住友信託銀行

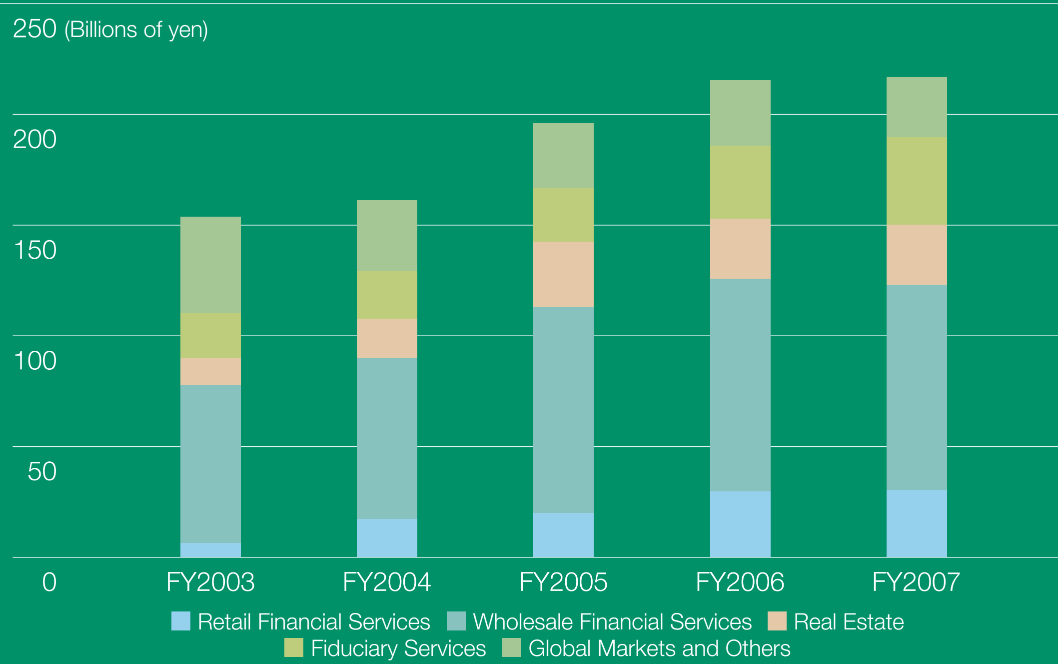
2008 ANNUAL REPORT

Year Ended March 31, 2008

Sumitomo Trust & Banking Co., Ltd.

Balanced profit structure

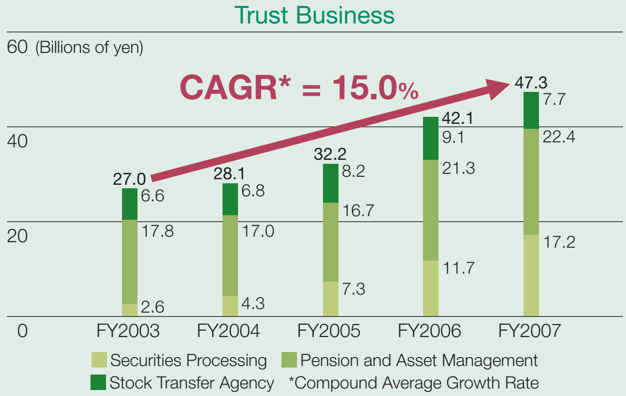
Net Business Profit before Credit Costs by Business (Consolidated)

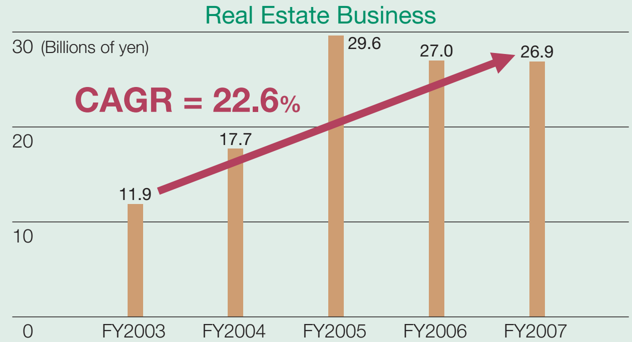


— HYBRID 1 —

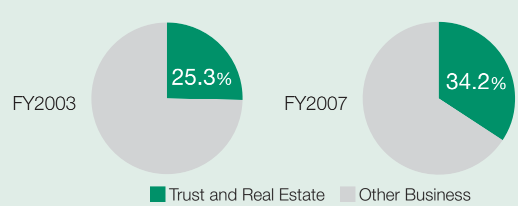
Our strengths in combining trust and real estate operations

Net Business Profit before Credit Costs (Consolidated)





Ratio to Total Consolidated Net Business Profit



Trust business includes fiduciary services (i.e. pension, investment management and securities processing services) and stock transfer agency services

- From its early stages, the Sumitomo Trust Group has adopted a business group management system and consolidated business strategy, and worked to promote a multilayer profit structure and the diversification of our business portfolio in an attempt to get out of the traditional single-function “industrial finance model” that focused on loan trust and long-term loans for corporations.

