process, credit risk management related departments ensure the objectivity of expert judgment.

• Implementation Process of Credit Ratings

(c) Validation Process

Credit risk management related departments, as "Validation Departments," carry out validation work once a year in order to ensure the accuracy and adequacy of results of the credit ratings model.

In the validation process, Implementation Departments provide data for validation, while validation departments undertake the validation of the following items:

- Validation of the rate of concentration for each rating grade
- Validation of the adequacy (back testing) for each rating grade by using actual default data
- Validation of the adequacy of the following items with respect to the rating model:

1) Time-series changes in financial indicators as explanatory variables
2) Time-series changes in the model factor
3) The rate of modification of ratings by the qualitative assessment
4) Validation of discriminating power using the order of ratings and ex post facto default data
5) Benchmarking using external ratings

(3) Procedures for Ratings Assignment under the Internal Ratings Systems

(a) Procedure for Assigning Domestic Credit Ratings (Obligor Ratings)

1) Subjects to be Rated

We assign credit ratings to all domestic corporate obligors (residents and nonresident Japanese).

2) Quantitative Assessment

In domestic ratings, we use the credit rating model under which obligors' financial indicators are explanatory variables and the typical PD is the explained variable. In building the credit ratings model, we have classified our obligors into five industry categories of manufacturing, wholesale/retail, services (including nonbanks), transportation/communications and construction/real estate in order to reflect financial characteristics of each industry sector in the assessment, and adopt statistical methods to choose financial indicators with a high correlation to the PD for each industry. Also, financial data employed for the building of the model and the assessment of individual obligors by the model is used with information additional to public financial statements, such as unrealized losses, obtained by front office staff, thus enabling the quantitative assessment that reflects the actual condition of obligors.

3) Qualitative Assessment

The staff of Implementation Departments responsible for assigning sector-by-sector credit ratings assess "keiretsu" corporate groupings, industry circumstance, external ratings and share price and other information that are not reflected in financial indicators as expert judgment.

For expert judgment, the margin of modification is limited in order to contain the arbitrariness of those staff responsible for the assignment of credit ratings and the monitoring procedure is in place to ensure the objectivity of modifications.

(b) Procedure for Assigning Overseas Credit Ratings (Obligor Ratings)

1) Subjects to be Rated

We assign credit ratings to all overseas obligors (nonresidents and non-Japanese).

2) Quantitative Assessment

Given the limited availability of data compared to domestic ratings, overseas ratings look to external ratings (Moody's, S&P and Fitch) as main judgment factors (for standard ratings and quantitative assessment ratings), and in principle, ratings on unsecured senior bonds are regarded as "standard ratings." When there are multiple external ratings, whichever is lower is used as the standard rating, in principle.

When there are no external ratings, we compare other companies in the same industry sector (in principle, multiple companies are selected from the same industry in the same country) against the credit statistics by rating grade as made available by rating agencies. By determining the quantitative assessment ratings, which are equivalent to "standard ratings," through this procedure, we secure the consistency of credit assessment criteria between obligors with external ratings and obligors without external ratings.

3) Qualitative Assessment

The qualitative assessment ratings by expert judgment are determined on the basis of qualitative assessment criteria for domestic credit ratings and also by incorporating assessment factors not used in Japan, and limits are imposed on the margin of modification for each item of assessment.

(c) Procedure for Assigning Structured Ratings

1) Subjects to be Rated

Structured ratings are assigned to loans and bonds backed by a project, an asset or asset pool of finance are paid (structured deals) under which interest and principal by income and proceeds from the sale of financed assets. Structured ratings correspond to each PD level. Even when a single obligor or issuer is involved legally, in cases where the probability of default differs for each tranche due to different financial conditions, different ratings may be assigned to different tranche.

2) Quantitative Assessment

Two indicators are used for the quantitative assessment of structured ratings: 1) the loan to value (LTV), which is the ratio of the amount of loans taken out or bonds issued to the appraised value of the subject asset; and 2) the debt service coverage ratio (DSCR), which is the ratio of net cash flow to the amount of interest on loans or bonds plus contracted principal payments. In the quantitative assessment, we assess default risk during a given period and the certainty of redemptions by the sale of subject property at maturity and/or refinancing by combining the two indicators above.

In addition, we assess the DSCR conservatively in anticipation of changes in the environment during a given period.

3) Qualitative Assessment

In a real estate non-recourse loan, for example, when a highly creditworthy tenant has undertaken a long-term lease contract, or when credit enhancement by a sponsor(s) and arranger(s) can be expected, the assessment by expert judgment, in some cases, adjusts the rating level by taking these factors into consideration.

Since structured ratings are strongly individualized depending on specific transactions, we are ensuring the objectivity of ratings assigned by always undertaking the consensus decision-making at credit risk management related departments concerned on the adequacy of qualitative assessment.

4. Market Risk and Liquidity Risk

(I) Internal Risk Management Framework

Market risk is the “risk of incurring losses due to fluctuations in the value of assets/liabilities or revenues thereof, either due to fluctuations of items such as interest rates, stocks and foreign exchange rates, or owing to fluctuations in the value of other assets.”

Liquidity risk is the “risk of loss caused in a situation where it becomes difficult to secure necessary funds or becomes obligatory to raise funds at interest rates significantly higher than usual due to maturity mismatches between investment and funding and/or an unexpected outflow of funds (funding risk)” and the “risk of loss caused in a situation where it becomes impossible to conduct transactions on the market or becomes obligatory to trade at prices significantly disadvantageous than usual due to market volatility (market liquidity risk).”

(1) Risk Management Policy

We recognize market risk as the source of profits, and make it our basic management policy to proactively take risks within the allowable range and appropriately manage them in a manner that will maximize returns. With respect to liquidity risk (funding risk), we recognize this should be appropriately managed, and manage it by setting an appropriate limit to avoid this risk by taking our own fund-raising capabilities into account. Liquidity risk (market liquidity risk) inevitably arises in the wake of the taking of market risk, and we determine the market risk amount that we can take in consideration of the market size and other matters.

(2) Risk Management Framework

1) Board of Directors

Decides on important matters related to market risk and liquidity risk under management plans on a semiannual basis. We also have established the ALM Committee for flexible and prompt decision-making in response to the market environment, with members of the Board of Directors well-versed in market operations sitting on the Committee.

2) Executive Committee

Based on reports on the status of market risk management, the Executive Committee implements measures to separate front office departments, business processing offices and risk management related departments, thereby developing and improving the framework for facilitating control functions.

3) ALM Committee*

Decides on a basic policy on the management of market and liquidity risks, controls these risks on a consolidated basis, and strives to ensure the soundness of the composition of assets and liabilities as well as stability of earnings.

* ALM: Asset-liability management, designed to manage cash flows, liquidity, foreign exchange risk, interest rate risk, etc. by grasping the attributes of maturities and interest rates from assets and liabilities.

4) Corporate Risk Management Department

As a middle office independent from departments responsible for business processing (back offices) and departments responsible for market trading (front offices), the Corporate Risk Management Department is in the position to ensure proper control functions among the front, middle, and back offices. The role of this department includes the monitoring of conditions of market and liquidity risks managed under the basic policy, measuring of risk amount and profits/losses, and planning and promoting risk management measures. It also reports directly to the ALM Committee and the Board of Directors on the status of observance of risk limits and loss limits.

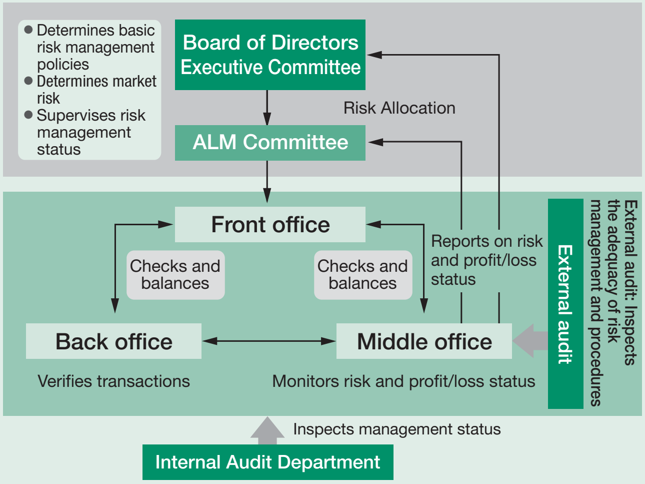
5) Internal Audit Department

Conducts internal auditing of the adequacy and effectiveness of the risk management framework.

6) External Audit

We regularly have external audit conducted related to Basel II (market risk) in an effort to further upgrade the adequacy of risk management processes and procedures.

• Market Risk/Liquidity Risk Management Framework



(3) Market Risk Management Approach

(a) Quantification of Market Risk

We employ Value at Risk (VaR) as a measure of market risk. VaR uses historical actual market fluctuation performance to statistically predict the maximum expected losses under specific conditions.

Based on the internal model developed on our own, we measure VaR and also manage risk by calculating various risk management indicators and carrying out simulations.

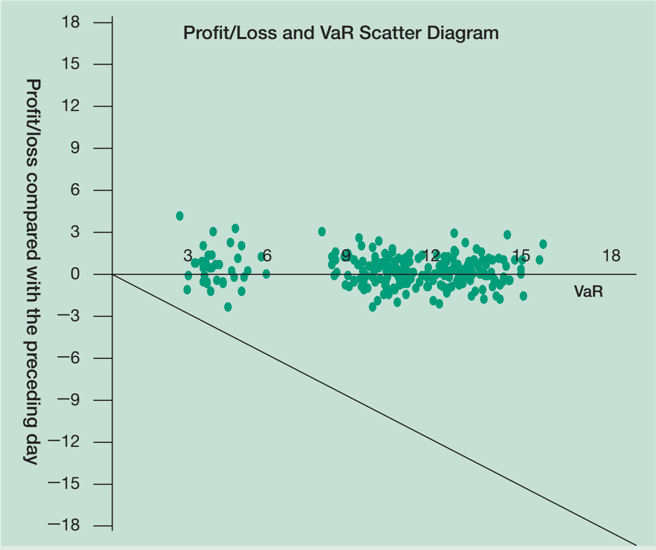
Our measurement of VaR using the internal model basically employs the variance-covariance method, and at the same time also partly uses the historical simulation method for calculating the nonlinear risk associated with options transactions. By category, market risk can be classified into interest rate fluctuation risk, stock price fluctuation risk, foreign exchange rate fluctuation risk, etc. We calculate market risk by simply adding up all risk categories without considering the correlation between these categories.

In order to enhance the effectiveness of market risk management described above, we carry out back testing and stress testing to validate the reliability and effectiveness of the internal model we are using.

(b) Back Testing

To validate the reliability of our internal model, we carry out back testing by comparing daily-calculated VaR with actual daily profit and loss. The middle office monitors the results of comparison between actual profit and loss and VaR on a daily basis, and, in the event of actual loss exceeding VaR, conducts a factor analysis and reports the results to top management. The results of back testing for fiscal year 2006, as indicated below, show that there was no instance of actual profit and loss in excess of VaR, an indication that our internal model is measuring market risk with sufficient accuracy.

• Status of Back Testing in the Trading Account



(c) Stress Testing

In addition to the management of market risk through the internal model, we regularly conduct stress tests that simulate the extent of potential losses under a situation with changes going beyond statistically expected levels (an overrun of the holding period, etc.). The middle office carries out appropriate stress tests on the basis of multiple stress scenarios that are reviewed regularly in response to changes in the market environment as well as in our portfolios. Scenarios used for stress tests are prepared with the authorization of a director overseeing the middle office. Stress testing is conducted on a daily basis, and testing results are reported to members of the ALM Committee, while the test results are also confirmed in a monthly report of the ALM Committee. The results of stress testing are also reported to the Board of Directors on a quarterly basis.

(d) Status of Market Risk

With respect to the monitoring of market risk amount in the banking account, VaR is calculated on a daily basis following the measurement criteria below:

VaR measurement standards

• Confidence interval	One-tailed 99%
• Time Horizon	21 business days
• Observation period	260 business days

The expiry of transactions is in accordance with contract terms.

With respect to the monitoring of market risk amount in the trading account, VaR is calculated on a daily basis following the measurement criteria below:

VaR measurement standards

- Confidence interval One-tailed 99%
- Time Horizon 1 business day
- Observation period 260 business days

• Status of Market Risk for FY2006

	Banking Account	Trading Account
At March 31, 2007	¥ 81.8 billion	¥0.4 billion
Maximum	¥111.6 billion	¥1.6 billion
Minimum	¥ 75.5 billion	¥0.3 billion
Mean	¥ 94.9 billion	¥1.1 billion

FY2006 consolidated basis (including the annual average interest rate risk of ¥1.8 billion at consolidated subsidiaries)

The market risk amount (VaR) described above are managed to fall within the amount of capital allocated to market risks. In the assessment of the adequacy of capital, the integrated risk amount (overall VaR), which also includes risk amount of other risk categories than market risk, is compared with capital.

(4) Liquidity Risk Management Approach

We manage liquidity risk (funding risk) on a daily basis by setting an upper limit on the daily financing gap (the amount of funds required) and conduct monitoring to ensure future funding operations may be conducted in an appropriate manner by setting forth a guideline after grasping the amount of funds to be invested and the amount of funds that can be procured. Also, we are expending all possible means to manage liquidity risk, including the development of liquidity contingency plans both for times when liquidity is a concern and for times when the liquidity situation is at a danger point. We have also developed a guideline for market liquidity risk and are conducting monitoring to keep that risk within a certain range. We are also moving to mitigate settlement risk through the participation in Continuous Linked Settlement Bank (CLS Bank), which specializes in multi-currency payment clearing and settlement services. The middle office monitors these liquidity risks and makes regular reports to the Board of Directors.

(5) Approach to Manage Credit Risk in Market Trading

When conducting market trading with financial institutions as counterparties, credit risk as well as market risk arises, making it necessary to conduct appropriate risk management in accordance with types of transactions. In order to contain credit risks associated with repetitive market trades with specific counterparties within a certain range, we are managing such risks by establishing credit lines for respective counterparties. While in principle we treat principal or notional principal in contracted market trades as credit equivalents, we calculate credit equivalents in some off-balance sheet transactions by applying the current exposure method. Regarding these market trades, the middle office controls credit limits integrally for both on-balance sheet and off-balance sheet transactions on a monthly basis, and manage credit lines in an appropriate manner.

(II) Coping with Basel II

(1) Measurement of Market Risk Equivalent

Under the Basel II framework, market risk is subject to regulatory supervision as was under the preceding BIS regulation. The market risk equivalent refers to the sum of market risk in the trading account and foreign exchange risk and commodities risk in accounts other than the trading account, which is a factor used to calculate the capital adequacy ratio. We calculate the market risk equivalent mainly by applying the internal models approach*.

* We apply the Standardized Approach concerning individual risks at the parent company and exchange rate risks at consolidated subsidiaries.

The internal model used in measuring the market risk equivalent is the same as the internal model for internal management, but the time horizon for the trading account, which is just one day for internal management purposes, is set at 10 business days in conformity with Basel II. With respect to the validation and assessment of the effectiveness of the internal model, we validate the reliability and effectiveness of the internal model by conducting back testing and stress testing.

(2) Outlier Ratio

Regarding the amount of interest rate risk for the banking account under Basel II, when economic value calculated*1 under a certain interest rate fluctuation scenario*2 declines by more than 20% of the sum of Tier I (core capital) and Tier II capital (complementary capital), a bank falls under the category of "outlier banks," and remedial actions to improve its stability will be made. The outlier ratio is obtained by dividing the overall amount of interest rate risk by the broadly defined capital (Tier I + Tier II). As indicated by the table on the next page, our outlier ratio (on a consolidated basis) was 6.3% at the end of March 2007, keeping us out of the category of outlier banks. With respect to the amount of interest rate risk in the banking account, the amount of interest rate risk for internal management purposes and the overall amount of interest rate risk used for calculating the outlier ratio are not necessarily the same because of differences in the measurement method, calculation conditions and other matters.

• **Outlier Ratio**

	At March 31, 2007	(For reference) At March 31, 2006
Overall Amount of Interest Rate Risk	¥120.9 billion	¥108.6 billion
Outlier Ratio	6.3%	6.6%

*1 Our risk measurement method uses the interest rate sensitivity approach. Core deposits are defined as the lowest of the following three, as an upper limit, for the five-year maturity (the average term of 2.5 years): 1) the lowest balance of deposits in the past five years; 2) the balance left after deducting the maximum annual outflow of deposits in the past five years from the current balance of deposits; or 3) the amount equivalent to 50% of the current balance of deposits.

*2 Our interest rate fluctuation scenario assumes an interest rate shock consisting of the 1st and 99th percentile of the fluctuation of interest rate measured for the one year time horizon and the minimum observation period of five years.

5. Operational Risk

(I) Internal Risk Management Framework

Operational risk is defined as the "risk of incurring loss resulting from inadequate or failed internal processes, people and systems or from external events," and includes business processing risk, information security risk, compliance and legal risk, human resource risk, event risk and reputational risk.

(1) Risk Management Policy

The primary objective in operational risk management is to prevent such risk from occurring. We continuously carry out activities to enhance our staff's administrative capabilities and the quality of our services, in addition to the development of various rules and regulations and their strict implementation, and the enhancement of awareness of risk prevention through education and enlightenment. It is our basic policy to build the internal management system and strengthen its operation so that we can respond promptly and contain damage to a minimum if by any chance an accident does occur. Further, we control the amount of operational risk as part of integrated risk management by quantifying it, except for reputational risk.

From the viewpoint of building an effective risk management framework, we have developed framework for management of risks in six subcategories that constitute operational risk as well as the comprehensive framework for managing operational risk that integrate the subcategory structures.

1) Business Processing Risk

Risk of incurring losses arising from executives or employees neglecting to engage in proper business activities, or other incidents such as accident or fraud.

2) Information Security Risk

Risk of incurring losses, owing to factors such as improper management of information of the company and our customers, system failure or improper management of system development projects, etc. (including so-called system risk).

3) Compliance Risk

Risk of incurring losses for reasons such as penalties, claims or lawsuits arising from a lack of compliance with laws, regulations or social standards in Japan and abroad, or an inability to complete transactions due to contractual impediments including the lack of necessary provisions or lack of legal capacity by the transaction counterparty.

4) Human Resource Risk

Risk of incurring losses due to issues such as unequal or unfair management of personnel, including issues related to compensation, benefits, release from employment and harassment.

5) Event Risk

Risk of incurring losses arising from extraordinary situations such as natural disasters, war and criminal offenses.

6) Reputational Risk

Risk of incurring losses due to a (possible) major impact on business as a result of deterioration in reputation for Sumitomo Trust or its subsidiaries, owing to reasons such as mass media reports, rumors or speculation.

(2) Risk Management Framework

1) Board of Directors

Puts the structure in place to develop and improve the risk management system, risk processes and various rules and regulations on the basis of the Risk Management Policy laid down by the Board of Directors. The Board of Directors decides on important matters related to operational risk management activities in management plans adopted on a semiannual basis.

The Board of Directors receives regular reports on the operational risk situation, including the occurrence of accidents and the amount of operational risk, and issues appropriate instructions after assessing the effectiveness of operational risk management.

2) Executive Committee

On the basis of reports on the operational risk management situation, establishes committee(s) concerning operational risk management, units responsible for the management of respective risk subcategories and unit(s) responsible for comprehensive management of operational risk.

3) Risk Management related Departments

In addition to the Corporate Risk Management Department that comprehensively manages operational risk as a risk management related department independent from other business-related departments, we established risk management related departments for each of the risk subcategories to manage and operate the operational risk management framework in an appropriate manner.

Risk management related departments collect and assess various data related to risk management for the monitoring of risk profiles, and are also responsible for providing necessary information to the Board of Directors.

• Risk Management related Departments

Risk Category	Risk Management related Department
Operational Risk	Corporate Risk Management Department
Business Processing Risk	IT & Business Process Planning Department (Personnel Department for internal fraud)
Information Security Risk (system risk, information management)	IT & Business Process Planning Department
Compliance Risk (including legal risk)	Legal and Compliance Department
Human Resource Risk	Personnel Department
Event Risk	Corporate Administration Department
Reputational Risk	Corporate Risk Management Department

4) The Internal Audit Department

The Internal Audit Department conducts an internal audit of the adequacy and effectiveness of the risk management framework.

(3) Quantification of Operational Risk in the Internal Risk Management Framework

We have in place a framework to collect and analyze reports on operational accidents for our group as a whole and implement measures to prevent the recurrence of similar accidents, with the Corporate Risk Management Department, which is responsible for comprehensive management of operational risk, coordinating activities of other risk management related departments. We also regularly conduct risk assessment, a form of self-evaluation of our risk management framework, and prepare risk management plans on the basis of the self-assessment results.

On the basis of internal loss data collected through operational accident reports and self-assessment results, we have developed an in-house model to statistically measure the amount of operational risk. The amount of operational risk is calculated by the Monte Carlo simulation method, which estimates the maximum value of losses arising during a given period through the loss distribution and the event probability distribution.