- While endeavoring to sharpen the strengths of five respective businesses with different earnings opportunities, we are promoting cross-selling and diversification of our business portfolio.

- We are also reforming our earnings structure in each business group. For example, market-based loans has been promoted in wholesale financial services business where relation-based transactions were previously predominant. In real estate business, we are making efforts to promote the diversification of earnings. These efforts include carrying out real estate brokerage, and also promoting securitization arrangements and real estate investment management services.

- As a result of these efforts, The Sumitomo Trust and Banking Company, Limited* succeeded in building a strong financial portfolio that is resilient to changes in the business environment, and in strengthening our earning capacity. Moreover, we have established the groundwork for our goals in the new midterm management plan for fiscal year 2008-2010, i.e. achieving an “asset management-oriented financial intermediary model” — a business model in which we provide the best investment opportunities to our valued customers who are looking for investments, and offer solutions to meet the needs of fund-raising, through the use of varied functions.

*Hereinafter Sumitomo Trust or STB.

— Outstanding/Diversified Business Portfolio —

- Sumitomo Trust has an advantage in its business model of combined banking, trust and real estate operations, in which specialized business such as pension and real estate, as well as banking operations which are mainly retail and wholesale, are all conducted within the same business group.

- A broad range of operations as well as high-caliber specialized business skills have increased each group’s competitiveness by helping to strengthen the transactions with our customers, which are based on consulting services, and to enable the better use of products, know-how and our customer base across the groups.

- For instance, the expertise we gained as an institutional investor and through our fiduciary asset management services has enabled us to develop investment management products. We can also apply and expand our past experiences and know-how acquired through real estate services ranging from real estate appraisals, brokerage to securitizations, to retail and wholesale financial services. These lead to our strength in retail and wholesale financial services business.

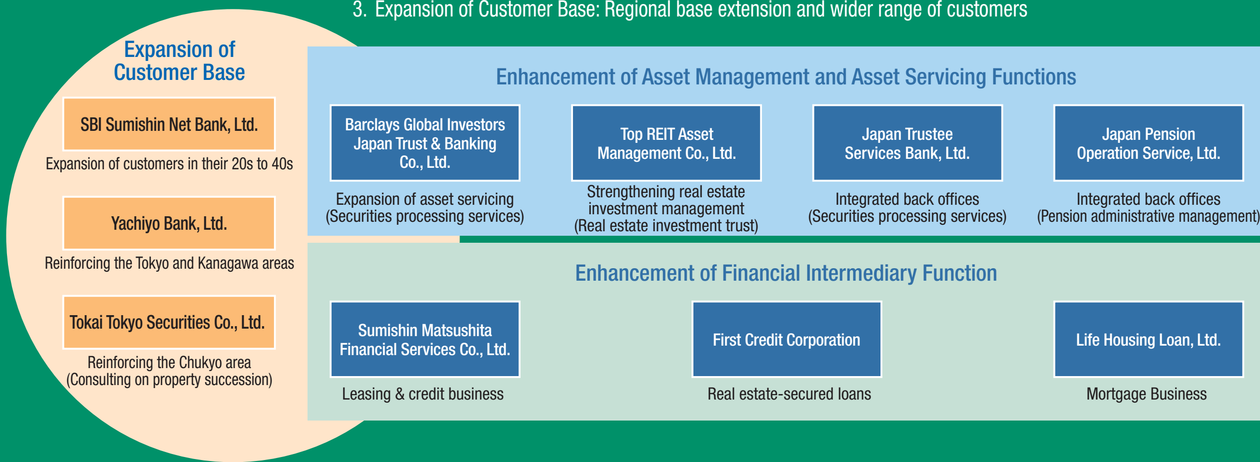
- Trust and real estate businesses are the foundations of our entire business strengths, and embody our characteristics as a trustee as well as the specific merits of Sumitomo Trust. As such, trust and real estate businesses show remarkable growth in their earnings. The average growth rates from fiscal year 2003 to fiscal year 2007 are 15.0% and 22.6% for trust operations and real estate operations respectively, and the contribution of both these operations to the consolidated net business profit before credit costs showed an increase from 25.3% (fiscal year 2003) to 34.2% (fiscal year 2007).