The amount of operational risk is measured on a semiannual basis and reported to the Board of Directors. It is also used for in-house management of economic capital, earnings goals, etc.

• Risk Management Activities for Operational Risk

(4) Business Processing Risk Management Activities

On top of banking businesses at domestic and overseas, we are engaging in a broad range of trust and asset management businesses, including pension, investment management, real estate and stock agency. As these businesses require a high level of expertise and high-quality clerical work, we have established a division to oversee and provide guidance to business processing operations at each group and division to facilitate business processing administration to better respond to customer needs. Each group and division is also undertaking business processing risk management activities on their own, based on the Business Management Policy, which provides for basic matters concerning business processing risk management, and the Business Risk Management Plan, drawn up semiannually by the Board of Directors.

In addition, with the aim of strengthening our business processing abilities, we have addressed the stricter assignment of authority and rules regarding business processing procedures, concentration of computer systems and business processing, enhancement of the level of our clerical staff through training, enhancement and strengthening of the checks and balances through an internal audit and other measures.

Moreover, in cases where we contract our business operations to outside entities, we select them from a comprehensive viewpoint by considering their 1) reliability; 2) internal management framework; 3) quality and technological abilities; 4) status of information security management measures; and 5) measures to respond to system trouble and/or natural disasters. Even after we start outsourcing the work to selected entities, we strive to maintain and improve the quality of business processing operations and prevent the leakage of customers' personal information through measures such as periodic reviews of the operational situation at outsourcees to confirm the absence of any problems.

We also have in place a variety of check-and-balance structures from the standpoint of preventing internal fraud and provide a range of training programs to make each officer and employee fully aware of the high degree of the public nature of services provided by a trust bank.

(5) Information Security Risk Management Activities

In order to maintain and enhance the safety and reliability of our computer systems, we have adopted the “Information Security Management Rules” (“Information Security Policy”), our basic policy on information security management, as well as specific observance standards, and are working to improve our computer system risk management system.

Computer systems have become indispensable as a result of the rapid development of information technology (IT), and there is the concern that if our computer system breaks down or an unforeseen disaster occurs, the situation will be severe with far-reaching damage done, including a disruption in services to customers. Thus, in addition to conducting sufficient testing in the development of computer systems and working to prevent the occurrence of breakdowns, we regularly check on the progress in the development of important computer systems. Furthermore, in order to minimize the impact in the event of a system breakdown, we have prepared a double system infrastructure, built a backup system, and designed a plan for dealing with emergencies (i.e., a contingency plan).

We have established the risk management framework under which we monitor the risk situation and, when problems are discovered, follow procedures and deal with the problems promptly. While the spread of the Internet has helped enhance customer conveniences, new risks have emerged such as threats to customers’ personal information as well as our sensitive internal information as a result of illegal access from the outside. We are working to ensure security by vigilantly watching around the clock for any such attacks and through constant improvements to our computer systems.

Our “Information Security Policy” has provided for the protection of personal information since before the enforcement of the Personal Information Protection Law, and we have designated information management officers responsible for the protection of customers’ personal information, and also set forth criteria that must be observed regarding the collection, utilization, safekeeping/storing and disposal of personal information. In addition, since the announcement in April 2005 of the “Declaration for the Protection of Personal Information” we have redoubled our efforts to protect personal information by further reinforcing the existing information management system and improving various other regulations and systems from the viewpoint of the adequate protection and utilization of personal information. Furthermore, we are continuously providing education and information to all of our officers and employees in order to make them act with the a greater awareness of the necessity of managing information security on a company-wide basis.

(6) Activities to Manage other Operational Risks

In the management of event risk, we have built a system that enables us to continue business operations with the guidance from an emergency headquarters so that we can execute business operations in an appropriate manner even in the event of natural disasters and other unexpected accidents. We also have in place a business continuity plan and conduct regular training in order to secure the effectiveness of the plan. In addition, we have built a human resource risk management framework from the viewpoint of appropriately managing and preventing such problems as the inequality and unfairness in personnel management (problems related to remuneration, allowances, dismissals, etc.) and harassment. Furthermore, for the management of reputational risk, we have built a system to collect information on media reports and rumors about us and promptly and appropriately respond to them through public relations and investor relations activities from the viewpoint of preventing such reports and rumors from making a significant impact on our business management.

* For compliance risk, please refer to page 128.

• Standardized Approach

Business Category	Remarks	Assumed Margin
Retail Banking	Deposit-taking and lending operations in the retail market (small and medium businesses and individuals)	12%
Commercial Banking	Deposit-taking and lending operations outside the retail market	15%
Settlement	Settlement-related operations	18%
Retail Brokerage	Securities business operations mainly targeting small-lot customers	12%
Trading & Sales	Operations related to trading transactions; securities, foreign exchange rate and interest rate business operations mainly for large-lot customers	18%
Corporate Finance	Intermediation of corporate M&A; underwriting, sale and acceptance of subscriptions for securities and other operations related to customers’ fund raising (excluding operations subject to retail banking and commercial banking)	18%
Agency Operations	Business operations undertaken as agents for customers	15%
Asset Management	Asset management operations for customers	12%

(II) Coping with Basel II

Method used for the Calculation of Operational Risk Amount

Since the end of March 2007, we have been managing operational risk as part of required capital under Basel II. We use the Standardized Approach for the calculation of the operational risk amount under Basel II. Under this method, we measure the amount of operational risk by first classifying our business operations into eight categories and then multiplying gross income for each category by different percentages commensurate with risk.

We will continue to consider the shift to an Advanced Risk Measurement Approach with the hope of further sophisticating the management of operational risk.

6. Other Matters Related to Risk Management

(I) Securitization Exposures

Securitization is a transaction where credit risks of multiple underlying assets are divided into two or more different classes forming a senior and subordinated structure and then transferred partially or wholly to third parities. Well-known such assets, by type of underlying assets, include residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS) and collateralized loan obligations (CLO). In a securitization transaction, risk measurements differ between an originator, who brings securitized products to the market, and an investor, who purchases securitization exposures. The originator does not bear any credit risk if such risk is completely transferred in a securitization transaction, but is left with some credit risk if it undertook liquidity facilities or accepted a subordinated portion in designing securitized products. The investor who purchased securitized products naturally bears credit risk inherent in such products.

We participate in the securitization market principally as an investor, but also have a track record, albeit limited, of designing securitized products as an originator. We are also in the business of appropriately managing underlying assets for investors as a trustee, though we do not bear credit risk in doing so.

(1) Risk Management Policy in the Internal Risk Management Framework

(a) Investor

In principle, we invest in securitization products assigned with high external ratings, and during investment periods, try to secure stable earnings opportunities by regularly monitoring not only external ratings but also the status and performance of underlying assets.

(b) Originator

We will consider the possibility of making more active use of securitization transactions, undertaken as an originator, going forward as a means of controlling our portfolio of loans. In doing so, we plan to design transactions that would effectively realize the intended transfer of credit risks and also calculate credit risk-weighted assets we bear after securitization in an appropriate manner.

In implementing securitization transactions, we have adopted a method of sale that recognizes the extinguishment of financial assets with the transfer to others of control of contractual rights over financial assets, in line with accounting standards for financial products. In the case of loans, for example, we recognize the extinguishment of assets, in principle, when the transfer of assets is legally completed and the payment for the transfer is received. In the case where we hold retained equity after the execution of a securitization transaction, we do not recognize the sale of assets for a portion related to the retained equity concerned and include it in credit risk-weighted assets.

(2) Quantification of Securitization Exposures

In calculating the risk amount for securitization exposures, we use specific individual credit ratings assigned to securitization exposures and measure the risk amount in much the same way as with ordinary corporate exposures. Interest rate risk associated with securitization exposures is subject to the calculation of market VaR.

(3) Coping with Basel II

We prioritize calculation methods for credit risk-weighted assets in securitization exposures and choose applicable calculation methods with the highest priority. For securitization exposures assigned with qualifying external ratings, we use an "external ratings-based approach" to calculate risk weights. For securitization exposures without qualifying external ratings, we apply the "Supervisory Formula" commensurate with the characteristics of underlying assets to the calculation of risk weights. Securitization exposures to which neither of the above-mentioned approaches can be applied are deducted from total capital. The total of capital charges against securitization exposures held is not to exceed the amount of required capital in the case where the IRB Approach is applied to underlying assets.

Qualifying rating agencies we use when we calculate credit risk-weighted assets with the "external ratings-based approach" are Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc.; Standards & Poors Rating Services (S&P); and Fitch Ratings Ltd.

(II) Capital Contribution and Equity Exposures in the Banking Account

We purchase equities through the banking account as part of investment operations, and also make capital participation in organizations that can be expected to bring benefit to us and acquire equities in our customers to help strengthen business relations with them.

(1) Risk Management Policy in the Internal Risk Management Framework

While some of the equities we hold are intended to gain short-term investment returns or returns pertaining to long-term business relations, listed stocks are marked to market and as such exposed to the risk of market price fluctuations.

We measure the risk of equity exposures by broadly classifying them into those listed and unlisted. For listed equity exposures with market prices, we recognize the volatility of market prices as risk, and measure equity VaR with the estimated holding period (time horizon) of two months, inferred from a period when they are tradable on the market and the one-tailed 99% confidence interval.

Regarding unlisted equities, for which market price fluctuations cannot be observed directly, the amount of risk with a one-year time horizon is measured by the method of indirectly estimating the volatility of an appropriate alternative indicator or by invoking the PD/LGD approach prescribed under Basel II.

As stocks of consolidated subsidiaries are canceled out with capital accounts of such subsidiaries on the consolidated balance sheet, capital on the consolidated balance sheet is affected not by price fluctuations of equities of subsidiaries but by fluctuations of prices of assets held by subsidiaries. Thus, the risk to be measured is not the risk of the value of stocks held declining but the credit risk and market risk directly borne by subsidiaries. In contrast, the risk to be measured for affiliated companies under the equity method is the risk of the value of stocks held declining.

(2) Coping with Basel II

As the risk calculation approach under Basel II, we apply different methods for domestic and overseas equity exposures.

As for domestic equities, equity exposures to obligors and listed companies are calculated with the Regulatory Formula using credit ratings assigned. We apply the simplified approach to exposures to domestic stocks without credit ratings and overseas stocks and calculate risk assets by multiplying those exposures by risk weights set separately for listed and unlisted equities.

However, for equities acquired before the end of September 2004 and held continuously since then, risk weights under the previous BIS regulation are applicable pending the calculation of credit risk-weighted assets as of June 30, 2014 (the grandfathering rule).

(III) Credit Risk Mitigation Measures

(1) Risk Management Policy in the Internal Risk Management Framework

While we manage exposures and try to build a well-diversified credit portfolio in order to control credit risk, controls of credit exposures can be achieved not simply by reducing the balance of outstanding credit but also by seeking to protect loans with collateral and guarantees. These protection measures are collectively called "credit risk mitigating measures."

While we measure the creditworthiness of customers comprehensively by looking at their business status and technological capabilities as well as their future potential, we also employ the credit risk mitigating measures in order to cover the deficiency in creditworthiness or enhance the quality of loans.

What is necessary in doing so is that the credit risk mitigating measures are "valid" both legally and practically. In order to ensure that validity, we set internal standards for sound and reliable protection and management. In recent years, we have witnessed the emergence of a new strain of collateral including "intellectual property rights." We intend to respond to the demands of the times, and are striving to build up our capabilities to accurately assess new kinds of assets.

(a) Netting of Loans against Deposits

We net loans owned against deposits from the same counterparty, in principle, on the basis of Japanese laws and only with customers who have concluded agreements on bank transactions containing clauses for timely netting.

(b) Legally Valid Bilateral Netting Agreements

When we conduct derivatives transactions and repo-type transactions, we conclude, in principle, legally valid bilateral netting agreements (ISDA master agreements, etc.) with counterparties. When there emerge reasons for early termination, we mitigate credit risk by invoking bilateral netting agreements for the close-out netting of multiple derivatives transactions and repo-type transactions concluded with counterparties concerned. We are also pushing for the conclusion of the Credit Support Annex ("CSA") as associated agreements to ISDA master agreements in order to minimize credit risk in derivatives transactions. CSAs are bilateral agreements for credit enhancement, under which we and CSA counterparties calculate the present value of a derivatives transaction and the party with revaluation loss provides the other party with revaluation gain via collateral with the value equivalent to the revaluation loss.

Collateral is offered and received on a continuing basis between us and the CSA counterparty to make the revaluation gain/loss neutral. When the creditworthiness of one party deteriorates and is downgraded, however, the need arises to offer additional collateral* to account for the impact of the downgrade.

* The value of additional collateral varies depending on individual agreements with CSA counterparties.

(c) Outline of Assessment, Management Policies and Procedures Regarding Collateral

While collateral cannot be determined uniformly due to varying specific circumstances of obligors, we accept collateral that is most suitable for the use and character of loans and has good security qualifications.

We investigate and assess collateral in a prudent manner bearing in mind the degree of difficulty in actual disposal and realization of collateral as well as legal limitations and economic constraints.

Principal collateral we accept includes the following:

- Commercial bills before maturity that fully meet statutory requirements with settlement certainty
- Yen-denominated time deposits and call deposits
- Beneficiary rights of principal of designated money in money trusts or beneficiary rights of principal and income of such trusts
- Beneficiary certificates of loan trust with us (both registered and bearer form)
- Public and corporate bonds, listed stocks and securities investment trusts (bearer form)
- Land or land and buildings located in Japan for manageability, easy to dispose of and with certain collateral quality
- Ships with certain collateral quality
- Foundations having good-quality, well-managed properties with settlement certainty in terms earning capacity
- Claims payable to specific persons that meet certain requirements

The assessment of collateral is conducted once a year, in principle, for real estate and ships, while equities and other collateral with market prices are assessed by current prices.

(d) Guarantees

Guarantees are classified into several types, including specific debt guarantees covering only specific debts and revolving guarantees. In any event, we recognize guarantees that are consistent with our validity criteria for the effects of credit risk mitigation, including those with confirmed guarantee capacity and guarantee intentions, and also recognize guaranteed transactions in the process of screening credit applications. While we broadly recognize the validity of guarantees not only with formal guarantee agreements but also under signed memorandums and commitments to guarantee depending on accompanying terms and conditions, we set requirements for documents and other materials used to confirm potential guarantors' abilities and intentions of providing guarantees and give importance to the substantive effectiveness of guarantees instead of simply relying on written guarantee agreements.

Guarantors tend to be parent companies of obligors, and we are not relying on any particular guarantors. Since there are usually close relations between obligors and guarantors, the effect of diversification due to guarantees cannot be expected to any large extent. But we at least recognize the enhancement of obligors' creditworthiness to that of parent companies.

(2) Coping with Basel II

The Basel II framework narrowly defines types and requirements of credit risk mitigation measures that can be used to mitigate risk assets in the calculation of credit risk-weighted assets. As described above, we make use of credit risk mitigation measures as much as possible, but limit the scope of the credit risk mitigation measures applicable to the calculation of our capital adequacy ratio at the end of March 2007 as follows because our criteria are not necessarily always consistent with applicability requirements under Basel II:

- Netting loans against deposits
  (limited to jurisdictions where netting is authorized in a stable manner and also based on judicial precedents, etc., with balancing-out agreements in place)
- Legally valid bilateral netting agreements for derivatives transactions and repo-type transactions
- Credit derivatives
  (we deal with credit concentration risk by establishing and managing upper limits on credit exposures to protection providers (currently limited to AA-rated or higher entities)
- Settlement accounts receivable for simultaneous execution
- Multipurpose bank accounts and structured deposits designed to generate no net exposures

We will consider an expansion of the coverage of credit risk mitigation measures after elaborately validating their eligibility against the requirements under the Financial Services Agency notification.

Capital Adequacy Ratio

Consolidated

As from March 31, 2007, we calculate the capital adequacy ratio on both a consolidated and non-consolidated basis in line with provisions of Article 14-2 of the Banking Law and on the basis of calculation formulae prescribed under the criteria for judging whether a bank's capital adequacy ratio is appropriate in light of assets held (the Financial Services Agency 2006 Notification No.19, hereinafter referred to as the "Notification"). Further, as of March 31, 2006, we calculated the capital adequacy ratio on both the consolidated and non-consolidated basis in line with provisions of Article 14-2 of the Banking Law and on the basis of calculation formulae prescribed under the notice concerning the determination of criteria for the capital adequacy ratio (the Ministry of Finance 1993 Notification No.55, hereinafter referred to as the "Old Notification"). Applying uniform international standards, we have adopted the Foundation Internal Ratings-Based (IRB) Approach for the calculation of credit risk-weighted assets and the Standardized Approach for the calculation of operational risk, and also introduced market risk regulations.

Capital Adequacy Ratio

	Millions of Yen	
At March 31	2007	2006
Tier I		
Capital	¥ 287,517	¥ 287,283
Noncumulative Perpetual Preferred Stock	—	—
New Stock Subscription Rights	—	—
Capital Surplus	242,538	240,703
Retained Earnings	429,674	339,645
Treasury Stock (Deduction)	389	251
Treasury Stock Subscription Rights	—	—
Expected Distributed Amount (Deduction)	14,319	—
Unrealized Loss on Securities Available for Sale (Deduction)	—	—
Foreign Currency Translation Adjustments	(3,517)	(3,871)
Share Warrants	—	—
Minority Interest	210,641	159,032
Noncumulative Preferred Securities Issued by Overseas Special Purpose Companies	183,000	133,000
Business Rights Equivalents (Deduction)	—	—
Goodwill Equivalents (Deduction)	104,877	—
Equivalent to Intangible Fixed Assets Recorded through Business Combination (Deduction)	—	—
Equivalent to Consolidation Adjustments (Deduction)	—	113,165
Equivalent to the Increase in the Capital Associated with Securitization Transactions (Deduction)	—	—
Equivalent to 50% of the Excess of Expected Loss over Qualifying Reserves (Deduction)	21,068	—
Total Tier I before Deduction of Deferred Tax Assets (Aggregate Sum of Items Above)	1,026,199	909,376
Deducted Amounts of Deferred Tax Assets (Deduction) *1	—	—
Total (A)	1,026,199	909,376
Noncumulative Preferred Securities Attached with Step-up Interest Rate Clause*2 (a)	100,000	50,000
Tier II		
45% of Unrealized Gain on Securities Available for Sale	223,049	187,684
45% of Revaluation Reserve for Land	875	1,201
General Reserves	5,626	58,209
Excess of Qualifying Reserves over Expected Loss	—	—
Debt Capital	675,105	514,100
Perpetual Subordinated Debt *3	305,015	169,100
Subordinated Term Debt and Fixed-term Preferred Stock *4	370,090	345,000
Total	904,656	761,195
Included in Capital (B)	904,656	761,195
Tier III		
Subordinated Short-term Debt	—	—
Included in Capital (C)	—	—
Items for Deduction		
Items for Deduction*5 (D)	120,995	74,680
Total Capital		
(A)+(B)+(C)-(D) (E)	1,809,860	1,595,890
Risk-Weighted Assets		
Asset (On-balance Sheet) Items	12,750,781	13,352,420
Off-balance Sheet Transaction Items	2,349,861	1,114,278
Amount of Credit Risk-Weighted Assets (F)	15,100,642	14,466,698
Amount of Market Risk Equivalents ((H)/8%) (G)	158,957	174,009
(Reference) Market Risk Equivalents (H)	12,716	13,920
Amount of Operational Risk Equivalents ((J)/8%) (I)	665,388	—
(Reference) Operational Risk Equivalents (J)	53,231	—
Amount Obtained by Multiplying by 12.5 the Excess of the Amount Obtained by Multiplying the Old Required Capital by the Rate Prescribed by the Notification over the New Required Capital (K)	—	—
Total ((F)+(G)+(I)+(K)) (L)	¥ 15,924,988	¥ 14,640,708
Capital Adequacy Ratio = E/L x 100 (%)	11.36	10.90
Tier I Ratio = A/L x 100 (%)	6.44	6.21
Ratio of Noncumulative Preferred Securities with Step-up Interest Rate Clauses to Tier I Capital = a/A x 100 (%)	9.74	5.49

*1 Deferred tax assets and deferred tax liabilities are in deficit in net terms. The upper limit on the inclusion of deferred tax assets in capital is ¥307,859 million.

*2 Listed in the Notification Article 5, Paragraph 2 (the Old Notification Article 4, Paragraph 2), i.e. stocks and other securities with high probability of redemptions through such measures as attachment of step-up interest rate clauses (including noncumulative preferred securities issued by overseas special purpose companies).