The Group's “Offensive” strategy for increasing its abilities in providing total solutions

Our Objectives for M&A and Alliance Strategy

M&A and Alliance Strategy

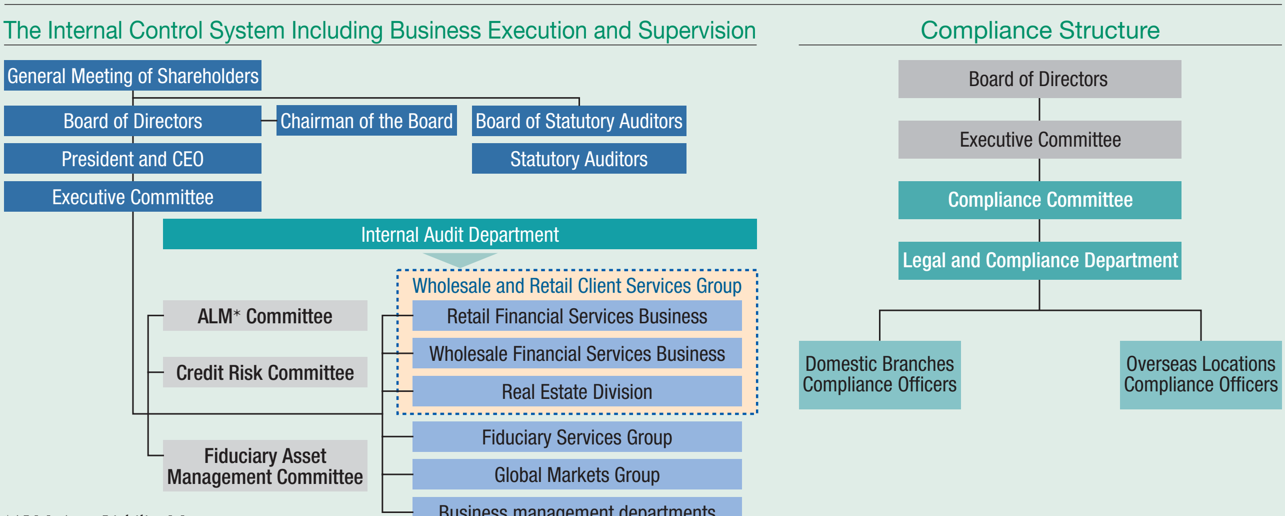
1. Enhancement of Asset Management and Asset Servicing Functions: Expansion of role in trust and asset management and the real estate business, the pursuit of economy of scale
2. Enhancement of Financial Intermediary Function: Broadening the foundation of the finance business from large companies to include small and medium-sized companies
3. Expansion of Customer Base: Regional base extension and wider range of customers



— HYBRID 2 —

“Our Solid Defense System”

Internal Control System Diagram



*ALM: Asset Liability Management

- One of our core “offensive” strategies is leveraging various functions in the groups, and making acquisitions and business/capital alliances with the aim of broadening our customer and operation bases.

- Acquisition and alliance initiatives are not merely made for the expansion of size, but also for strengthening the respective functions of Sumitomo Trust. At the same time, through the practice of complementing what we lack, we aim to leave behind the single-function business model which relies on traditional loan trust, and to improve the diversification and multi-functionality of business functions for the entire group.

- Those initiatives are broadly divided into three categories. The first category includes seeking to strengthen “asset management and asset servicing functions” through expanding roles of trust, asset management and real estate businesses and pursuing economies of scale. The second category includes fostering “financial intermediary functions” by supporting the financing of business bases at small and medium-sized companies in addition to those at large companies, a specialty of Sumitomo Trust. And the third is categorized as seeking the expansion of our customer base in which we provide these diversified functions and services.

- Through these strategic acquisitions and alliance initiatives, we have made progress on diversifying functional range of the entire group and on preparing a variety of functions and services in order to ensure the realization of the “asset management-oriented financial intermediary model.”

We will continue to seek additional benefits from further synergy effects among group companies and from maximizing the cross-selling of products and services. At the same time, we will raise the level of strategic M&As and alliances from the phase of “seeking multi-functionality” to the phase of “synergizing all our diverse roles.”

— Synergistic/Solid Business Platform —

- Our future growth strategy places value on fulfilling the “asset management-oriented financial intermediary function,” and the integration of the financial intermediary function with the asset management and asset servicing functions, as the core of our business model. The base underlying this strategy is a “solid defense.”

- The concepts of all of our corporate governance, internal control and risk management have been based on our core management principles since Sumitomo Trust’s foundation: “Confidence and Integrity” (the essence of the trust business) and “Placing Prime Importance on Credibility and Sound Management” (Sumitomo’s basic business principle).