*3 Debt capital listed in the Notification Article 6, Paragraph 1, 4 (the Old Notification Article 5, Paragraph 1, 4) that have all of the characteristics listed below:

(1) Paid-up debts unsecured and subordinate to other debts
(2) Not redeemable, except for certain cases
(3) Used for compensation of loss while continuing business
(4) Allowed to defer interest payment obligations

*4 Listed in the Notification Article 6, Paragraph 1, 5 and 6 (the Old Notification Article 5, Paragraph 1, 5 and 6). However, subordinated term debts are limited to those with an original maturity of over five years.

*5 Listed in the Notification Article 8, Paragraph 1, 1 through 6 (the Old Notification Article 7, Paragraph 1), and include the amounts equivalent to intentional holdings of other financial institutions' capital funding means and the amounts equivalent to investments in those provided for under the Notification Article 8, Paragraph 1, 2 (the Old Notification Article 7, Paragraph 1, 2).

*6 We received an external audit by KPMG AZSA & Co. on the calculation of the consolidated capital adequacy ratio in line with "Treatment for the Time Being in Case of the Implementation of the External Audit Concerning the Calculation of the Capital Adequacy Ratio on the Basis of 'Practical Guidelines Concerning the External Audit of the Internal Control System of Financial Institutions'" (The Japanese Institute of Certified Public Accountants, Bank Auditing Committee , April 15, 2003).

The external audit is not part of the accounting audit of the consolidated financial statements but was conducted on internal control concerning the calculation of the consolidated capital adequacy ratio under agreed-upon examination procedures, and thus does not represent the opinion of the external auditor regarding the consolidated capital adequacy ratio itself.

Outline of Capital Funding Means

An outline of capital funding means for the capital adequacy ratio is as follows:

Capital	Capital Funding Means	Outline	
Tier I	Common Stock	Full Voting Stock	Shareholders' equity listed by the Notification Article 5, Paragraph 1 (the Old Notification Article 4, Paragraph 1), and our standard stock with no limitations on holders' rights
	Preferred Securities	See Table below for Details	Preferred securities in the Notification Article 5, Paragraph 3 (the Old Notification Article 4, Paragraph 3), which meet all of the conditions below: •Noncumulative preferred capital •Paid-up securities that are unsecured and subordinate to other debts •Used for compensation of loss within the Bank while continuing business
Tier II	Perpetual Subordinated Bonds	•Date of Redemption not Provided •Step-up of Interest Rate (Prepayments will be allowed after 5 years subject to approval by the regulatory authorities)	Instrument included as the debt capital listed in the Notification Article 6, Paragraph 1, 4 (the Old Notification Article 5, Paragraph 1, 4) that have all of the characteristics below: •Paid-up securities that are unsecured and subordinate to other debts •Not redeemable except for some cases •Used for compensation of loss while continuing business •Allowed to defer interest payment obligations
	Perpetual Subordinated Loans		
	Subordinated Bonds	Maturities of 10 years and 20 years (Bullet payment)	Instrument included as the debt capital listed in the Notification Article 6, Paragraph 1, 5 and 6 (the Old Notification Article 5, Paragraph 1, 5 and 6), but subordinated debts are limited to those with five-year minimum maturity.
		•Date of Redemption Provided •Step-up of Interest Rate (Prepayments will be allowed after 5 years subject to approval by the regulatory authorities)	
	Subordinated Loans		

The main characteristics of "Preferred Securities" as a capital funding means are as follows:

1. Issuer	STB Preferred Capital (Cayman) Limited	STB Preferred Capital 2 (Cayman) Limited	STB Preferred Capital 3 (Cayman) Limited
2. Description of Securities	Noncumulative Preferred Securities	Same as on the left	Same as on the left
3. Maturity	Perpetual (the Securities may be redeemed in whole or in part on any dividend payment date on or after ten years from the issuance at the option of the Issuer subject to the prior approval of the holders of the ordinary shares and applicable regulatory requirements).	Perpetual (the Securities may be redeemed in whole or in part on any dividend payment date on or after seven years from the issuance at the option of the Issuer subject to the prior approval of the holders of the ordinary shares and applicable regulatory requirements).	Perpetual (the Securities may be redeemed in whole or in part on any dividend payment date on or after ten years from the issuance at the option of the Issuer subject to the prior approval of the holders of the ordinary shares and applicable regulatory requirements).
4. Dividend Rate	Floating Rate (Non Step-up)	<1st year - 10th year > Fixed Rate <Thereafter> Step-up Floating Rate	<1st year - 10th year > Fixed Rate <Thereafter> Step-up Floating Rate
5. Issue Amount	¥83 billion	¥50 billion	¥50 billion
6. Issue Date	March 26, 1999	December 7, 2005	March 2, 2007
7. Outline of Dividend Payment	Dividends are payable by the Issuer in the presence of distributable amount of the Bank in conformity with the calculation of preferred shares of the bank. If the Bank pays any dividends on any of its common stock with respect to any financial year of the Bank, then the Issuer will be required to pay full dividends on the Securities for the applicable year.	Same as on the left	Same as on the left
8. Dividend Limitation	Dividends will not be paid if any of certain criteria have met. The criteria include the following: When the Bank did not pay dividend on any class of preferred shares, if any. When the Bank's BIS capital adequacy ratio or Tier I capital adequacy ratio were to decline below the minimum percentages required by Japanese banking regulations.	Same as on the left	Same as on the left
9. Liquidation Preference	The Securities are intended to provide holders, through the perpetual subordinated loan to the Bank, with rights to liquidation preferences that are the same as those to which holders would be entitled if they had purchased non-cumulative nonvoting perpetual preferred stock issued directly by the Bank.	Same as on the left	Same as on the left

Scope of Consolidation

(1) The Difference between Companies Belonging to the Group of Companies Subject to the Capital Adequacy Ratio as Prescribed by the Notification Article 3 (hereinafter referred to as the "Consolidated Group") and Companies Included in the Scope of Consolidation in line with the Consolidated Financial Statements Rule is as follows:

Subsidiaries under the Banking Law that are not included in the scope of consolidation by applying provisions of the Consolidated Financial Statements Rule, Article 5, Paragraph 2, are included in the Consolidated Group subject to the calculation of the capital adequacy ratio.

(2) The number of consolidated subsidiaries that belong to the Consolidated Group is 34.

Principal companies

Name	Principal Business Operations
STB Leasing Co., Ltd.	Leasing
Sumishin Matsushita Financial Services Co., Ltd.	Leasing, Installment Finance, Credit Card Service
First Credit Corporation	Money Lending
Sumishin Realty Company, Limited	Real Estate Brokerage
STB Asset Management Co., Ltd.	Mutual Fund Management, Investment Advisory Services
Sumitomo Trust and Banking Co. (U.S.A.)	Financial and Trust Services

(3) There are two affiliated companies that undertake financial services subject to the Notification, Article 9.

Name	Principal Business Operations
Japan Pension Operation Service, Ltd.	Pension benefit computing and clerical agent services
Japan Trustee Services Bank, Ltd.	Trust and banking services

(4) There are a total of 43 companies that are subject to deduction items listed in the Notification, Article 8, Paragraph 1, 2 (a) through (c). None of these companies failed to meet the regulatory required capital.

Principal company

Name	Principal Business Operations
Hummingbird Co., Ltd.	Rental Business through an Anonymous Partnership

(5) Of Companies Listed in the Banking Law, Article 16-2, Paragraph 1, 11, those Dedicated to Auxiliary Businesses, and Companies Listed in the Banking Law, Article 16-2, Paragraph 1, 12, all belong to the Consolidated Group.

(6) There are no particular restrictions on the transfer of funds and capital within the Consolidated Group.

Items in the scope of consolidation regarding Basel II represent conditions at the end of March, 2007.

Capital Adequacy

Consolidated

(1) Amount of Required Capital against Credit Risk (excluding equity exposures to which the IRB Approach is applied and exposures held in funds)

At March 31	Millions of Yen 2007
Portfolios to which the Standardized Approach is Applied	¥ 216,549
Retail Exposures	83,567
Exposures to Business Units Set for Phased Roll-Out Application	97,435
Exposures Excluded from Application	35,546
Portfolios to which the IRB Approach is Applied and the Breakdown by Portfolio	875,527
Corporate Exposures	737,987
Sovereign Exposures	24,449
Bank Exposures	24,295
Purchased Receivables	77,524
Other Assets	11,270
Securitization Exposures	89,425
Exposures to which the Standardized Approach is Applied	24,713
Exposures to which the IRB Approach is applied	64,711

(2) Amount of Required Capital against Credit Risk concerning Equity Exposures to which the IRB Approach is Applied

At March 31	Millions of Yen 2007
Equity Exposures	¥ 107,182
PD/LGD Approach	18,533
Simplified Method of the Market-Based Approach	11,796
Internal Models Method of the Market-Based Approach	—
Transitional Measures	76,852

(3) Amount of Required Capital against Credit Risk Concerning Exposures Held in Funds

At March 31	Millions of Yen 2007
	¥ 120,840

(4) Amount of Required Capital against Market Risk

At March 31	Millions of Yen 2007
Market Risk	¥ 12,716
Amount of Required Capital by Category under the Standardized Approach	1,512
Interest Rate Risk	1,352
Equity Risk	—
Foreign Exchange Risk	160
Commodities Risk	—
Options Transactions	—
Internal Models Approach	11,204

(5) Amount of Required Capital against Operational Risk

At March 31	Millions of Yen 2007
Standardized Approach	¥ 53,231

(6) Total Required Capital

At March 31	Millions of Yen 2007
Total Required Capital	¥ 1,273,999

Credit Risk

(1) Balance of Exposures Related to Credit Risk (excluding exposures held in funds and securitization exposures)

At March 31	Millions of Yen 2007	Credit Risk Exposures: Loans, Commitments and Other Off-balance Sheet Exposures other than Derivatives	Credit Risk Exposures: Securities	Credit Risk Exposures: Over-The-Counter Derivatives	Exposures 3 Months or Longer Overdue or Exposures in Default
Japan	¥ 17,522,227	¥ 14,316,799	¥ 2,942,858	¥ 262,569	¥ 139,281
Outside Japan	3,763,118	1,668,131	920,251	1,174,735	—
Total for Regions	¥ 21,285,345	¥ 15,984,930	¥ 3,863,109	¥ 1,437,305	¥ 139,281
Manufacturing	2,804,531	2,140,037	650,972	13,520	5,298
Agriculture	3,671	2,755	900	15	—
Forestry	295	295	—	—	—
Fishing	6,941	6,456	474	10	—
Mining	19,755	19,651	—	103	—
Construction	249,552	227,778	21,331	442	1,915
Energy and Utilities	268,188	198,904	67,902	1,382	—
Communication	237,135	210,748	26,290	97	4,240
Transportation	912,621	758,542	146,121	7,957	48,784
Wholesale and Retail	1,509,827	1,362,348	137,832	9,646	37,515
Finance and Insurance	2,686,759	2,288,759	186,782	211,217	—
Real Estate	1,928,299	1,761,115	161,694	5,489	22,090
Various Services	1,435,682	1,399,393	30,094	6,193	8,107
Local Public Bodies	209,194	147,310	61,884	—	—
Individuals	1,849,586	1,849,586	—	—	2,844
Others	7,163,302	3,611,246	2,370,829	1,181,227	8,484
Total for Industry Sectors	¥ 21,285,345	¥ 15,984,930	¥ 3,863,109	¥ 1,437,305	¥ 139,281
One Year or Shorter	6,233,405	5,584,790	532,126	116,488	
Over One Year to less than Five Years	7,303,851	5,449,062	1,283,559	571,229	
Five Years or Longer	7,748,087	4,951,077	2,047,423	749,587	
Total for All Durations	¥ 21,285,345	¥ 15,984,930	¥ 3,863,109	¥ 1,437,305	

*1 Exposures subject to the calculation of credit risk-weighted assets excluding those subject to funds, securitization, other assets and those excluded from the application.
*2 "Others" in the industry sectors include overseas and state public services. Exposures for the duration of over five years include those with no fixed maturities.

(2) Amount of Specific Loan-Loss Reserves (breakdown by region, industry sector)

At March 31	Millions of Yen 2007 Balance
Japan	¥ 29,568
Outside Japan	—
Total for Regions	¥ 29,568
Manufacturing	761
Agriculture	—
Forestry	—
Fishing	—
Mining	—
Construction	304
Energy and Utilities	81
Communication	62
Transportation	13,787
Wholesale and Retail	626
Finance and Insurance	4
Real Estate	2,662
Various Services	2,387
Local Public Bodies	3,262
Individuals	2,525
Others	3,102
Total for Industry Sectors	¥ 29,568

(3) Amount of Reserves for Loans to Borrowers in Specific Foreign Countries (breakdown by industry sector)

	Millions of Yen	
	2007	
At March 31	Balance	Change
Manufacturing	¥ 64	¥ (27)
Agriculture	—	—
Forestry	—	—
Fishing	—	—
Mining	106	42
Construction	—	—
Energy and Utilities	0	0
Communication	—	—
Transportation	—	—
Wholesale and Retail	17	10
Finance and Insurance	513	145
Real Estate	—	—
Various Services	—	—
Local Public Bodies	—	—
Individuals	—	—
Others	17	0
Total for Industry Sectors	¥ 720	¥ 169

(4) Amount of Write-Offs of Loans (breakdown by industry sector)

	Millions of Yen
Year Ended March 31	2007
Manufacturing	¥ 23
Agriculture	—
Forestry	—
Fishing	—
Mining	—
Construction	49
Energy and Utilities	—
Communication	4,141
Transportation	79
Wholesale and Retail	320
Finance and Insurance	—
Real Estate	(1,038)
Various Services	2,528
Local Public Bodies	—
Individuals	366
Others	(9)
Total for Industry Sectors	¥ 6,462

(5) Amount of Exposures by Risk-Weight Category

At March 31	Millions of Yen 2007
Balance of Exposures to which the Standardized Approach is Applied after Allowing for the Credit Risk Mitigation Effect by Risk-Weight Category	¥ 4,177,181
0%	345,124
10%	809
20%	480,432
35%	1,091,411
50%	51,730
100%	2,198,157
150%	9,515
Amounts Deducted from Capital under Provisions of Article 8, Paragraph 1, 3 and 6	—
Balance by Risk-Weight Category of Specialized Lending under the Slotting Criteria (other than those in the Category of High-Volatility Commercial Real Estate Lending)	¥ 647,589
Strong 70%	280,545
Good 90%	212,866
Satisfactory 115%	140,385
Weak 250%	1,139
Default 0%	12,651
Balance by Risk-Weight Category of Specialized Lending under the Slotting Criteria (other than those with the Duration of less than Two and a Half Years and those in the Category of High-Volatility Commercial Real Estate Lending)	¥ 342,638
Strong 50%	140,816
Good 70%	146,824
Satisfactory 115%	54,739
Weak 250%	—
Default 0%	258
Balance by Risk-Weight Category of Specialized Lending under the Slotting Criteria (those in the Category of High-Volatility Commercial Real Estate Lending)	¥ 63,243
Strong 95%	16,386
Good 120%	24,873
Satisfactory 140%	21,983
Weak 250%	—
Default 0%	—
Balance by Risk-Weight Category of Specialized Lending under the Slotting Criteria (those with the Duration of less than Two and a Half Years and in the Category of High-Volatility Commercial Real Estate Lending)	¥ 68,582
Strong 70%	34,705
Good 95%	26,386
Satisfactory 140%	7,490
Weak 250%	—
Default 0%	—
Equity Exposures to which the Simplified Method of the Market-Based Approach is Applied	¥ 42,133
Listed Stocks 300%	29,423
Unlisted Stocks 400%	12,709

Application of the IRB Approach

(1) The Probability of Default (PD), weighted average of Risk Weights (RW), Exposure At Default (EAD) of On-balance sheet asset items (On_EAD), and EAD of Off-balance sheet asset items (Off_EAD) by debtor category for corporate exposures

	Millions of Yen				
	2007				
At March 31	PD	LGD	RW	On_EAD	Off_EAD
Ratings 1 – 4	0.06%	46.15%	24.80%	¥ 1,766,587	¥ 791,661
Ratings 5 – 6	1.00%	45.05%	76.51%	4,612,853	1,040,969
Ratings 7 – 8	11.46%	45.00%	197.58%	666,751	92,974
Ratings 8- – 10	100.00%	45.00%	—	111,967	16,536
Total	3.01%	45.36%	71.02%	¥ 7,158,159	¥ 1,942,141

* Specialized lending and purchased receivables are excluded.

(2) The Probability of Default (PD), weighted average of Risk Weights (RW), Exposure At Default (EAD) of On-balance sheet asset items (On_EAD), and EAD of Off-balance sheet asset items (Off_EAD) by debtor category for sovereign exposures

	Millions of Yen				
	2007				
At March 31	PD	LGD	RW	On_EAD	Off_EAD
Ratings 1 – 4	0.01%	45.00%	9.42%	¥ 2,588,471	¥ 55,146
Ratings 5 – 6	1.14%	45.00%	90.29%	30,224	1,743
Ratings 7 – 8	15.15%	45.00%	233.17%	7,453	1
Ratings 8- – 10	—	—	—	—	—
Total	0.07%	45.00%	11.00%	¥ 2,626,149	¥ 56,891

* Specialized lending and purchased receivables are excluded.

(3) The Probability of Default (PD), weighted average of Risk Weights (RW), Exposure At Default (EAD) of On-balance sheet asset items (On_EAD), and EAD of Off-balance sheet asset items (Off_EAD) by debtor category for bank exposures

	Millions of Yen				
	2007				
At March 31	PD	LGD	RW	On_EAD	Off_EAD
Ratings 1 – 4	0.04%	45.49%	16.98%	¥ 833,621	¥ 657,150
Ratings 5 – 6	0.58%	47.14%	53.44%	51,851	31,010
Ratings 7 – 8	—	—	—	—	—
Ratings 8- – 10	—	—	—	—	—
Total	0.07%	45.58%	18.90%	¥ 885,473	¥ 688,160

* Specialized lending and purchased receivables are excluded.

(4) The Probability of Default (PD), weighted average of Risk Weights (RW) and balance of equity exposures to which the PD/LGD approach is applied by obligor category

	Millions of Yen		
	2007		
At March 31	PD	RW	Balance
Ratings 1 – 4	0.06%	109.13%	¥ 35,696
Ratings 5 – 6	0.67%	197.63%	93,003
Ratings 7 – 8	14.68%	524.97%	77
Ratings 8- – 10	100.00%	—	99
Total	0.59%	173.16%	¥ 128,876

Credit Risk Mitigation

Consolidated

Exposures to which Credit Risk Mitigation Measures are Applied

At March 31	Millions of Yen 2007 Qualifying Financial Assets Collateral	Credit Derivatives
Portfolios to which the Standardized Approach is Applied	¥ 57,046	¥ —
Portfolios to which the IRB Approach is Applied	998,123	40,000
Corporate Exposures	175,684	40,000
Sovereign Exposures	32,889	—
Bank Exposures	789,549	—

Derivative Products

Consolidated

Derivative Products

At March 31	Millions of Yen 2007
Aggregate Sum of Amounts of Gross Reconstruction Costs (limited only to those not below zero)	¥ 647,698
Aggregate Sum of Gross Add-On Amounts	789,606
Credit Equivalents (Gross)	¥ 1,437,305

* Credit equivalents are calculated with the current exposure formula.

At March 31	Millions of Yen 2007
Foreign Exchange Related	¥ 238,448
Interest Rate Related	1,198,748
Gold Related	—
Equity Related	—
Precious Metals (Excluding Gold) Related	—
Other Commodities Related	—
Credit Derivatives	108
Total	¥ 1,437,305
Effect of Mitigating Credit Equivalents due to Close-out Netting Contracts (Deduction)	(680,134)
Total	¥ 757,170
Effect of Mitigation by Collateral under the Credit Risk Mitigation Measures (Deduction)	—
Total	¥ 757,170

At March 31	Millions of Yen 2007 Provision of Protection	Purchase of Protection
Notional Principal Amounts of Credit Derivatives Subject to the Calculation of Credit Equivalents		
Credit Default Swaps	¥ 81,000	¥ 40,000
Total Return Swaps	—	—
First-to-Default Credit Derivatives	—	—
Second-to-Default Credit Derivatives	—	—

At March 31	Millions of Yen 2007
Notional Principal Amounts used to Allow for the Effect of Credit Risk Mitigation Measures	¥ 40,000

Securitization Exposures (Originator)

Consolidated

(1) Outline of Securitizations during fiscal year 2006, Type and Status of Underlying Assets

We conducted the following single securitization transaction as an originator during fiscal year 2006.

Date of Securitization: December 2006

Type of Underlying Assets: Commercial real estate-secured loan (real estate non-recourse loan)

Aggregate Sum of Underlying Assets: ¥20,000 million (at the time of securitization), ¥17,221 million (as of the end of March 2007)

Type of Transaction: Asset transfer-type securitization transaction

Rating Agency: Moody's Investors Service, Inc.

Initial Issue Amount: Class A ¥11,900 million (Aaa), Class B ¥5,000 million (Aa2)
Class C ¥2,600 million (A2), Class D ¥500 million (A3)

Date of Redemption: October 2013

We hold part of the exposures related to this securitization transaction, and quantitative data in (2)~(9) below include data related to this securitization transaction.

(2) Amounts of Securitization Exposures Held and Breakdown of Underlying Assets by Type

	Millions of Yen			
	2007			
	Exposure Amount	Aggregate Sum of Underlying Assets		
At March 31			Asset Transfer-Type Securitization	Synthetic Securitization
Housing Loans	¥ —	¥ —	¥ —	¥ —
Credit Card Loans, Consumer Loans	—	—	—	—
Auto Loans, Other Loans to Individuals	—	—	—	—
Commercial Real Estate-Secured Loans	10,201	29,041	29,041	—
Loans and Bonds to Corporates	—	—	—	—
Claims on Lease Payments	—	—	—	—
Accounts Receivable, Other Claims on Corporates	—	—	—	—
Total	¥ 10,201	¥ 29,041	¥ 29,041	¥ —

(3) Cumulative Total for Fiscal Year 2006 of Underlying Assets Overdue for Three Months or Longer or in Default Related to Securitization Exposures Held, Cumulative Total of Losses for Fiscal Year 2006, and their Breakdowns by Type of Underlying Assets.

Not applicable

(4) Balance and Amounts of Required Capital of Securitization Exposures Held by Risk-Weight Category

	Millions of Yen	
	2007	
At March 31	Balance	Required Capital
Risk-Weight Category (IRB Approach)	¥ 10,201	¥ 810
20% or less	1,335	22
over 20% and 100% or less	—	—
over 100% and less than 1250%	8,866	788
Capital Deduction	—	—
Risk-Weight Category (Standardized Approach)	—	—
20% or less	—	—
over 20% and 100% or less	—	—
over 100% and less than 1250%	—	—
Capital Deduction	—	—
Total	¥ 10,201	¥ 810

(5) Amount Equivalent to the Increase in Capital Following Securitization and Breakdown by Type of Underlying Assets

Not applicable

(6) Amount of Securitization Exposures by Type of Underlying Assets Deducted from Capital under Provisions of the Notification on Capital Adequacy Ratio, Article 247

Not applicable

(7) Items by Type of Underlying Assets of Securitization Exposures with Early Redemption Clauses

Not applicable

(8) Amounts of Losses/Gains on Sale in Association with Securitization Transactions Recognized during fiscal year 2006 and Breakdown by Type of Principal Underlying Assets

Not applicable

(9) Amounts of Credit Risk-Weighted Assets Calculated with the Application of Transitional Measures with respect to Securitization Exposures

Not applicable

Securitization Exposures (Investor)

Consolidated

(1) Amount of Securitization Exposures Held and Breakdown by Type of Principal Underlying Assets

	Millions of Yen
	2007
At March 31	Exposure
Housing Loans	¥ 609,005
Credit Card Loans, Consumer Loans	276,624
Auto Loans, Other Loans to Individuals	44,875
Commercial Real Estate-Secured Loans	109,384
Loans and Bonds to Corporates	543,016
Claims on Lease Payments	162,799
Accounts Receivable, Other Claims on Corporates	6,205
Total	¥ 1,751,911

(2) Balance and Amounts of Required Capital of Securitization Exposures Held by Risk-Weight Category

	Millions of Yen	
	2007	
At March 31	Balance	Required Capital
Risk-Weight Category (IRB Approach)	¥ 821,406	¥ 63,900
20% or less	650,917	5,441
over 20% and 100% or less	105,025	5,527
over 100% and less than 1250%	24,230	11,698
Capital Deduction	41,233	41,233
Risk-Weight Category (Standardized Approach)	930,505	24,713
20% or less	736,829	11,789
over 20% and 100% or less	193,675	12,924
over 100% and less than 1250%	—	—
Capital Deduction	—	—
Total	¥ 1,751,911	¥ 88,614

(3) Amount of Securitization Exposures by Type of Underlying Assets Deducted from Capital under Provisions of the Notification on Capital Adequacy Ratio, Article 247

	Millions of Yen
At March 31	2007
Housing Loans	¥ —
Credit Card Loans, Consumer Loans	—
Auto Loans, Other Loans to Individuals	—
Commercial Real Estate-Secured Loans	—
Loans and Bonds to Corporates	41,233
Claims on Lease Payments	—
Accounts Receivable, Other Claims on Corporates	—
Total	¥ 41,233

(4) Amounts of Credit Risk-Weighted Assets Calculated with the Application of Transitional Measures with respect to Securitization Exposures

Not applicable

Capital Subscriptions or Equity Exposures in the Banking Account

Consolidated

At March 31	Millions of Yen 2007 Book Value	Millions of Yen 2007 Market Value
Book Values and Market Values with respect to Items Listed Below		
Listed Equity Exposures	¥ 989,188	¥ 989,188
Unlisted Equity Exposures	83,483	83,483
Stocks Held in Subsidiaries and Affiliated Companies	27,763	27,763
Amounts of Losses/Gains on Sale and Write-Offs of Capital Subscriptions or Equity Exposures		4,814
Amounts of Unrealized Losses/Gains Recognized in the Balance Sheet and not Recognized in the Income Statement	507,273	
Amounts by Portfolio Category	1,077,285	
Outstanding Shares Held	906,275	
Portfolios Adopting the Market-Based Approach	42,133	
Portfolios Adopting the PD/LGD Approach	128,876	

* Amounts by portfolio category show exposures subject to the calculation of credit risk-weighted assets.

Amounts Held in Funds

Consolidated

At March 31	Millions of Yen 2007
Aggregate Sum of Exposures Held in Funds	¥ 503,842
Look-through Formula	242,418
Simple Majority Formula	66,780
Investment Criteria Formula	103,826
Internal Models Approach	0
Probability Approach	78,152
Others	12,665

* Exposures subject to the calculation of credit risk-weighted assets are shown.

Capital Adequacy Ratio

Non-consolidated

Capital Adequacy Ratio

At March 31	Millions of Yen 2007	2006
Tier I		
Capital	¥ 287,517	¥ 287,283
Noncumulative Perpetual Preferred Stock	—	—
New Stock Subscription Rights	—	—
Capital Reserve	242,536	240,703
Other Capital Surplus	2	—
Earned Surplus Reserve	46,580	46,580
Voluntary Reserves	—	251,870
Retained Earnings Carried Forward	—	18,823
Other Earned Surplus	339,220	—
Others	182,999	133,143
Treasury Stock	389	251
Treasury Stock Subscription Rights	—	—
Expected Distributed Amount (Deduction)	14,319	—
Unrealized Loss on Securities Available for Sale (Deduction)	—	—
Share Warrants	—	—
Business Rights Equivalents (Deduction)	—	—
Goodwill Equivalents (Deduction)	—	—
Equivalent to Intangible Fixed Assets Recorded through Business Combination (Deduction)	—	—
Equivalent to the Increase in the Capital Associated with Securitization Transactions (Deduction)	—	—
Equivalent to 50% of the Excess of Expected Loss over Qualifying Reserves (Deduction)	20,949	—
Total Tier I before Deduction of Deferred Tax Assets (Aggregate Sum of Items Above)	1,063,198	978,153
Deducted Amount of Deferred Tax Assets (Deduction)*1	—	—
Total (A)	1,063,198	978,153
Noncumulative Preferred Securities Attached with Step-up Interest Rate Clause*1 (a)	100,000	50,000
Tier II		
45% of Unrealized Gain on Securities Available for Sale	222,403	185,390
45% of Revaluation Reserve for Land	875	1,201
General Reserves	2,004	53,882
Excess of Qualifying Reserves over Expected Loss	—	—
Debt Capital	675,105	514,100
Perpetual Subordinated Debt*2	305,015	169,100
Subordinated Term Debt and Fixed-term Preferred Stock	370,090	345,000
Total	900,387	754,574
Included in Capital (B)	900,387	754,574
Tier III		
Subordinated Short-term Debt	—	—
Included in Capital (C)	—	—
Items for Deduction		
Items for Deduction*4 (D)	91,179	61,526
Total Capital		
((A) + (B) + (C) - (D)) (E)	1,872,406	1,671,201
Risk-Weighted Assets		
Asset (On-balance Sheet) Items	12,247,083	13,147,151
Off-balance Sheet Transaction Items	2,329,227	1,062,132
Amount of Credit Risk-Weighted Assets (F)	14,576,310	14,209,284
Amount of Market Risk Equivalents ((H)/8%) (G)	156,954	172,595
(Reference) Market Risk Equivalents (H)	12,556	13,807
Amount of Operational Risk Equivalents ((J)/8%) (I)	546,154	—
(Reference) Operational Risk Equivalents (J)	43,692	—
Amount Obtained by Multiplying by 12.5 the Excess of the Amount Obtained by Multiplying the Old Required Capital by the Rate Prescribed by the Notification over the New Required Capital (K)	—	—
Total ((F)+(G)+(I)+(K)) (L)	¥ 15,279,419	¥ 14,381,879
Capital Adequacy Ratio = E/L x 100 (%)	12.25	11.62
Tier I Ratio = A/L x 100 (%)	6.95	6.80
Ratio of Noncumulative Preferred Securities with Step-up Interest Rate Clauses to Tier I Capital= a/A x 100 (%)	9.40	5.11

*1 Deferred tax assets and deferred tax liabilities are in deficit in net terms. The upper limit on the inclusion of deferred tax assets in capital is ¥318,959 million.

*2 Listed in the Notification Article 17, Paragraph 2 (the Old Notification Article 14, Paragraph 2), i.e. stocks and other securities with high probability of redemptions through such measures as attachment of step-up interest rate clauses (including Noncumulative preferred securities issued by overseas special purpose companies).

*3 Debt capital listed in the Notification Article 18, Paragraph 1, 4 (the Old Notification Article 15, Paragraph 1, 4) that have all of the characteristics listed below:
(1) Paid-up debts unsecured and subordinate to other debts
(2) Not redeemable except for certain cases
(3) Used for compensation of loss while continuing business
(4) Allowed to defer interest payment obligations

*4 Listed in the Notification Article 18, Paragraph 1, 5 and 6 (the Old Notification Article 15, Paragraph 1, 5 and 6). However, subordinated term debts are limited to those with an original maturity of over five years.

*5 Listed in the Notification Article 20, Paragraph 1, 1 through 5 (the Old Notification Article 17, Paragraph 1), and include the amounts equivalent to intentional holdings of other financial institutions' capital funding means.

*6 We received an external audit by KPMG AZSA & Co. of the calculation of the non-consolidated capital adequacy ratio in line with "Treatment for the Time Being in Case of the Implementation of the External Audit Concerning the Calculation of the Capital Adequacy Ratio on the Basis of 'Practical Guidelines Concerning the External Audit of the Internal Control System of Financial Institutions'" (the Japanese Institute of Certified Public Accountants, Bank Auditing Committee , April 15, 2003).

The external audit is not part of the accounting audit of the financial statements but was conducted on internal control concerning the calculation of the non-consolidated capital adequacy ratio under agreed-upon examination procedures, and thus does not represent the opinion of the external auditor regarding the non-consolidated capital adequacy ratio itself.

Outline of Capital Funding Means

An outline of capital funding means for the capital adequacy ratio is as follows:

Capital	Capital Funding Means	Outline	
Tier I	Common Stock	Full Voting Stock	Shareholders' equity listed by the Notification Article 17, Paragraph 1 (the Old Notification Article 14, Paragraph 1), and our standard stock with no limitations on holders' rights
	Preferred Securities	See Table below for Details	Preferred securities in the Notification Article 17, Paragraph 4 (the Old Notification Article 14, Paragraph 4), which meet all of the conditions below: •Noncumulative preferred capital •Paid-up securities that are unsecured and subordinate to other debts •Issuance proceeds are made available to the Bank immediately with no limitations and can be used for compensation of loss within the Bank while continuing business
Tier II	Perpetual Subordinated Bonds	•Date of Redemption not Provided •Step-up of Interest Rate (Prepayments will be allowed after 5 years subject to approval by the regulatory authorities)	Instrument included as the debt capital listed in the Notification Article 18, Paragraph 1, 4 (the Old Notification Article 15, Paragraph 1, 4) that have all of the characteristics below: •Paid-up securities that are unsecured and subordinate to other debts •Not redeemable except for some cases •Used for compensation of loss while continuing business •Allowed to defer interest payment obligations
	Perpetual Subordinated Loans		
	Subordinated Bonds	Maturities of 10 years and 20 years (Bullet payment)	Instrument included as the debt capital listed in the Notification Article 18, Paragraph 1, 5 and 6 (the Old Notification Article 15, Paragraph 1, 5 and 6), but subordinated debts are limited to those with five-year minimum maturity.
		•Date of Redemption Provided •Step-up of Interest Rate (Prepayments will be allowed after 5 years subject to approval by the regulatory authorities)	
	Subordinated Loans		

The main characteristics of "Preferred Securities" as a capital funding means are as follows:

1. Issuer	STB Preferred Capital (Cayman) Limited	STB Preferred Capital 2 (Cayman) Limited	STB Preferred Capital 3 (Cayman) Limited
2. Description of Securities	Noncumulative Preferred Securities	Same as on the left	Same as on the left
3. Maturity	Perpetual (the Securities may be redeemed in whole or in part on any dividend payment date on or after ten years from the issuance at the option of the Issuer subject to the prior approval of the holders of the ordinary shares and applicable regulatory requirements).	Perpetual (the Securities may be redeemed in whole or in part on any dividend payment date on or after seven years from the issuance at the option of the Issuer subject to the prior approval of the holders of the ordinary shares and applicable regulatory requirements).	Perpetual (the Securities may be redeemed in whole or in part on any dividend payment date on or after ten years from the issuance at the option of the Issuer subject to the prior approval of the holders of the ordinary shares and applicable regulatory requirements).
4. Dividend Rate	Floating Rate (Non Step-up)	<1st year - 10th year > Fixed Rate <Thereafter> Step-up Floating Rate	<1st year - 10th year > Fixed Rate <Thereafter> Step-up Floating Rate
5. Issue Amount	¥83 billion	¥50 billion	¥50 billion
6. Issue Date	March 26, 1999	December 7, 2005	March 2, 2007
7. Outline of Dividend Payment	Dividends are payable by the Issuer in the presence of distributable amount of the Bank in conformity with the calculation of preferred shares of the bank. If the Bank pays any dividends on any of its common stock with respect to any financial year of the Bank, then the Issuer will be required to pay full dividends on the Securities for the applicable year.	Same as on the left	Same as on the left
8. Dividend Limitation	Dividends will not be paid if any of certain criteria have met. The criteria include the following: When the Bank did not pay dividend on any class of preferred shares, if any. When the Bank's BIS capital adequacy ratio or Tier I capital adequacy ratio were to decline below the minimum percentages required by Japanese banking regulations.	Same as on the left	Same as on the left
9. Liquidation Preference	The Securities are intended to provide holders, through the perpetual subordinated loan to the Bank, with rights to liquidation preferences that are the same as those to which holders would be entitled if they had purchased non-cumulative nonvoting perpetual preferred stock issued directly by the Bank.	Same as on the left	Same as on the left

Capital Adequacy

Non-consolidated

(1) Amount of Required Capital against Credit Risk (excluding equity exposures to which the IRB Approach is applied and exposures held in funds)

At March 31	Millions of Yen 2007
Portfolios to which the Standardized Approach is Applied	¥ 101,014
Retail Exposures	83,567
Exposures to Business Units Set for Phased Roll-Out Application	—
Exposures Excluded from Application	17,446
Portfolios to which the IRB Approach is Applied and the Breakdown by Portfolio	773,030
Corporate Exposures	639,708
Sovereign Exposures	23,617
Bank Exposures	25,792
Purchased Receivables	71,186
Other Assets	12,725
Securitization Exposures	70,429
Exposures to which the Standardized Approach is Applied	26,149
Exposures to which the IRB Approach is Applied	44,279

(2) Amount of Required Capital against Credit Risk Concerning Equity Exposures to which the IRB Approach is Applied

At March 31	Millions of Yen 2007
Equity Exposures	¥ 130,814
PD/LGD Approach	18,533
Simplified Method of the Market-Based Approach	11,796
Transitional Measures	100,484

(3) Amount of Required Capital against Credit Risk Concerning Exposures Held in Funds

At March 31	Millions of Yen 2007
	¥ 120,840

(4) Amount of Required Capital against Market Risk

At March 31	Millions of Yen 2007
Market Risks	¥ 12,556
Amount of Required Capital by Category under the Standardized Approach	1,352
Interest Rate Risk	1,352
Equity Risk	—
Foreign Exchange Risk	0
Commodities Risk	—
Options Transactions	—
Internal Models Approach	11,204

(5) Amount of Required Capital against Operational Risk

At March 31	Millions of Yen 2007
Standardized Approach	¥ 43,692

(6) Total Required Capital

At March 31	Millions of Yen 2007
Total Required Capital	¥ 1,222,353

Credit Risk

(1) Balance of Exposures Related to Credit Risk (excluding exposures held in funds and securitization exposures)

At March 31	Millions of Yen 2007 Credit Risk Exposures	Loans, Commitments and Other Off-balance Sheet Exposures other than Derivatives	Securities	Over-The-Counter Derivatives	Exposures 3 Months or Longer Overdue or Exposures in Default
Japan	¥ 17,051,376	¥ 13,530,342	¥ 3,258,704	¥ 262,329	¥ 132,608
Outside Japan	3,740,304	1,645,324	920,303	1,174,676	—
Total for Regions	¥ 20,791,681	¥ 15,175,667	¥ 4,179,008	¥ 1,437,005	¥ 132,608
Manufacturing	2,870,099	2,205,606	650,972	13,520	5,298
Agriculture	3,671	2,755	900	15	—
Forestry	295	295	—	—	—
Fishing	6,941	6,456	474	10	—
Mining	19,755	19,651	—	103	—
Construction	248,105	226,332	21,331	442	1,915
Energy and Utilities	268,082	198,798	67,902	1,382	—
Communication	236,227	209,475	26,654	97	4,240
Transportation	889,132	735,052	146,121	7,957	48,784
Wholesale and Retail	1,506,028	1,358,550	137,832	9,646	37,515
Finance and Insurance	3,038,631	2,463,904	363,808	210,918	—
Real Estate	1,840,381	1,673,136	161,755	5,489	22,090
Various Services	1,796,937	1,619,418	171,325	6,193	8,107
Local Public Bodies	209,191	147,307	61,884	—	—
Individuals	1,849,586	1,849,586	—	—	2,844
Others	6,008,613	2,459,340	2,368,045	1,181,227	1,811
Total for Industry Sectors	¥ 20,791,681	¥ 15,175,667	¥ 4,179,008	¥ 1,437,005	¥ 132,608
One Year or Shorter	6,507,316	5,858,726	532,126	116,463	
Over One Year to less than Five Years	7,386,718	5,494,973	1,320,775	570,969	
Five Years or Longer	6,897,646	3,821,966	2,326,105	749,573	
Total for All Durations	¥ 20,791,681	¥ 15,175,667	¥ 4,179,008	¥ 1,437,005	

*1 Exposures subject to the calculation of credit risk-weighted assets excluding those subject to funds, securitization, other assets and those excluded from the application.
*2 "Others" in the industry sectors include overseas and state public services. Exposures for the duration of over five years include those with no fixed maturities.