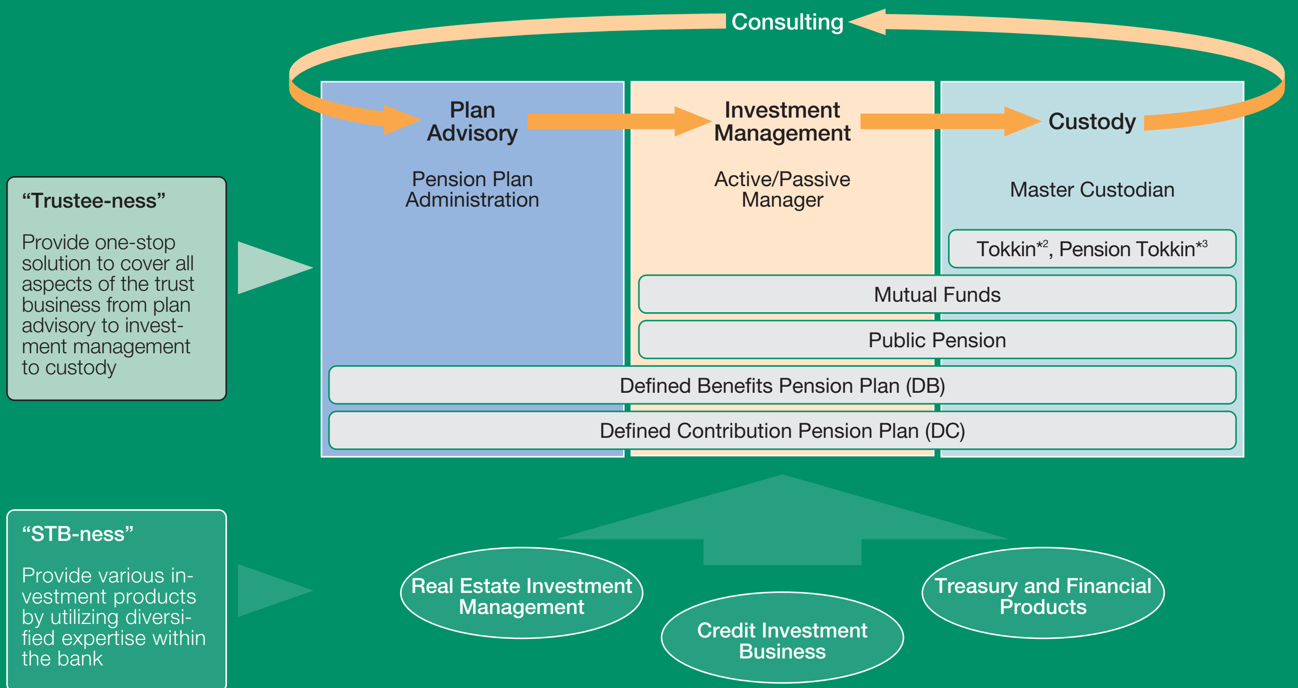
- Under these management principles, we regard corporate governance as a mechanism that underpins the decision making, execution and supervision that we carry out through more efficient and transparent management for the purpose of achieving sustainable growth and development and as such we make constant efforts to refine our governance.

- In addition, we consider compliance, the core element of our management strategy from both an offensive and a defensive standpoint, to be one of our most important management task. The same applies to the development of risk management that meets the challenges of our operations and the changes in the business environment, and as such we focus our efforts on improving and enhancing the compliance.

- While striking a balance between these “offensive” and “defensive” strategies, Sumitomo Trust intends to advance management system reform and our consolidated business strategy by fully reinforcing our features and strengths as a trust bank carrying out combined “banking, trust and real estate” businesses.

Trustee-ness*1

"Master Manager" Japanese Version



*1 "Trustee-ness" refers to the concept of providing the best solutions from the standpoint of customers in a conscientious manner in the spirit of trusteeship on a group-wide basis.
*2 Specified Money in Trust
*3 Pension Specified Money in Trust

— HYBRID 3 —

STB-ness*4

Effects of Prioritized Policies of the New Midterm Management Plan

	Customer Type	Current Status	New Midterm Management Plan: Product	New Midterm Management Plan: Marketing	New Midterm Management Plan: Revenue*5
Retail Customer	Upper-middle; High Net Worth; Private Banking	Strong customer base of upper-middle and HNW Try to expand customer base of Private Banking	• Mutual funds • Individual annuities • SMAs • Real estate investment products	Sales promotion based on the newly-introduced matrix organization Strengthen consulting skills toward retail and wholesale customers by leveraging our strength in institutional asset management	+7
Wholesale Customer	NPO; Financial Institution; Corporation	Opportunities to further expand client base	• Private placement investment funds • Derivative embedded deposits • ABCPs • Structured products • Alternative investment products		+8
Institutional Investor	Pension Fund; Public Pension Fund	Competitive advantage based on the expertise in consulting skills	• Domestic/international debt/equity • Alternative products • Real estate investment products	Cross-selling of various products utilizing the expertise of other divisions	+3
					Total +18