(2) Amount of Specific Loan-Loss Reserves (breakdown by region, industry sector)

At March 31	Millions of Yen 2007 Balance
Japan	¥ 24,398
Outside Japan	—
Total for Regions	¥ 24,398
Manufacturing	526
Agriculture	—
Forestry	—
Fishing	—
Mining	—
Construction	136
Energy and Utilities	—
Communication	60
Transportation	13,728
Wholesale and Retail	485
Finance and Insurance	—
Real Estate	1,343
Various Services	1,516
Local Public Bodies	3,262
Individuals	1,122
Others	2,214
Total for Industry Sectors	¥ 24,398

(3) Amount of Reserves for Loans to Borrowers in Specific Foreign Countries (breakdown by industry sector)

	Millions of Yen	
	2007	
At March 31	Balance	Change
Manufacturing	¥ 64	¥ (27)
Agriculture	—	—
Forestry	—	—
Fishing	—	—
Mining	106	42
Construction	—	—
Energy and Utilities	0	0
Communication	—	—
Transportation	—	—
Wholesale and Retail	17	10
Finance and Insurance	513	145
Real Estate	—	—
Various Services	—	—
Local Public Bodies	—	—
Individuals	—	—
Others	17	0
Total for Industry Sectors	¥ 720	¥ 169

(4) Amount of Write-Offs of Loans (breakdown by industry sector)

	Millions of Yen
Year Ended March 31	2007
Manufacturing	¥ —
Agriculture	—
Forestry	—
Fishing	—
Mining	—
Construction	—
Energy and Utilities	—
Communication	4,141
Transportation	41
Wholesale and Retail	466
Finance and Insurance	—
Real Estate	(2,612)
Various Services	2,258
Local Public Bodies	—
Individuals	525
Others	—
Total for Industry Sectors	¥ 4,820

(5) Amount of Exposures by Risk-Weight Category

At March 31	Millions of Yen 2007
Balance of Exposures to which the Standardized Approach is Applied after Allowing for the Credit Risk Mitigation Effect by Risk-Weight Category	¥ 2,148,850
0%	156,542
10%	—
20%	27,044
35%	1,091,411
50%	—
100%	871,008
150%	2,842
Amounts Deducted from Capital under Provisions of Article 8, Paragraph 1, 3 and 6	—
Balance by Risk-Weight Category of Specialized Lending under the Slotting Criteria (other than those in the Category of High-Volatility Commercial Real Estate Lending)	¥ 647,589
Strong 70%	280,545
Good 90%	212,866
Satisfactory 115%	140,385
Weak 250%	1,139
Default 0%	12,651
Balance by Risk-Weight Category of Specialized Lending under the Slotting Criteria (other than those with the Duration of less than Two and a Half Years and those in the Category of High-Volatility Commercial Real Estate Lending)	¥ 342,638
Strong 50%	140,816
Good 70%	146,824
Satisfactory 115%	54,739
Weak 250%	—
Default 0%	258
Balance by Risk-Weight Category of Specialized Lending under the Slotting Criteria (those in the Category of High-Volatility Commercial Real Estate Lending)	¥ 63,243
Strong 95%	16,386
Good 120%	24,873
Satisfactory 140%	21,983
Weak 250%	—
Default 0%	—
Balance by Risk-Weight Category of Specialized Lending under the Slotting Criteria (those with the Duration of less than Two and a Half Years and in the Category of High-Volatility Commercial Real Estate Lending)	¥ 68,582
Strong 70%	34,705
Good 95%	26,386
Satisfactory 140%	7,490
Weak 250%	—
Default 0%	—
Equity Exposures to which the Simplified Method of the Market-Based Approach is Applied	¥ 42,133
Listed Stocks 300%	29,423
Unlisted Stocks 400%	12,709

Application of the IRB Approach

(1) The Probability of Default (PD), weighted average of Risk Weights (RW), Exposure At Default (EAD) of On-balance sheet asset items (On_EAD), and EAD of Off-balance sheet asset items (Off_EAD) by debtor category for corporate exposures

	Millions of Yen				
	2007				
At March 31	PD	LGD	RW	On_EAD	Off_EAD
Ratings 1 – 4	0.06%	46.15%	24.80%	¥ 1,766,587	¥ 791,661
Ratings 5 – 6	1.00%	45.05%	76.51%	4,612,853	1,040,969
Ratings 7 – 8	11.46%	45.00%	197.58%	666,751	92,974
Ratings 8- – 10	100.00%	45.00%	—	111,967	16,536
Others	—	—	106.00%	463,883	38,939
Total	2.85%	42.98%	72.83%	¥ 7,622,043	¥ 1,981,080

* Specialized lending and purchased receivables are excluded. Others are credits provided to affiliated companies.

(2) The Probability of Default (PD), weighted average of Risk Weights (RW), Exposure At Default (EAD) of On-balance sheet asset items (On_EAD), and EAD of Off-balance sheet asset items (Off_EAD) by debtor category for sovereign exposures

	Millions of Yen				
	2007				
At March 31	PD	LGD	RW	On_EAD	Off_EAD
Ratings 1 – 4	0.01%	45.00%	9.42%	¥ 2,588,471	¥ 55,146
Ratings 5 – 6	1.14%	45.00%	90.29%	30,224	1,743
Ratings 7 – 8	15.15%	45.00%	233.17%	7,453	1
Ratings 8- – 10	—	—	—	—	—
Total	0.07%	45.00%	11.00%	¥ 2,626,149	¥ 56,891

* Specialized lending and purchased receivables are excluded.

(3) The Probability of Default (PD), weighted average of Risk Weights (RW), Exposure At Default (EAD) of On-balance sheet asset items (On_EAD), and EAD of Off-balance sheet asset items (Off_EAD) by debtor category for bank exposures

	Millions of Yen				
	2007				
At March 31	PD	LGD	RW	On_EAD	Off_EAD
Ratings 1 – 4	0.04%	45.49%	16.98%	¥ 833,621	¥ 657,150
Ratings 5 – 6	0.58%	47.14%	53.44%	51,851	31,010
Ratings 7 – 8	—	—	—	—	—
Ratings 8- – 10	—	—	—	—	—
Others	—	—	106.00%	21,705	1,803
Total	0.07%	44.91%	20.18%	¥ 907,178	¥ 689,964

* Specialized lending and purchased receivables are excluded. Others are credits provided to affiliated companies.

(4) The Probability of Default (PD), weighted average of Risk Weights (RW) and balance of equity exposures to which the PD/LGD approach is applied by obligor category

	Millions of Yen		
	2007		
At March 31	PD	RW	Balance
Ratings 1 – 4	0.06%	109.13%	¥ 35,696
Ratings 5 – 6	0.67%	197.63%	93,003
Ratings 7 – 8	14.68%	524.97%	77
Ratings 8- – 10	100.00%	—	99
Total	0.59%	173.16%	¥ 128,876

Credit Risk Mitigation

Non-consolidated

Exposures to which Credit Risk Mitigation Measures are Applied

At March 31	Millions of Yen 2007 Qualifying Financial Asset Collateral	Credit Derivatives
Portfolios to which the Standardized Approach is Applied	¥ 5,171	¥ —
Portfolios to which the IRB Approach is Applied	998,123	40,000
Corporate Exposures	175,684	40,000
Sovereign Exposures	32,889	—
Bank Exposures	789,549	—

Derivative Products

Non-consolidated

Derivative Products

At March 31	Millions of Yen 2007
Aggregate Sum of Amounts of Gross Reconstruction Costs (limited only to those not below zero)	¥ 647,400
Aggregate Sum of Gross Add-On Amounts	789,606
Credit Equivalents (Gross)	¥ 1,437,006

* Credit equivalents are calculated with the current exposure formula.

At March 31	Millions of Yen 2007
Foreign Exchange Related	¥ 238,448
Interest Rate Related	1,198,449
Gold Related	—
Equity Related	—
Precious Metals (Excluding Gold) Related	—
Other Commodities Related	—
Credit Derivatives	108
Total	¥ 1,437,006
Effect of Mitigating Credit Equivalents due to Close-out Netting Contracts (Deduction)	(680,134)
Total	¥ 756,871
Effect of Mitigation by Collateral under the Credit Risk Mitigation Measures (Deduction)	—
Total	¥ 756,871

At March 31	Millions of Yen 2007 Provision of Protection	Purchase of Protection
Notional Principal Amounts of Credit Derivatives Subject to the Calculation of Credit Equivalents		
Credit Default Swaps	¥ 81,000	¥ 40,000
Total Return Swaps	—	—
First-to-Default Credit Derivatives	—	—
Second-to-Default Credit Derivatives	—	—

At March 31	Millions of Yen 2007
Notional Principal Amounts used to Allow for the Effect of Credit Risk Mitigation Measures	¥ 40,000

Securitization Exposures (Originator)

Non-consolidated

(1) Outline of Securitization during fiscal year 2006, Type and Status of Underlying Assets

We conducted the following single securitization transaction as an originator during fiscal year 2006.

Date of Securitization: December 2006

Type of Underlying Assets: Commercial real estate-secured loan (real estate non-recourse loan)

Aggregate Sum of Underlying Assets: ¥20,000 million (at the time of securitization), ¥17,221 million (as of the end of March 2007)

Type of Transaction: Asset transfer-type securitization transaction

Rating Agency: Moody's Investors Service, Inc.

Initial Issue Amount: Class A ¥11,900 million (Aaa), Class B ¥5,000 million (Aa2)
Class C ¥2,600 million (A2), Class D ¥500 million (A3)

Date of Redemption: October 2013

We hold part of the exposures related to this securitization transaction, and quantitative data in (2)-(9) below include data related to this securitization transaction.

(2) Amounts of Securitization Exposures Held and Breakdown of Underlying Assets by Type

	Millions of Yen			
	2007			
		Aggregate Sum of Underlying Assets		
At March 31	Exposure Amounts		Asset Transfer-Type Securitization	Synthetic Securitization
Housing Loans	¥ —	¥ —	¥ —	¥ —
Credit Card Loans, Consumer Loans	—	—	—	—
Auto Loans, Other Loans to Individuals	—	—	—	—
Commercial Real Estate-Secured Loans	10,201	29,041	29,041	—
Loans and Bonds to Corporates	—	—	—	—
Claims on Lease Payments	—	—	—	—
Accounts Receivable, Other Claims on Corporates	—	—	—	—
Total	¥ 10,201	¥ 29,041	¥ 29,041	¥ —

(3) Cumulative Total for Fiscal Year 2006 of Underlying Assets Overdue for Three Months or Longer or in Default Related to Securitization Exposures Held, Cumulative Total of Losses for Fiscal Year 2006, and their Breakdowns by Type of Underlying Assets.

Not applicable

(4) Balance and Amounts of Required Capital of Securitization Exposures Held by Risk-Weight Category

	Millions of Yen	
	2007	
At March 31	Balance	Required Capital
Risk-Weight Category (IRB Approach)	¥ 10,201	¥ 811
20% or less	1,335	22
over 20% and 100% or less	—	—
over 100% and less than 1250%	8,866	788
Capital Deduction	—	—
Risk-Weight Category (Standardized Approach)	—	—
20% or less	—	—
over 20% and 100% or less	—	—
over 100% and less than 1250%	—	—
Capital Deduction	—	—
Total	¥ 10,201	¥ 810

(5) Amount Equivalent to the Increase in Capital Following Securitization and Breakdown by Type of Underlying Assets

Not applicable

(6) Amounts of Securitization Exposures by Type of Underlying Assets Deducted from Capital under Provisions of the Notification on Capital Adequacy Ratio, Article 247

Not applicable

(7) Items by Type of Underlying Assets of Securitization Exposures with Early Redemption Clauses

Not applicable

(8) Amounts of Losses/Gains on Sale in Association with Securitization Transactions Recognized during fiscal year 2006 and Breakdown by Type of Principal Underlying Assets

Not applicable

(9) Amounts of Credit Risk-Weighted Assets Calculated with the Application of Transitional Measures with respect to Securitization Exposures

Not applicable

Securitization Exposures (Investor)

Non-consolidated

(1) Amounts of Securitization Exposures Held and Breakdown by Type of Principal Underlying Assets

	Millions of Yen
	2007
At March 31	Exposure
Housing Loans	¥ 609,005
Credit Card Loans, Consumer Loans	276,624
Auto Loans, Other Loans to Individuals	44,884
Commercial Real Estate-Secured Loans	109,384
Loans and Bonds to Corporates	522,215
Claims on Lease Payments	162,801
Accounts Receivable, Other Claims on Corporates	6,205
Total	¥ 1,731,122

(2) Balance and Amounts of Required Capital of Securitization Exposures Held by Risk-Weight Category

	Millions of Yen	
	2007	
At March 31	Balance	Required Capital
Risk-Weight Category (IRB Approach)	¥ 800,608	¥ 43,468
20% or less	646,245	5,413
over 20% and 100% or less	109,700	5,924
over 100% and less than 1250%	24,230	11,698
Capital Deduction	20,431	20,431
Risk-Weight Category (Standardized Approach)	930,514	26,149
20% or less	714,400	11,430
over 20% and 100% or less	216,114	14,719
over 100% and less than 1250%	—	—
Capital Deduction	—	—
Total	¥ 1,731,122	¥ 69,618

(3) Amount of Securitization Exposures by Type of Underlying Assets Deducted from Capital under Provisions of the Notification on Capital Adequacy Ratio, Article 247

	Millions of Yen
At March 31	2007
Housing Loans	¥ —
Credit Card Loans, Consumer Loans	—
Auto Loans, Other Loans to Individuals	—
Commercial Real Estate-Secured Loans	—
Loans and Bonds to Corporates	20,431
Claims on Lease Payments	—
Accounts Receivable, Other Claims on Corporates	—
Total	¥ 20,431

(4) Amounts of Credit Risk-Weighted Assets Calculated with the Application of Transitional Measures with respect to Securitization Exposures

Not applicable

Capital Subscriptions or Equity Exposures in the Banking Account

Non-consolidated

At March 31	Millions of Yen	
	2007	
	Book Value	Market Value
Book Values and Market Values with respect to Items Listed Below		
Listed Equity Exposures	¥ 988,215	¥ 988,215
Unlisted Equity Exposures	82,843	82,843
Stocks Held in Subsidiaries and Affiliate Companies	293,044	293,044
Amounts of Losses/Gains on Sale and Write-Offs of Capital Subscriptions or Equity Exposures		5,088
Amounts of Unrealized Losses/Gains Recognized in the Balance Sheet and not Recognized in the Income Statement	506,509	
Amounts by Portfolio Category	1,355,968	
Outstanding Shares Held	1,184,958	
Portfolios Adopting the Market-Based Approach	42,133	
Portfolios Adopting the PD/LGD Approach	128,876	

* Amounts by portfolio category show exposures subject to the calculation of credit risk-weighted assets.

Amounts Held in Funds

Non-consolidated

At March 31	Millions of Yen 2007
Aggregate Sum of Exposures Held in Funds	¥ 503,841
Look-through Formula	242,418
Simple Majority Formula	66,780
Investment Criteria Formula	103,825
Internal Models Approach	—
Probability Approach	78,152
Others	12,665

* Exposures subject to the calculation of credit risk-weighted assets are shown.

Various figures related to Basel II were calculated from the period starting end of March 2007, therefore, we disclose only those figures relevant to fiscal year 2006.

STB Basic Information

1. Business Outline

Sumitomo Trust's Retail Financial Services Division aims at being our retail customers' main bank for asset management and asset servicing by providing a broad array of financial products ranging from banking products such as time deposits, foreign currency deposits and loans, and mutual funds and individual annuities, as well as offering trust and property management services such as will trusts and estate settlement services.

By utilizing our expertise in areas such as pensions and real estate, we provide a consulting business that places full emphasis on satisfying all of our customers. With a highly professional and knowledgeable staff, asset management advisors and financial consultants, we provide wide-ranging services focusing on face-to-face relationships. We also provide an online channel via the internet and direct telephone access for the convenience of customers.

2. Product and Service Outline

1. Mutual Funds

By taking advantage of our links with STB Asset Management Co., Ltd., a mutual fund management company within the Sumitomo Trust Group, the Retail Financial Services Division has developed a rich variety of mutual fund products.

Our investment targets range from domestic and overseas bonds and stocks to real estate investment trusts. They feature a versatile lineup of investment styles including diversified investments in global bonds and stocks and investments in special markets, industry sectors and funds of funds, which invest in multiple investment trusts. In this way, we can offer the proper combination of instrument to appropriately meet each customer's specific needs.

• Monthly Dividend Funds (funds that pay out dividends calculated on a monthly basis)

Sumitomo Trust is expanding its lineup of monthly dividend funds, beginning with the "Sumishin Property Quadruple Fund" (nickname: Quadruple), which was launched in May 2006, and the "Sumishin Monthly Dividend Package Fund" (nickname: Dividend Family).

In April 2007, we launched the "Sumishin World Attractive Dividend Stock Open" (nickname: World Dividend Story) fund, which targets profit from medium and long term price rises while obtaining stable dividend income through diversified investment in attractive dividend paying stocks worldwide.

• SRI Fund

Sumitomo Trust's Socially Responsible Investment (SRI) fund "Sumishin SRI Japan Open Fund" (nickname: Good Company) has reached the largest scale of net assets for any SRI fund in Japan. Moreover, in January 2007, this fund received the Fund of the Year award for excellence from the investment information service Morningstar for the second successive year.

2. Deposits

In addition to the favorable interest rate time deposit product "Good Select," we have developed a lineup of distinctive deposit instruments such as the pension-type time deposit "Kisetsu No Tayori*," which features interest compounded on a semi annual basis and allows the customer to receive part of their principal plus interest on a quarterly basis, and the time deposit "Wakuwaku Select," providing customers with product purchasing rights upon the expiration of the deposit term.

In the area of foreign currency deposits, we offer products including a foreign currency time deposit product that is available in a choice of five currencies and features an attractive interest and fee structure (nickname: Gaika Kakumei), as well as offering foreign currency ordinary deposits.

* From one year after the deposit date, we repay a fixed amount together with the corresponding interest, every three months until half of the original deposited principal has been paid out.

• Wakuwaku Select

"Wakuwaku Select" is a special agreement-attached time deposit that provides the customer with the right to purchase JTB Corp. products (Wakuwaku Plus) upon the expiration of the deposit term using the principal and interest from the deposit. Naturally, the customer can select to receive the entire amount of the maturity value of the time deposit in cash, or split between Wakuwaku Plus and cash.

3. Asset Management-Type Packages (mutual funds + time deposits)

In order to meet our customers' total asset management needs, we offer a choice of the following two types of "Asset Management-Type Package" plans, which combine interest bearing time deposits with mutual funds.

• Periodic Plan

This plan combines time deposits with mutual funds. After the time deposit matures, we offer the opportunity for the customer to invest additional capital in the mutual funds when desired using the deposit funds on a periodic basis.

• Portfolio Plan

This plan combines the time deposit product "Good Select" with mutual funds. A premium interest rate applies to the time deposit, providing a profitable mid to long-term investment.

4. Private Banking

Beginning with providing a wide range of asset management products including customized products and asset servicing products useful for asset preservation and inheritance such as the composite servicing trust and business inheritance trust, we are building a system that employs a full-time relationship manager to respond to various needs such as asset management, real estate utilization and asset inheritance.

We also provide non-financial services including guidance in medical consulting services, appraisal of artwork and health support in partnership with specialist companies.

• Sumishin SMA

With the aim of attracting private banking customers, from January 2007 we began handling the new discretionary investment management service "Sumishin SMA" (Separately Managed Account). This is an asset management service that employs our most advanced management skills and accumulated know-how as an institutional investor and offers them to individual customers.

5. Loans

We are responding to the demand for consultation on loans, centered on housing loans, at 18 branch offices across Japan which feature Housing Loan Centers, by means of a credit analysis system that employs a scoring system. To meet customers' needs in different phases of life, we provide housing loans such as "Relay Plan Flex," consumer loans such as the discretionary "Housing Card Loan," home equity loans for customers with housing loans, and our "Apartment Loan," which provides capital for construction, enlargement, renovation, or refinancing of lease-use apartments, rental condominiums, etc. We are also expanding customer convenience with, for example, the TV telephone consulting service "TV de Sodan," which was launched in November 2006 to allow customers to receive housing loan consultation in their own homes.

• Housing Loan "Relay Plan Flex"

Sumitomo Trust's housing loan "Relay Plan Flex" is designed for customers planning to construct or enlarge, or renovate their home or to purchase land for constructing a home. "Relay Plan Flex" offers a choice of free repayment and auto repayment services under which customers have the option of arranging partial early repayment by telephone or via the internet.

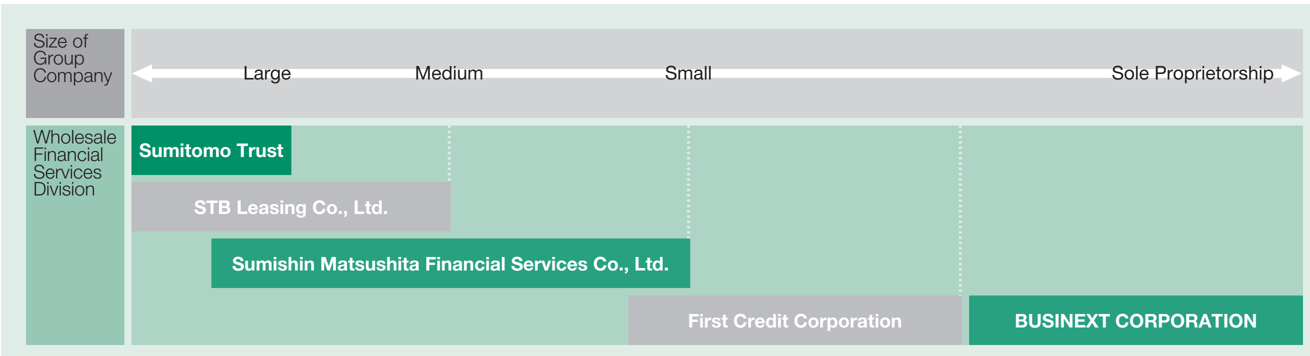
6. Will Trust and Estate Settlement Services

The rapid aging of the population has raised various social issues in Japan, one of which is how to address diversifying asset inheritance needs. Sumitomo Trust provides a will trust service in which our professional staff including financial consultants handle everything from consultation on will writing through storage and execution. We also offer estate settlement services to give customers appropriate advice concerning property succession and assist with various procedures.

As a response to today's customer needs, we launched the living gift trust-type service "Omoiyari" in March 2006, and we will further expand our lineup of products going forward.

Further information about main product, please see Page 169

• Transactions Diagram for Group Businesses



1. Business Outline

Wholesale Financial Services Division provides corporate customers with "market-based loans" financing including real estate non-recourse loans and asset-backed securities (ABS) structured in both domestic and overseas financial markets, in addition to conventional corporate loans. By providing these financing services as well as asset securitization arrangements, M&A advisory, corporate consulting, stock transfer agency and a wide range of other financial services, the Sumitomo Trust Group is helping its customers maximize their corporate value.

2. Product and Service Outline

In addition to making available conventional corporate loans and deposit facilities, we also provide the following products and services.

1. Asset Securitization Arrangements

Asset securitization arrangements are operations that involve splitting off special assets such as monetary claims (loans, accounts receivable, etc.) and real estate*1 from their owners and creating financial instruments based upon the revenue (cash flow) produced by these assets, to raise funds from investors.

Asset securitization arrangement methods include (1) the trust method (a method of entrusting assets and allowing investors to obtain the rights to cash flows accruing from these assets) and (2) the SPC*2 method (a method by which assets are transferred to a corporation such as an SPC and bonds are issued that treat these assets as collateral). Sumitomo Trust was an early pioneer of asset securitization arrangements. For example, we developed accounts receivable trusts in 1991 and we have proceeded actively with the development of new products in order to meet our customers' needs using both of the above methods. As a result, we currently hold a top class performance record among domestic financial institutions in terms of both quality and quantity and we also have secured a position as a major player in the asset securitization field.

*1 Real estate-related securitization is provided by the Real Estate Division.
*2 SPC: Special Purpose Company.

2. Real Estate Non-Recourse Loans

A real estate non-recourse loan is a form of financing for purchasing real estate in which real estate securitization* is carried out and the assets are transferred to an SPC. The loan itself is repaid exclusively from the cash flow originating from the real estate or the proceeds on its sale. At Sumitomo Trust, we are actively promoting real estate non-recourse loans in line with the increase in our real estate securitization business.

* A type of asset securitization arrangement. The security is issued using the revenue obtained from real estate, such as rent income, as its resource.

3. Syndicated Loans

A syndicated loan is a scheme by which an arranger, or lead bank, organizes a syndicate consisting of several financial institutions that jointly supply funds to the borrower under the same conditions. Sumitomo Trust is engaged in composing syndicated loans in areas such as real estate non-recourse loans and buyout finance. We are also developing the securitization of such credits and developing credit loan market (secondary market).

4. Project Finance

Project finance, which employs the cash flow generated from special projects as the repayment source and limits its collateral to the relevant project's assets, is used to raise funds for infrastructure projects such as resource development and the building of power stations, roads, etc. At Sumitomo Trust, we respond to the capital needs of a wide variety of long-term projects in various fields like wind power generation and other new energy businesses.

5. Buyout Finance

Buyout finance consists mainly of finance for the purpose of providing acquisition capital when private equity funds seek to acquire companies or their business groups. Sumitomo Trust actively arranges buyout finance as a part of our consulting business, such as when companies sell off non-core business groups or subsidiaries in the course of corporate business reorganization.

6. M&A Advisory

Sumitomo Trust has positioned M&A advisory activities related to corporate mergers and acquisitions, capital tie-ups, business transfers, etc., as an effective means for our corporate customers to solve their management issues and improve their corporate value, and we are actively engaged in this business.

M&A advisory extends across a broad spectrum of industrial sectors including food, manufacturing, distribution, finance and service sectors. We handle many kinds of cases including business reorganization and the sale of non-core businesses associated with the restructuring of major corporations, business acquisitions contributing to improving the value of core businesses, supporting corporate revitalization as stipulated by the Civil Rehabilitation Law and MBOs (Management Buyouts). Moreover, we provide a total service package making use of our accumulated trust bank know-how on everything from pensions to real estate.

7. Consulting for Corporate Customers

In order to contribute to improving the corporate value of our corporate customers, we offer total package solutions that make use of our banking, trust and real estate functions in the field of corporate consulting. Among major themes, we provide consultation in respect of IPO and business succession measures, sweeping measures in relation to asset-impairment accounting, countermeasures plans in respect of corporate acquisitions, corporate reorganization and CSR.

8. Credit Investment

Credit investment comprises activities aimed at constructing a portfolio made up of receivables and financial instruments such as loans and traded securities, and pursuing a return while attempting to control risk should the borrower or the financial instrument issuer go into default (= credit risk).

Sumitomo Trust is carrying out active investment in Japan and overseas using a variety of instruments centered on corporate bonds, syndicated loans and a wide range of asset-backed securities. In addition, we handle investment in domestic and foreign private equity funds as well as investment in domestic venture companies via our subsidiary STB Investment Corporation.

9. Stock Transfer Agency

As an agent of record for listed companies, our transfer agency service system promptly and accurately processes large amounts of clerical work such as transferring stock certificates, managing stockholder lists, performing dividend calculations, purchasing odd lots of stock and distributing general shareholders' meeting-related documents. As of the end of March 2007, we perform stock transfer agency tasks for 1,176 companies (including 7 foreign companies), and handling related clerical work for 8.2million shareholders. Moreover, by deploying expert legal affairs consultants who have thorough knowledge of stock related matters at two offices in Tokyo and Osaka, we are able to meet the needs of our client companies with a comprehensive system for providing consultation. This consultation includes how to respond to the Corporate Law enforced in May 2006, various matters related to corporate organization strategies, and developing defenses against hostile takeovers in keeping with the rise of interest in this issue in recent years.

• Real Estate Division Business Model

1. Business Outline

The Real Estate Division combines performance and know-how that are unique to Sumitomo Trust, which has made real estate a core business ever since its establishment over 80 years ago. By drawing on this heritage and working in close cooperation with the other groups and divisions as well as with external partners, the Real Estate Division plays a key role within the Sumitomo Trust Group's business model, which benefits from the synergies created by the combined operations of banking, trust and real estate. From the current fiscal year, as the Real Estate Division of the Wholesale and Retail Client Services Group, we will redouble our efforts to provide services leveraging our banking and trust functions by further strengthening our cooperation with the Wholesale and Retail Financial Services Division.

The business operations of the Real Estate Division can be roughly classified into the following three categories: (1) real estate transactions (including brokerage, securitization and consulting), (2) real estate investment management (including REIT [real estate investment trusts] and private real estate fund investment), and (3) real estate infrastructure services (including real estate trusts and appraisal services). We will develop a host of business opportunities by joining these three businesses together organically. Operated by a large staff of professionals such as licensed real estate appraisers and first-class architects, and personnel specializing in the real estate business, the Real Estate Division will provide real estate related total solutions in collaboration with our subsidiaries and affiliates which have their own distinctive strengths, including Sumishin Realty Company, Limited, STB Research Institute, Co., Ltd. and STB Real Estate Investment Management, Co., Ltd.

Moreover, Sumitomo Trust has been actively pursuing new businesses including real estate securitization since the early days of this market, beginning with a land trust established as Japan's first land trust fiduciary in 1984. The following are some of our more notable recent activities: (1) the establishment of STB Real Estate Investment Management as the Japanese commercial banking industry's first investment advisory company specializing in real estate securitization (in November 2005), (2) the establishment of the Eco-land-Fund as the industry's first soil contamination improvement fund (in December 2005), (3) the listing of Top REIT, Inc. on the Tokyo Stock Exchange (in March 2006), (4) the business tie-up with Hana Bank, one of South Korea's four major banks (in December 2006), and (5) the signing of business tie-up contracts with several other financial organizations.

2. Product and Service Outline

Real Estate Transaction Services

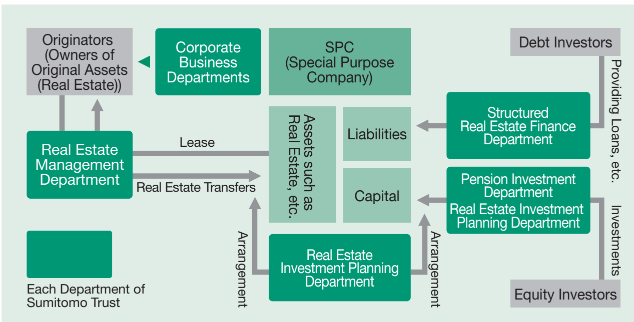
1. Real Estate Brokerage

In the commercial real estate brokerage business, we handle a wide diversity of transactions ranging from office and condominium sites to factories, distribution center sites, commercial facilities and hotels by making use of our ample experience in this field and our broad information network. Moreover, our subsidiary Sumishin Realty offers housing brokerage for individual and brokerage for small and medium-sized commercial properties.

2. Real Estate Securitization-related Business

Sumitomo Trust is a pioneer of the real estate securitization business, which is characterized by the one-stop provision of the following real estate-securitization operations: (1) grasping of customer needs, (2) evaluation of real estate properties, (3) arrangement, (4) fund-raising for equity-tranche (investment of Sumitomo Trust's own funds and gathering of investors), (5) fund-raising for debt-tranche (adjustment of terms of financing,

• Real Estate Securitization Scheme and the Role of Sumitomo Trust



etc.), and (6) real estate management and operation after securitization.

3. Consulting on Effective Use of Real Estate and in Construction

In the construction consulting business, Sumitomo Trust provides comprehensive consulting services concerning the functions and quality of buildings and the architectural processes and costs at each stage from planning through estimation, design, construction work and completion in order to meet the needs of our customers (including construction ordering parties and business proprietors). Also, in the field of consulting concerning effective real estate utilization, we employ development-type consulting beginning with construction project plans for commercial and distribution facilities aimed at effective property use and extending to design and construction.

Real Estate Investment Management

1. Real Estate Investment Advisory Services

We are endeavoring to develop this business by providing real estate investment information to investors as well as by creating and offering real estate investment products that make full use of our real estate-related information gathering power and judgement abilities.

STB Real Estate Investment Management, which was established in November 2005, is an investment advisory company specializing in real estate securitization. This company offered its first private real estate fund composition and has begun fund management for institutional investors. In addition, it provides investors with accurate investment advice, and has also constructed a thorough asset management system.

In the real estate investment trusts J-REIT (Japanese Real Estate Investment Trust) field, Top REIT, Inc. established jointly by Nippon Steel City Produce, Inc., Oji Real Estate Co., Ltd. and Sumitomo Trust, was listed in March 2006 and has seen steady progression in investment unit prices.

In the risk management area, we have established the Real Estate Investment Planning Department and we are seeking out and obtaining investment instruments (to expand the scale of our assets under management), as well as starting up joint funds through various alliances. While we do so, we are conducting risk analysis, risk evaluation and monitoring with a view of further promoting the construction of a risk management framework.

Furthermore, Sumitomo Trust is providing information and investment advisory services to real estate investors by making optimum use of the advantages offered by STB Research Institute—the Group's real estate think tank—and by utilizing this company's analysis capabilities with respect to real estate investment market trends as well as the investment value and risk of real estate financial instruments.

Real Estate Infrastructure Services

1. Real Estate-related Trust Operations

In the real estate securitization market, the need for trust services is increasing exponentially. In response, we are working to promote rationalization and improve the efficiency of our business by means of a real estate total management system that centralizes control over the information system and accounting system, and we are strengthening our business structure through staff increases.

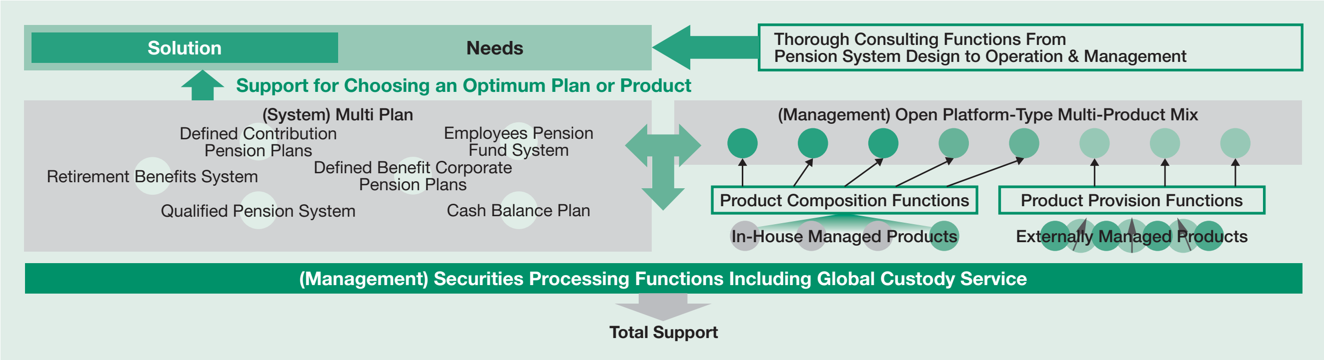
In addition, we are promoting measures in consideration of customer demand based on a customer service questionnaire concerning business service content and clerical work quality.

With regard to the existing long-term lease land trust business, we are attempting to restructure this business in order to improve its profitability. In addition, in certain cases we sell property in secondary market following consultations with the consignor.

2. Real Estate Appraisal Operations

In line with the Corporate Real Estate (CRE) strategies, management integration, accounting system changes and real estate securitization, the demand for real estate appraisal is becoming very high. Sumitomo Trust is entrusted with a wide variety of appraisal projects from many private companies and public organizations, and is highly praised as an authoritative appraisal organization. We are capable of responding to a broad range of appraisal needs thanks to our large staff of experienced real estate appraisers and assistant appraisers.

• Fiduciary Services Group Business Model



1. Business Outline

The Fiduciary Services Group is constructed from three businesses: the pension trust, the investment management business and the securities processing services. The pension trust provides corporate customers with pension trust services in package form, ranging from pension system-related consultation and actual system planning and operation, to pension fund operation and management and pension subscriber/beneficiary management and benefit payments. The Investment Management Business provides corporate customers including domestic and overseas institutional investors with advice about a wide variety of asset management services and investments, and also performs product planning and management of investment trusts that can be purchased by individual investors. The Securities Processing Services Business provides services: such as custody and settlement of domestic and overseas securities. These characteristic services of Sumitomo Trust make adept use of our high-level expertise concerning asset operations and asset management and are highly regarded by our customers. As of the end of March 2007, the Fiduciary Services Group had approximately 26 trillion yen in assets under management, while the total volume of entrusted assets reached approximately 77 trillion yen.

2. Product and Service Outline

Pension Trust Business

1. Pension Plan Designing

In the Pension Trust Business, we provide system planning consulting in the form of optimized plans that reflect management strategy, as well as personnel and financial situations of corporate customers, to help them introduce new corporate pension systems or to modify existing systems. Moreover, in order to realize our customers' goals, we offer practical support concerning system introduction and operation including labor-management consultation and negotiating with government and regulatory authorities.

In recent years, in addition to defined benefit corporate pension plans, interest in defined contribution pension plans has been rising among corporate customers as the number of customers who adopt such plans has been rapidly increasing. In introducing defined contribution pension plans, both support and thorough investment education for beneficiaries is essential. In response to this trend, we have improved our services for pension holders, such as information provision via an exclusive call center and the internet, and systematically organized easy-to-understand investment education.

Also, the Pension Trust Business has been involved in the active development of a Comprehensive Welfare Vision Service that provides Life Support Navigation, a comprehensive website-based guide that not only informs subscribers of the benefit amount they will receive but also provides general information concerning asset structure. This is packaged with Life Plan Seminars, which offer useful information about post-retirement asset structure. With these services, we are responding to the demands of both customers (plan sponsor corporations) and subscribers.

We also have an overseas strategy based on a consulting company established in China (STB Consulting (China) Co., Ltd.), which offers consultation on personnel and labor management with an eye toward the introduction of corporate pension plans. Our business activities in China position us to participate in the

Chinese corporate pension market, which is expected to experience rapid growth in the near future.

2. Asset Management

The pension asset management services provided by Sumitomo Trust begin with consulting, in which we discuss with the customer the most appropriate course of asset management. Through these consultations, we come to a shared understanding of the assumed environment and risk factors such as interest rate rises and stock price declines, following which we offer asset management products in line with these premises and the customer's wishes. In addition, one of the features of our services is that they are provided as optimized combinations of our rich product offering including both in-house developed products and products available from other financial institutions.

Our asset management goals are to improve portfolio performance and reduce risk not only through traditional stock and bond choices but also through aggressive investment in new investment choice such as alternative investments (hedge funds, real estate securitization products, etc.).

3. Management of Subscribers and Beneficiaries

Through Japan Pension Operation Service, Ltd., a company we established in December 2004 together with Mizuho Trust and Banking, Co., Ltd., we perform services such as corporate pension plan administration, subscriber and beneficiary record-keeping administration and allowance payments. By combining the human resources and know-how of Sumitomo Trust and Mizuho Trust, we deliver a high level of service promptly and efficiently using a state-of-the-art system complemented by a thorough risk management system.

4. Others

In addition to our corporate pension plans, we provide a variety of retirement benefit services including various liability assessment services based on retirement benefit accounting standards and the handling of retirement benefit trusts.

Investment Management Business

Sumitomo Trust's investment management business manages entrusted assets and offers an investment advisory service for domestic and overseas corporate and individual customers. In particular, we focus on providing corporate customers with pension trusts and other asset management services. For individual customers, we provide products centered on mutual funds managed by our subsidiary, STB Asset Management, Co., Ltd. and provided by branch offices of Sumitomo Trust and the Post Office.

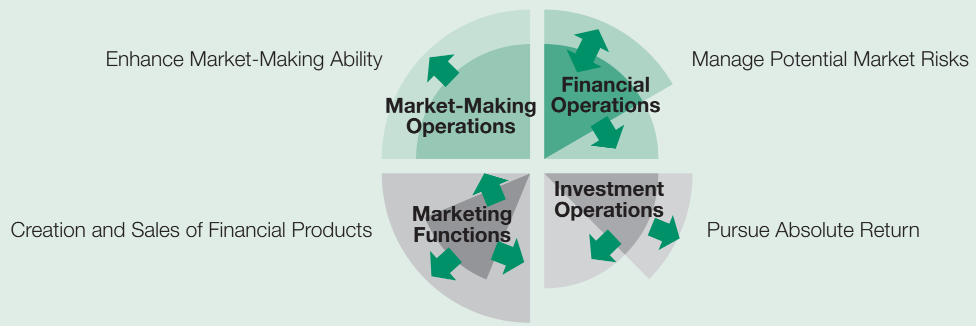
Our asset management products, which we developed by utilizing the strengths of a large number of highly experienced analysts and fund managers, have obtained high evaluations even from specialized agencies such as asset management consulting companies. This rich lineup supports the strength of our Pension Trust Business together with our consulting strengths, which allows us to succinctly grasp our customers' asset management needs. Moreover, by making use of the advantages of our position as a leading domestic asset management organization, we carefully select high-quality products available from other financial institutions and provide them in combination with our own products. This is another distinctive feature of Sumitomo Trust.

Securities Processing Services Business

The Securities Processing Services Business safely stores securities in which our customers have invested, and also provides a wide range of services related to securities processing, such as trading settlement, interest and dividend collection, producing customer-use reports on the custody and storage situation of securities and securities lending. Many of our securities custody services are provided through Japan Trustee Services Bank, Ltd. (JTSB), which is a joint venture by Sumitomo Trust, Risona Group. and Mitsui Trust Holdings, Inc.. A trust bank specializing in securities processing services, JTSB has consolidated the assets of its three parent companies and is today providing efficient high-quality services while maintaining an entrusted assets base of approximately 180 trillion yen as of the end of March 2007.

Also, through our overseas subsidiaries in the United States and Luxembourg, we have developed the global custody service, which provides centralized securities custody services for institutional investors and other customers, concerning securities investment spanning multiple markets including North America, South America, Europe, Asia and Oceania. Moreover, our highly detailed Japanese-language service, which allows Japanese investors to perform overseas security investment smoothly, is enjoying a favorable customer response.

• Business Model of Global Markets Group



1. Business Outline

The business operations of Global Markets Group are broadly divided into the investment business and the customer business.

The investment business consists of two operations, namely (1) financial operations, which control the financial risks held by Sumitomo Trust, and (2) proprietary investment activities, which are aimed at obtaining revenue through investment on our own account. The customer business includes (3) market-making operations, which involve performing and acting as an agent for a variety of market-trading services relating to foreign exchange and interest rates for both individual and corporate customers, and (4) marketing functions, including composition, sales and consulting concerning market-based financial instruments.

2. Product and Service Outline

Investment Business

1. Financial Operations

Constantly changing financial markets influence Sumitomo Trust's balance sheet and financial operations contribute to managing these market risks properly and thereby securing stable earnings from a Group-wide standpoint. Specifically, we are performing market environment analysis, risk measurement and hedging operations in order to control our risks.

2. Investment Operations

These operations view changes in financial markets as positive earnings opportunities and respond to these changes through investment on our own account in a wide variety of assets including bonds, stocks, credit, real estate and commodities. Our aim is to maximize our profit while diversifying risk by appropriately combining the three factors of choices of investment assets (risk), investment period and investment technology.

Customer Business

1. Market-making Operations

In these operations, we make full use of the financial technology and market-making abilities we have accumulated as a leading player in the financial markets, and we perform and act as an agent for a variety of market-making and brokerage activities relating to foreign exchange and interest rates that meet our customers' needs. Our market-making operations are the base of a variety of financial instruments developed by Sumitomo Trust. As such, the operation plays the role of a sort of "production department" for financial instruments.

2. Marketing Functions

By making full use of our financial technology and market-making abilities in close cooperation with the Wholesale and Retail Client Services Group, we offer financial instruments that match individual and corporate client needs in a timely fashion and at an appropriate price.

For corporate customers, we also provide risk consulting by making use of the technology we have accumulated in the course of in-house risk management. We measure interest rate and foreign currency risks that corporations are exposed to, and we perform services including financial and asset management strategy planning and providing actual instruments in order to control these risks.

STB Basic Information | Names of Products and Services — Additional Explanation

Sumishin*1 Property Quadruple Fund (Nickname: Quadruple)

Quadruple is a fund of funds with the net asset value recalculated on a monthly basis which makes diversified investments in domestic bonds, stocks, real-estate investment trust securities (J-REIT) and foreign assets, through investments in mutual funds. We gave it the nickname "Quadruple" because it involves investment in four types of assets.

*1 Sumishin: short for Sumitomo Shintaku, or Sumitomo Trust in English.

Sumishin Monthly Dividend Package Fund (Nickname: Dividend Family)

Dividend Family is a fund of funds with the net asset value recalculated on a monthly basis which makes diversified investments in foreign bonds and domestic and foreign stocks, through investments in mutual funds. We gave it the nickname "Family" because it merges seven popular types of funds into one package.

Sumishin World Attractive Dividend Stock Open (Nickname: World Dividend Story)

World Dividend Story is a fund of funds with the net asset value recalculated on a monthly basis which makes diversified investments in stocks with an attractive dividend yield, in various countries of the world outside of Japan, through investments in mutual funds.

Good Select

Good Select is time deposit product which allows depositors to choose the interest rate type (floating or fixed) and the deposit term (two, three, or five years). We are able to offer a competitive interest rate because, as a rule, cancellations before maturity are not permitted. For the floating rate type the interest rate is the benchmark interest rate with a premium reset every six months and for the fixed rate type it is a competitive interest rate higher than the that for Sumitomo Trust's Super Time Deposit product for a given deposit term.

Kisetsu No Tayori

Kisetsu No Tayori is a time deposit product which allows depositors to draw down a fixed amount of the initial principal once every three months*2 until it reaches half of the principal. With principal guarantee and half yearly compound interest the product offers a sense of security and the periodic payments offer convenience. Thus, depositors can use it as a supplement to their pension.

"Kisetsu" means "season" and "tayori" refers to "news" and "tidings." We gave this product the name Kisetsu No Tayori to liken the ability of the depositor to receive payouts four times a year with "news of the arrival of the four seasons."

*2 Applicable from one year after the initial deposit.

Wakuwaku Select

Wakuwaku Select is a special agreement-attached time deposit that provides the customer with the right to purchase JTB Corp.*3 products using a gift card called Wakuwaku Plus upon expiration of the deposit term using the principle and interest from the deposit. The customer can select to receive the entire amount of the maturity value in cash, or split it between Wakuwaku Plus and cash.

"Wakuwaku" is a Japanese word describing the feeling of anticipation of a fun thing happening. We gave this product the name Wakuwaku Select because we want depositors to spend the time until maturity in a state of wakuwaku, making plans for their next vacation.

*3 JTB: a major travel agency in Japan.

Sumishin SRI Japan Open Fund (Nickname: Good Company)

Good Company is a mutual fund which makes investments in the stocks of Japanese companies that are working hard to fulfill their CSR. We conduct a multifaceted evaluation of CSR in terms of the four evaluation criteria of legal responsibility, social responsibility, environmental responsibility and economic responsibility.

Gaika Kakumei

Gaika Kakumei*4 is a foreign currency time deposit which allows depositors to choose from five foreign currencies. We gave it this name because it has revolutionary features. For example, through the internet depositors can access the foreign exchange market 24 hours a day (in principle) in real time.

*4 Gaika Kakumei: "foreign currency revolution" in English.

Asset Management-Type Packages

Asset Management-Type Packages are mutual fund-time deposit package products available for customers investing in mutual funds designated by Sumitomo Trust. Additional interest is added to the time deposit portion, calculated on the purchase value of the mutual funds*5. We offer two plan types of these packages: periodic plan and portfolio plan.

*5 Upper limit of 30 million yen.

Relay Plan Flex

Relay Plan Flex is one of Sumitomo Trust's housing loan products. It offers the flexibility of advance repayment and a choice of interest rates. For example, borrowers can make partial advance repayments and have surplus funds automatically used for repayment via the internet or by telephone.

Housing Card Loan

Housing Card Loan is a loan service for customers who have taken out a Sumitomo Trust housing loan. It allows borrowers to effectively utilize their property value by establishing a revolving credit line on the property which enables them to freely borrow funds from ATMs at any time.

Apartment Loan

Apartment Loan provides capital for construction, extension, rebuilding, or refinancing for rental apartments, rental condominiums, etc. for effective utilization of land. It can also be used to provide capital for the purchase of real estate for investment.

TV de Sodan

TV de Sodan*6 is the service enabling customers who cannot get to one of our branches easily to consult with us regarding housing loans in their own homes. They can use their personal computer and the internet to receive free consultations via video and audio.

*6 TV de Sodan: "consultation via TV" in English.

Living Gift Trust-Type "Omoiyari"

Omoiyari*7 is a special designated money trust which continues to pay out regularly to any person customers wish to continue supporting even if the unthinkable should happen to them. Deposits must be for a period of five years or more and at least 10 million yen. Sumitomo Trust also offers a will trust package which will establish a trust according to the instructions in their will.

*7 Omoiyari: "compassion" or "caring" in English.

The Sumitomo Trust Group consists of Sumitomo Trust, 35 consolidated subsidiaries and 7 equity method affiliates. The Sumitomo Trust Group provides a wide spectrum of financial services with trust banking at its core. We added new consolidated subsidiary, Life Housing Loan, Ltd., a company specializing in housing loans. With this move, we have expanded our service line and customer base.

RETAIL FINANCIAL SERVICES DIVISION

Sumishin Card Company, Limited (Credit cards — Consolidated subsidiary)

[Scope of Business]

Established in 1983 as a credit card company of the Sumitomo Trust Group, Sumishin Card Company, Limited is a member of the VJ Group (formerly, the Visa Japan Group), and has approximately 140,000 cardholders (as of March 2007). Sumishin Card offers high added value credit services such as the Sumishin VISA Point Club, a cooperative promotion with Sumitomo Trust introduced in November 2005 through which cardholders can accumulate points through transactions with Sumitomo Trust. This company is also taking active steps to expand its financial operations through the introduction of products such as new revolving payment services as well as purpose-free loans and stock option loans.

[Strategic Role in the Group]

Sumishin Card provides credit cards and various unsecured loans to retail customers of Sumitomo Trust. In its mainstay credit card operations, this company works closely with Sumitomo Trust's Retail Financial Services Division to expand the Group's retail operations base centering on the Sumishin VISA Point Club.

Sumishin Guaranty Company Limited (Loan guaranty operations — Consolidated subsidiary)

[Scope of Business]

Sumishin Guaranty Company Limited was established in 1977 to conduct guaranty operations for Sumitomo Trust's retail loans. It provides guaranty services to customers using loans for individuals, such as Sumitomo Trust's housing loans and card loans.

[Strategic Role in the Group]

The principal operations of Sumishin Guaranty are housing loan guaranty services for customers using Sumitomo Trust's housing loans. In step with the expansion of Sumitomo Trust's housing loan operations, this company's loan guaranty balance has been following a rising trend, with the balance of housing loan guaranties reaching 1,360.7 billion yen as of the end of March 2007.

STB Wealth Partners Co., Limited (Consulting operations for wealthy individuals — Consolidated subsidiary)

[Scope of Business]

STB Wealth Partners Co., Limited commenced operations in 2005 as a consulting company for Sumitomo Trust's wealthy retail customers. It provides this customer segment with wide-ranging consulting on inheritance and business succession matters and asset valuation services.

[Strategic Role in the Group]

Sumitomo Trust collaborates with STB Wealth Partners to provide highly professional private banking services to wealthy clients.

WHOLESALE FINANCIAL SERVICES DIVISION

STB Leasing Co., Ltd. (Leasing — Consolidated subsidiary)

[Scope of Business]

STB Leasing Co., Ltd. assists customers with capital investment not by selling but by leasing equipment and facilities. In addition to general finance leasing, this company offers products tailored to the needs of customers including the liquidation of lease charge securities and operating leasing.

[Strategic Role in the Group]

STB Leasing plays an active role in enhancing the Sumitomo Trust Group's capacity to offer solutions that address the increasingly diverse financial needs of our corporate customers. This company provides leasing solutions by further strengthening its collaborative marketing efforts with Sumitomo Trust.

Sumishin Matsushita Financial Services Co., Ltd.
(Leasing, installment finance, credit cards and finance, trust-related operations — Consolidated subsidiary)

[Scope of Business]

Upon the capital participation of Sumitomo Trust, Sumishin Matsushita Financial Services Co., Ltd. became a joint venture company of Sumitomo Trust and Matsushita Electric Industrial Co., Ltd. in April 2005. This company integrates the diverse know-how of the former Matsushita Leasing & Credit Co., Ltd. in leasing services for manufacturers and credit operations with the financing and trust expertise of Sumitomo Trust to operate as a comprehensive financial services company that provides its customers with innovative financial solutions.

[Strategic Role in the Group]

Sumishin Matsushita Financial Services aims to maximize synergies by leveraging Sumitomo Trust's expertise in operating leases, factoring (purchasing of receivables), and will trust and estate settlement agency services as well as by utilizing the customer bases of both companies using such methods as mutually introducing products to customers. Through this cooperative approach, it plans to develop its business in a variety of areas including housing loan related operations.

First Credit Corporation (Real estate-secured loans — Consolidated subsidiary)

[Scope of Business]

First Credit Corporation specializes in real estate-secured loans. It meets the financing needs of individual and corporate customers by performing accurate valuations of real estate used as collateral.

[Strategic Role in the Group]

First Credit plays an active role in Sumitomo Trust's comprehensive real estate business by utilizing the synergistic effects generated through Sumitomo Trust's expertise in brokerage and financing of large-scale real estate projects and First Credit's own strengths in financing small and medium-sized projects.

Life Housing Loan, Ltd. (Housing loans — Consolidated subsidiary)

[Scope of Business]

Life Housing Loan, Ltd. is a housing loan specialist company with strengths that include introduction routes from a wide variety of contacts within the real estate business and a consultation-type credit analysis model encompassing detailed interviews with clients. Under a management policy of "answering a wide variety of needs for housing-related loans," this company is responding actively to social changes such as job diversification, the social advancement of women and the aging society with its attendant falling birth rate.

[Strategic Role in the Group]

Life Housing Loan became a member of the Sumitomo Trust Group in May 2007. As a result, this company became able to make use of the Group's nationwide real estate information network, individual and corporate client trading base, and tie-up channels to other companies. Accordingly, Life Housing Loan is now able to respond to an even greater range of customer needs.

BUSINEXT CORPORATION

(Loans for small and medium-sized companies and business owners — Equity method affiliate)

[Scope of Business]

BUSINEXT CORPORATION is a loan company for small and medium-sized companies as well as unincorporated private enterprises, which was jointly established in January 2001 with the major consumer loan company Aiful Corp. This company performs lending within authorized interest rate limits using its unique quantitative scoring method. BUSINEXT's balance of loans at the end of March 2007 was 82.3 billion yen.

[Strategic Role in the Group]

BUSINEXT complements Sumitomo Trust's financial services for large corporations by providing loans to small and medium-sized companies and unincorporated private enterprises, thereby helping to support the business operations of a wide variety of customers.

Japan TA Solution, Ltd. (Data processing and computing — Consolidated subsidiary)

[Scope of Business]

Japan TA Solution, Ltd. was jointly established by Sumitomo Trust (holding an 80% stake) and Japan Securities Agents, Ltd. (holding a 20% stake) in August 2002, in order to improve the efficiency and competitiveness of the Group's stock transfer agency operations. This company is entrusted by both parent companies to handle stock on behalf of approximately 1,500 client companies (as of the end of March 2007). It carries out system development/operation and data processing for stock transfer agencies, and was the first company in the industry to adopt this type of business model.

In January 2004, Japan TA Solution began operation of the next-generation NEO-CAROL custody service system to closely monitor trends in changing stock markets and information systems in order to respond swiftly to customer needs. Taking these operations to a new level of competitiveness, this system allows faster processing of stockholder confirmations and also enables the provision of a variety of documents over the internet.

[Strategic Role in the Group]

Sumitomo Trust has outsourced its stock transfer agency operations to Japan TA Solution. By focusing on the computerization of stock certificates, the Group can look forward to benefiting from economies of scale in the future.

REAL ESTATE DIVISION

Sumishin Realty Company, Limited (Real estate brokerage — Consolidated subsidiary)

[Scope of Business]

Sumishin Realty Company, Limited began its existence as the Sumitomo Trust Group's residential brokerage company in January 1986. It now provides real estate brokerage services for many purposes including residential, investment and commercial properties. With 67 offices in Japan (as of May 2007), this company works in concert with Sumitomo Trust to conduct business on a nationwide scale.

[Strategic Role in the Group]

Sumishin Realty and the Sumitomo Trust Group's Retail Financial Services Division offer collaborative services in fields extending from real estate brokerage to housing loans. Sumishin Realty is also establishing joint offices with Sumitomo Trust in order to create a system that facilitates collaboration (There are 32 such branches as of May 2007). This company is also strengthening its linkages with the Real Estate Division in fields including joint brokerage of small to medium-scale real estate for investment and commercial use.

STB Research Institute Co., Ltd. (Surveys, research and consulting — Consolidated subsidiary)

[Scope of Business]

STB Research Institute Co., Ltd. was established in July 1988 as a corporate think-tank. The scope of its business activities ranges from surveys, research and consulting services for the real estate market, including supply and demand trends as well as market forecasts, to surveys regarding real estate investment (real estate investment eligibility evaluations and real estate investment market forecasts). In addition to real estate market services, this company also provides investment consulting services such as investment evaluations and quantitative analyses of risk concerning many types of real estate-related financial products. It also acts as a third-party evaluator of real estate investment funds in applying investment theory to actual investment operations.

[Strategic Role in the Group]

In addition to its role as a think-tank, STB Research Institute provides advice in evaluating the risk of properties to be acquired and the investment strategy when Sumitomo Trust and its corporate customers purchase real estate investment funds.

STB Real Estate Investment Management Co., Ltd. (Investment advisory — Consolidated subsidiary)

[Scope of Business]

STB Real Estate Investment Management Co., Ltd. was established in November 2005 as an investment consulting company specializing in real estate securitization. In addition to operating core funds that employ an investment strategy of aiming for stable returns through diversified investment in prime assets, this company provides wide-ranging investment opportunities including operating value-up funds, which target increasing value by means of aggressive asset management.

[Strategic Role in the Group]

STB Real Estate Investment Management plays a core role in Sumitomo Trust's real estate investment management business. This company provides investors with integrated management services that make full use of the experience accumulated by Sumitomo Trust over many years of business, such as real estate trading, real estate management and operation and real estate securitization.

FIDUCIARY SERVICES GROUP

Japan Pension Operation Service, Ltd. (Pension plan administration services — Equity method affiliate)

[Scope of Business]

Japan Pension Operation Service, Ltd. (JPOS) was established in December 2004 as a joint venture between Sumitomo Trust and Mizuho Trust & Banking Co., Ltd. JPOS handles administrative services related to corporate pension plans such as membership management and corporate pension benefit payments, as well as system development and operation. As of the end of March 2007, JPOS was entrusted by the two parent companies with the management of the corporate pension plans for approximately 3 million current and former employees.

[Strategic Role in the Group]

JPOS primarily uses the system developed by Sumitomo Trust and integrates the expertise of Sumitomo Trust and Mizuho Trust & Banking to provide more sophisticated pension trust services to its customers.

Japan Trustee Services Bank, Ltd. (Trust banking — Equity method affiliate)

[Scope of Business]

Japan Trustee Services Bank, Ltd. (JTSB) was established in June 2000 through a joint investment by Sumitomo Trust and Daiwa Bank (currently Resona Bank) as a trust bank specializing in securities processing services, and the Mitsui Trust Holdings Group acquired a stake in September 2002. JTSB specializes in asset servicing in pension trusts, stock mutual funds and other areas centering on assets entrusted to it by the three parent companies.

[Strategic Role in the Group]

JTSB pursues the economies of scale provided by concentrating the assets entrusted to it by the three parent companies. It supports the key operations of Sumitomo Trust's Fiduciary Services Group by carrying out efficient and thorough management.

STB Asset Management Co., Ltd. (Mutual fund management and consulting — Consolidated subsidiary)

[Scope of Business]

STB Asset Management Co., Ltd. satisfies the asset management needs of individual and corporate customers by providing mutual fund management and investment advisory services. It offers a wide spectrum of products ranging from active and passive management of domestic and foreign stocks and bonds to alternative investments such as real estate investment trusts (REITs), absolute return products, and balanced funds. Using its product development and management capabilities, this company supports Sumitomo Trust's multi-product strategy and the collective strength of the Group.

[Strategic Role in the Group]

STB Asset Management plays an active role in investment management, providing performance-based products sold by the Retail Financial Services Division and performing other services.

Sumitomo Trust and Banking Co. (U.S.A.) (Global custody services — Consolidated subsidiary)
Sumitomo Trust and Banking (Luxembourg) S.A. (Global custody services — Consolidated subsidiary)

[Scope of Business]

These two companies provide global custody services linking Japan with the United States and Europe (Luxembourg) as centralized agents in securities settlement, servicing and tax payment primarily for institutional investors that invest directly in the world's securities markets. Together, they hold one of the largest amounts of entrusted assets of any Japanese bank affiliated custodian.

[Strategic Role in the Group]

These companies offer precise foreign securities processing services and facilitate foreign securities investment by Sumitomo Trust's customers by providing detailed information in Japanese.

STB Basic Information

Subsidiaries and Affiliated Companies
as of June 30, 2007

Japan

Name	Paid-in Capital (Millions)	Ownership (%)	Group Ownership (%)	Established
The Sumishin Shinko Company Limited	¥ 50	100.0	0.0	June 1948
Sumishin Guaranty Company Limited	¥ 100	100.0	0.0	August 1977
First Credit Corporation	¥ 13,500	100.0	0.0	March 1979
STB Leasing Co., Ltd.	¥ 5,064	100.0	0.0	July 1985
STB Wealth Partners Co., Limited	¥ 155	100.0	0.0	November 1989
Life Housing Loan, Ltd.	¥ 1,000	100.0	0.0	January 1992
Sumishin Business Service Company, Limited	¥ 80	100.0	0.0	July 1995
STB Real Estate Investment Management Co.,Ltd.	¥ 300	100.0	0.0	November 2005
STB Business Partners Co., Ltd.	¥ 100	85.0	15.0	April 2006
Japan TA Solution, Ltd.	¥ 2,005	80.0	0.0	July 1998
Sumishin Matsushita Financial Services Co., Ltd.	¥ 20,520	66.0	0.0	February 1967
Sumishin Life Card Company, Limited	¥ 200	51.0	0.0	October 2004
Sumishin Card Company, Limited	¥ 50	50.0	45.0	June 1983
STB Investment Corporation	¥ 35	40.0	60.0	March 2000
Sumishin Information Service Company Limited	¥ 100	35.0	65.0	February 1973
STB Asset Management Co., Ltd.	¥ 300	30.0	70.0	November 1986
STB Research Institute Co., Ltd.	¥ 300	29.8	70.1	July 1988
Sumishin Realty Company, Limited	¥ 300	5.0	95.0	January 1986
Sumishin SBI Net Bank Research Co., Ltd.	¥ 9,000	50.0	0.0	June 1986
Japan Pension Operation Service, Ltd.	¥ 1,500	50.0	0.0	December 2004
BUSINEXT CORPORATION	¥ 4,000	40.0	0.0	January 2001
Human Resource Management Service & Consulting Co., Ltd.	¥ 519	38.9	0.0	May 2002
Top REIT Asset Management Co., Ltd.	¥ 300	38.0	0.0	October 2004
Japan Trustee Services Bank, Ltd.	¥ 51,000	33.3	0.0	June 2000
Japan Trustee Information Systems, Ltd.	¥ 300	5.0	28.3	November 1988

Overseas

Name	Paid-in Capital (Millions)	Ownership (%)	Group Ownership (%)	Established
The Sumitomo Trust Finance (H.K.) Limited	$ 45	100.0	0.0	July 1978
Sumitomo Trust and Banking (Luxembourg) S.A.	$ 30	100.0	0.0	April 1985
Sumitomo Trust and Banking Co. (U.S.A.)	$ 56	100.0	0.0	May 2002
STB Consulting (China) Co., Ltd.	¥ 100	100.0	0.0	October 2004
STB Omega Investment Limited	$ 60	75.0	0.0	June 2006
STB Finance Cayman Limited	$ 0.01	100.0	0.0	January 1993
STB Preferred Capital (Cayman) Limited	¥ 85,000	100.0	0.0	February 1999
STB Preferred Capital 2 (Cayman) Limited	¥ 51,500	100.0	0.0	November 2005
STB Preferred Capital 3 (Cayman) Limited	¥ 51,500	100.0	0.0	February 2007
Fresco Asset Funding Corporation	$ 0.001	0.0	0.0	January 2000

* As defined by the accounting principles accepted in Japan.

Board of Directors, Executive Officers and Auditors
as of June 28, 2007

Executive Chairman
Atsushi Takahashi*

President and CEO
Yutaka Morita*

Managing Executive Officer
Masaru Suzuki*

Managing Executive Officer
Teruhiko Sugita

Managing Executive Officer
Hiroaki Okuno*

Managing Executive Officer
Tomoaki Ando*

Managing Executive Officer
Hitoshi Tsunekage*

Executive Officer
Hidehiko Asai
Regional Executive, Nagoya
General Manager, Nagoya Branch

Executive Officer
Takashi Matsui
General Manager, Fukuoka Branch

Executive Officer
Kazumitsu Tanaka
General Manager, Kyoto Branch

Executive Officer
Fuminari Suzuki
General Manager,
Corporate Trust Business Dept. I

Executive Officer
Koichi Hozumi
General Manager,
Planning and Coordination Dept.

Executive Officer
Shigemasa Shibata
General Manager,
Tokyo Corporate Business Dept. IV

Executive Officer
Masayuki Imanaka
General Manager,
Tokyo Corporate Business Dept. II

Executive Officer
Yukihiro Kitano
General Manager,
Corporate Planning Department

Director
Jiro Araki*
President,
STB Leasing Co., Ltd.
(Subsidiary of Sumitomo Trust)

Standing Statutory Auditor
Eiichi Tanabe

Deputy President Executive Officer
Takaaki Hatabe*

Senior Executive Officer
Masao Shibuya*

Senior Executive Officer
Masakiyo Inoue*
Regional Executive, Corporate Business Department, Osaka

Managing Executive Officer
Akio Otsuka

Managing Executive Officer
Kiyoshi Mukohara*

Managing Executive Officer
Shuichi Kusakawa*

Managing Executive Officer
Rikiya Hattori

Managing Executive Officer
Mitsuru Nawata

Managing Executive Officer
Hideo Amemiya
General Manager, International Business Planning Department

Managing Executive Officer
Sumikazu Tsutsui*
General Manager, Group Planning Unit, Global Markets

Executive Officer
Junichi Sayato
Regional Executive, Americas General Manager, New York Branch

Executive Officer
Yasuyuki Yagi
President and CEO, First Credit Corporation (Subsidiary of Sumitomo Trust)

Executive Officer
Tetsuo Ohkubo

Executive Officer
Kazuyoshi Arakawa
General Manager, Internal Audit Department

Executive Officer
Takeshi Kataoka
General Manager, Corporate Business Dept. I, Osaka

Statutory Auditor
Koichi Takamura

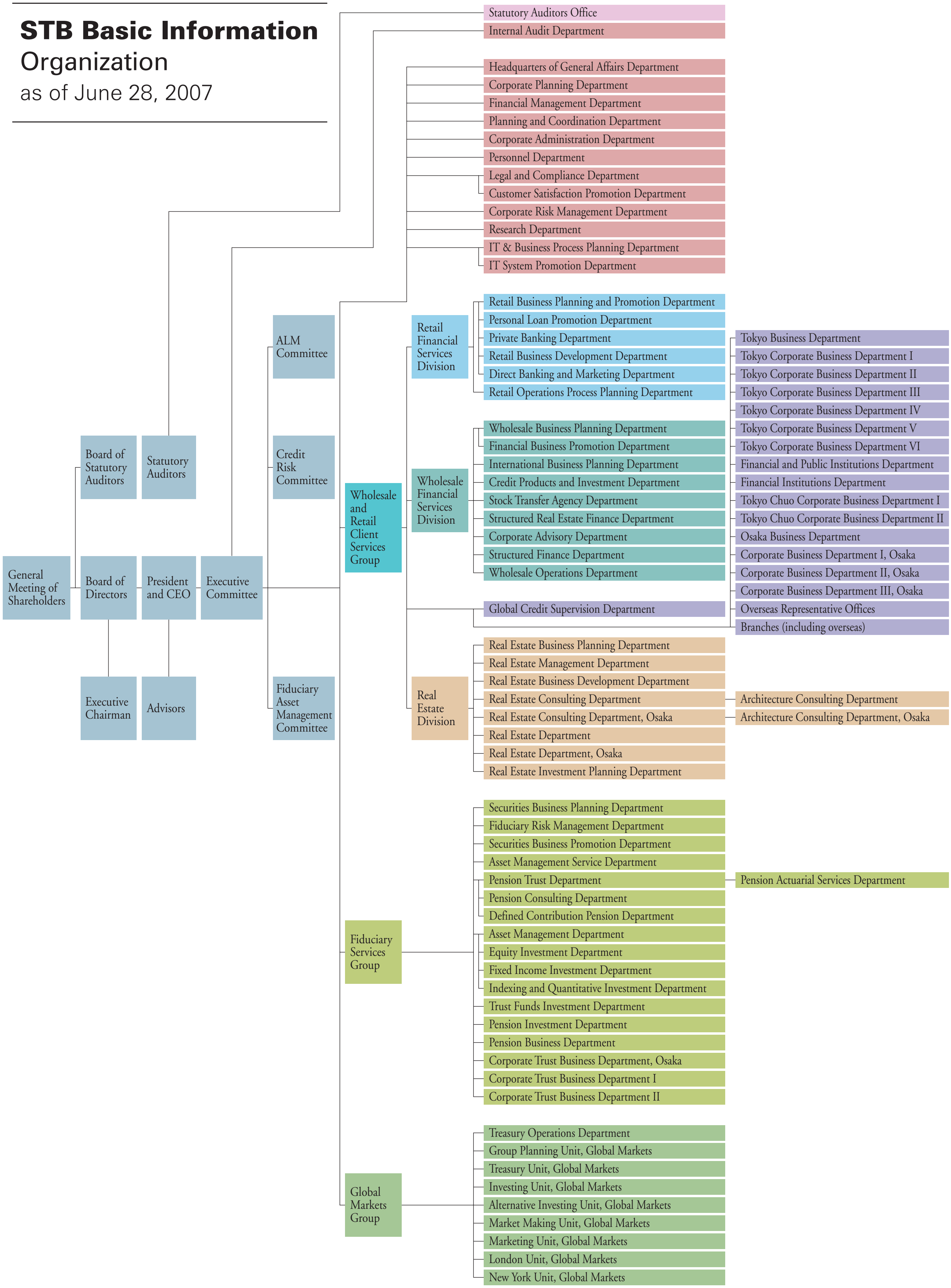
Statutory Auditor
Hiroshi Noguchi

Statutory Auditor
Hitoshi Maeda

Statutory Auditor
Koji Hirao

* Directors

STB Basic Information
Organization
as of June 28, 2007



STB Basic Information | International Network as of July 1, 2007

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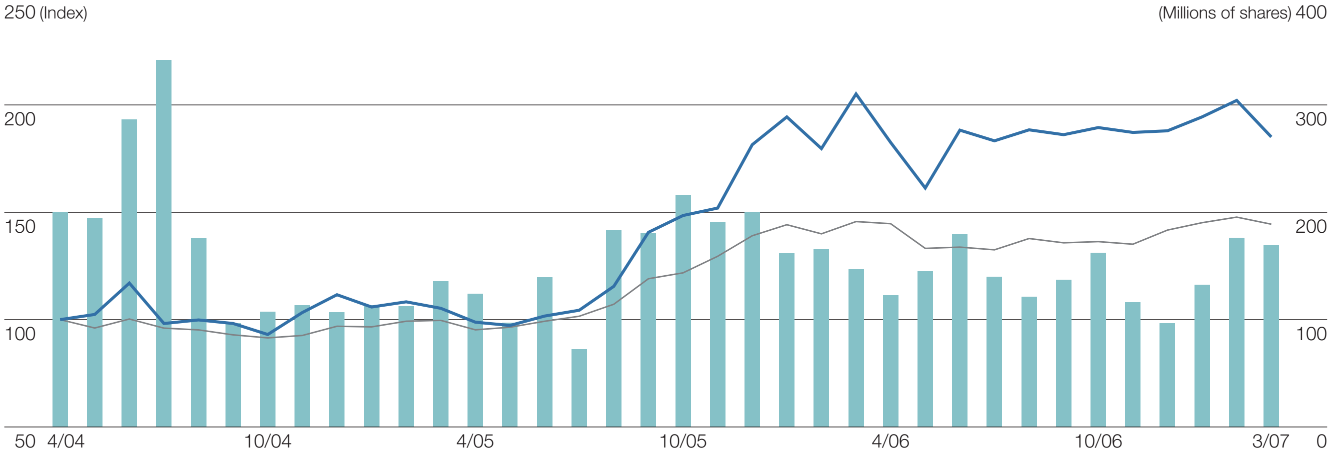
Seoul, Korea
Telephone: 82-2-757-8725/7
Facsimile: 82-2-757-8721

STB Basic Information | Stock Information as of March 31, 2007

Stock Index and Trading Volume

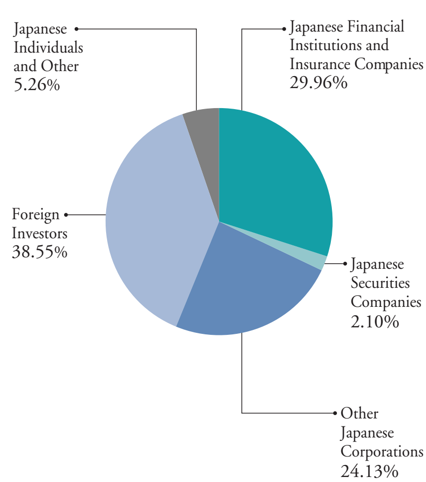


Note: 4/04 is used as the base period.

Principal Shareholders

	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	101,457	6.05
Japan Trustee Services Bank, Ltd. (Trust Account)	99,128	5.91
STATE STREET BANK AND TRUST COMPANY 505103 (Standing Agent: Mizuho Corporate Bank, Ltd.)	33,673	2.01
STATE STREET BANK AND TRUST COMPANY (Standing Agent: Mizuho Corporate Bank, Ltd.)	33,085	1.97
Japan Trustee Services Bank, Ltd. (Trust Account 4)	24,958	1.48
Trust & Custody Services Bank, Ltd. (Trust Account B)	22,476	1.34
KUBOTA Corporation	21,984	1.31
The Nomura Trust and Banking Co., Ltd. (Trust Account)	17,962	1.07
Mellon Bank Treaty Clients Omnibus	17,519	1.04
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	16,873	1.00

Breakdown of Shareholders



ADR (American Depositary Receipts) Information

ADR Ratio: 1ADR : 1

Symbol: STBUY

CUSIP: 865625206

Exchange: OTC (Over-the-Counter)

Depositary Bank: The Bank of New York
Depositary Receipts Division
101 Barclay Street, 22nd Floor, New York, NY 10286, U.S.A.
Telephone: +1 (212) 815-2293
Facsimile: +1 (212) 571-3050/3051/3052

Other Data

Authorized Stock (Thousands): 3,000,000

Issued Stock (Thousands): 1,675,034

Number of Stockholders: 32,974

STB Basic Information

Corporate Data
as of March 31, 2007

Company name:
The Sumitomo Trust and Banking Company, Limited

Address:
Head Office:
5-33, Kitahama 4-chome,
Chuo-ku, Osaka-shi, Osaka 540-8639, Japan
Telephone: +81 (6) 6220-2121

Tokyo Office:
4-4, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-8233, Japan
Telephone: +81 (3) 3286-1111

Date of Establishment:
July 1925

Paid-in Capital:
¥287.5 billion

Number of Employees:
5,609

Independent Public Accountants:
KPMG AZSA & Co.

Contact IR:
Telephone: +81 (3) 3286-8354
Facsimile: +81 (3) 3286-4654
e-mail: rstbirnews@sumitomotrust.co.jp
URL: http://www.sumitomotrust.co.jp/IR/company/index_en.html

Thank you very much for reading Sumitomo Trust's 2007 AR. In producing this report, we have incorporated a substantial volume of information on our company, ranging from our basic values to our current strategy and business performance.

Our IR activities place a high priority on maintaining highly transparent disclosure as illustrated by the fact that five out of six times from 2001 to 2006 the Security Analysts Association of Japan awarded us the "No.1 Fair Disclosure Company" position among Japanese banks. In this context, we welcome your comments and/or inquiries about this report.

If you would like to know more about Sumitomo Trust, please visit our IR site or contact our IR Office to receive our newsletter (rstbirnews@sumitomotrust.co.jp). We would like to further improve our IR activities through sincere communication with you.

Hiroaki Okuno

Mutual funds carry various fees at purchase and at other times

- ◦ Load: varies according to the amount of purchase, a maximum of 3.15% (3.0% before tax) of the price on the date of purchase.
- ◦ Redemption fee: none
- ◦ Redemption processing fee: a maximum of 0.1% of the price on the date of purchase, and a maximum of 0.5% of the value at redemption.
- ◦ Trust fee: a maximum of 2.1% (2.0% before tax) per annum of the net asset amount held in the fund.
- ◦ Other fees: overhead expenses charged to net asset amount such as brokerage fees and taxes related to transactions, fees required for futures & option trades, custody fees, audit fees (including consumption tax where required), and other expenses.

*For details, please read the prospectus for each mutual fund.

Mutual fund risks

Mutual funds are mainly invested in domestic and overseas equities and fixed income securities, real estate investment trusts, etc., either directly or through investment trust securities. The net asset values (NAVs) of mutual funds fluctuate depending on the price movements of their component equities, fixed income securities, real estate investment trusts, etc., and of fluctuations in exchange rates, among other factors. It is therefore possible that the NAVs will fall below principal value.

Other important notices

•Mutual funds involve risk. Performance varies due to the market environment. The NAV is influenced by fluctuations in the prices of component securities, and, in cases where foreign-currency denominated assets are components, also by fluctuations in exchange rates. As such there is no guarantee of principal preservation. •When a purchase application is submitted, Sumitomo Trust provides a prospectus for the fund. We ask investors to read the prospectus and make an independent investment judgment. •The risk of loss of principal is borne by investors. •Mutual funds are not deposits, so they are not covered by the Japanese Deposit Insurance System. •The mutual funds handled by Sumitomo Trust are not covered by any investor protection fund. •Sumitomo Trust acts as a sales agent for accepting applications, while a management company manages the funds. •This Report was produced by Sumitomo Trust and is not a disclosure document as stipulated in the Financial Instruments and Exchange Law.

Information concerning the sales company

- ◦ Trade name: The Sumitomo Trust and Banking Company, Limited; Financial Institution Registered (No. 5) with the Director General of the Kinki Finance Bureau
- ◦ Association memberships: Japan Securities Dealers Association (JSDA)
  Japan Securities Investment Advisors Association (JSIAA)
  The Financial Futures Association of Japan (FFAJ)

Handling fees for special donation trusts

- ◦ During the profit calculation period, the trustee (Sumitomo Trust) will deduct an amount equivalent to 15/1,000ths of the principal per annum (or 8/1,000ths of the principal in the case that the investment is in government bonds) from the trust assets as a trust fee, in addition to an amount equivalent to consumption tax and local consumption tax payable in accordance with this trust fee. However, if the investment is made in the form of a designated money-in-trust beneficiary right (joint trust general account), for which Sumitomo Trust is the trustee, or of a deposit with Sumitomo Trust, no trust fee will be deducted. Any trust fees, expenses, taxes, and public dues will be defrayed from the trust assets.

Risks involved in special donation trusts

- ◦ In the case that assets entrusted as special donation trusts are invested in government bonds, local authority bonds, corporate bonds, or bonds issued by organizations as stipulated under special legislation, as the prices of these bonds are subject to fluctuation due to changes in interest rates, when a portion of these bonds are sold before maturity in order to provide beneficiaries with payments from the trust, there is a possibility that a loss of principal will occur. Moreover, there is a possibility that a loss of principal will occur due to deterioration in the credit status of the issuers of the bonds.
- ◦ If the investment is in the form of a designated money-in-trust beneficiary right (joint trust general account), there is a possibility that a loss of principal will occur in the event of the bankruptcy of the trustee. Similarly, if the investment is in the form of deposits or savings, there is a possibility that a loss of principal will occur in the event of the bankruptcy of the financial institution in which the deposits or savings are deposited or invested.

Other important notices

- ◦ Special donation trusts are performance-based products, thus any risks of a decline in the value of assets is borne by the customer.
- ◦ Fiduciary contracts pertaining to special donation trusts cannot be cancelled or terminated except in cases of reasons that are stipulated in the trust contract.

Company outline

- ◦ Business name: The Sumitomo Trust and Banking Company, Limited
- ◦ Address: 5-33 Kitahama 4-chome, Chuo-ku, Osaka-shi 540-8639, Japan

Notes on Foreign Currency Deposits* (as of September 30, 2007)

Because foreign currency deposits are financial instruments that entail risk of fluctuations in the principal, we advise you to transact in appropriate amounts over appropriate periods according to your understanding of the mechanisms and risks of foreign currency deposit instruments, as well as your experience in financial instrument investment, asset situation, and purpose in making foreign currency deposits.

(1) When exchanging yen for a foreign currency (deposit) or exchanging a foreign currency for yen (redemption) either over the counter or via a telephone service, an exchange handling fee will be charged (0.5 yen one way/1.0 yen both ways per U.S. dollar; 0.75 yen one way/1.5 yen both ways per euro; 1.0 yen one way/2.0 yen both ways per Australian dollar; New Zealand dollar or U.K. pound; for exchange handling charges when using internet bank services, please refer to the explanation for each instrument, as described in (8) below).

(2) In the case that redemption is accompanied by a foreign currency transfer, a money transfer handling fee will be charged (maximum amount: 5,000 yen per transaction (consumption tax is not charged)) in addition to the cost of the transfer. If a deposit is accompanied by a foreign currency transfer, the cost of the transfer may be charged.

(3) The total amount to be borne by you comprises the amounts described in (1) and (2) above.

(4) In foreign currency deposits, because foreign exchange losses can occur due to fluctuations in foreign exchange rates, there is a possibility that the yen value of the investment at the time of redemption will fall below its value at the time of deposit, resulting in a loss of principal. Moreover, because foreign exchange handling charges are charged both ways (as described above), even in cases where there is no fluctuation in foreign exchange rates, the yen value of the investment at the time of redemption may fall below its value at the time of deposit.

(5) In principle, foreign currency deposits referred to as "Gaika Kakumei" (Foreign Currency Revolution) cannot be redeemed before maturity. In the case that a Gaika Kakumei contract is redeemed before maturity due to necessity, a charge based on a predetermined calculation method will be applied.

(6) Foreign currency deposits are not covered by the deposit insurance system.

(7) Foreign currency deposits cannot be deposited or redeemed in the form of foreign currency cash, checks, or traveler's checks.

(8) For more information, please refer to the explanations for each instrument, which are available at branches of Sumitomo Trust and on the company's website (Japanese only).

(*) Foreign currency ordinary deposit (retail customer use), and foreign currency time deposit (Nickname: Gaika Kakumei). Both of these instruments are targeted at retail customers resident in Japan.

- ◦ Gaika Kakumei is a fixed interest rate deposit product while foreign currency ordinary deposits are variable interest rate products.
- ◦ Before opening a foreign currency ordinary deposit (account type varies by foreign currency) or buying a Gaika Kakumei product, please carefully read the prospectus, which is available at a Sumitomo Trust branch or on the company's website (Japanese only).
- ◦ Please see a Sumitomo Trust branch or call the Sumitomo Trust Information Desk (tel: 81-120-897-117, available 24 hours a day year round) for further information.

Sumitomo Trust & Banking Co., Ltd.

For further information, please contact:

Investor Relations Office
Financial Management Department
The Sumitomo Trust & Banking Co., Ltd.
4-4, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8233, JAPAN
Telephone: 81-3-3286-8354
Facsimile: 81-3-3286-4654
e-mail: rstbirnews@sumitomotrust.co.jp
URL: http://www.sumitomotrust.co.jp/IR/company/index_en.html

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