*4 "STB-ness" means the company's ability to create new value by combining the advanced and diverse expertise of its various business divisions and provide solutions speedily.
*5 Incremental revenue growth from FY2007 to FY2010 (in billions of Yen)

• "Trust companies shall be established or managed placing prime importance on confidence and integrity but not for pursuing easy gains or acting imprudently." — This is a quote from the Foundation-Charter of Sumitomo Trust Co., Ltd., the forerunner of Sumitomo Trust (in 1925).

A "Trust" system is a system where a customer transfers his or her name on an asset for certain purposes and entrusts asset management. The system cannot be successful without a relationship of complete trust between the consignor and the trustee. All our business operations are based on the "trustee spirit," and implemented by a business model that "devotes meticulous attention to every case and offer the most appropriate solutions from the standpoint of each individual customer across our entire range of services" (the idea of "Trustee-ness").

• Our pension trust business, highly regarded for introducing business models which should be called "Japanese Master Manager," is a good example of "Trustee-ness."

"From the standpoint of each individual customer"

Transactions start with consultations in which we gather all necessary information (with regard to corporate pensions) from each individual customer.

"To offer the most appropriate solutions"

To meet the needs of customers, we offer tailor-made pension/retirement benefits system and introductions ("multi-plan"), as well as pension management with a variety of management products provided by both Sumitomo Trust and other financial institutions ("multi-products").

• "Based on the principle of good faith," we exercise this "Trustee-ness" in every business. We believe that these are the practices in which we are able to make better use of our strong point, i.e. "to offer high value to our customers by taking advantage of our combined banking, trust and real estate business experience."

For further details of pension operations, please refer to "Special Feature 2" in page 48 and "Fiduciary Service Group" in page 24.

— Customized/Comprehensive Business Solutions —

• In order to further strengthen the advantages of our business model, which is a combination of "banking, trust and real estate" business, Sumitomo Trust has devoted its efforts to diversify the functions and services of each of the five business groups, as well as promoting their specialized skills. Aggressive M&A and alliance initiatives in the recent few years have also been carried out in accordance with these aims.

• By integrating the various functions ("Diversity") and specialized services of Sumitomo Trust and its group, we create new additional value ("Creativity"), and offer speedy solutions ("Speed") — These are, we recognize, our strong points, and the sources of our competitiveness that differentiates us from other financial institutions (the idea of "STB-ness").

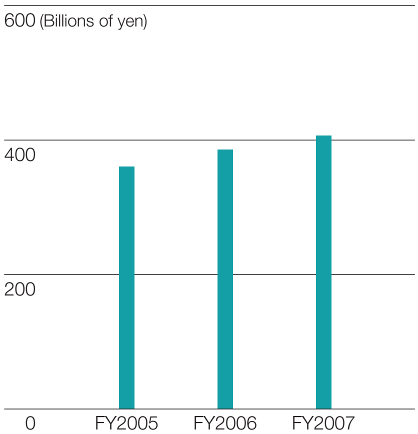
• We offer management products to the wealthy and private banking customers, by taking advantage of our skills that we acquired from our engagement in pension management for institution investors, and of our strengths in real estate business. Additionally, we will expand consulting sales to corporate customers, by making use of our management consulting capabilities in our fiduciary services. — By making use of our "Trustee-ness," the medium term management plan for fiscal year 2008-2010 aims at expanding investment sales and wealth management business, and increasing sales and trust fees for investment products.

Financial Highlights

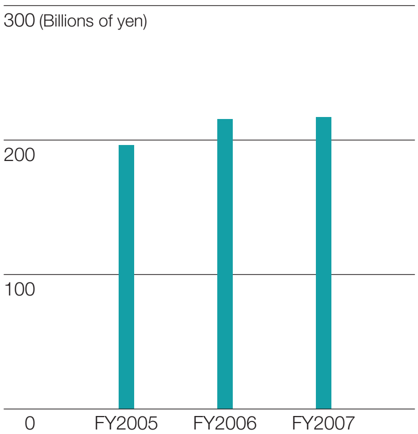
Consolidated	Millions of Yen (Unless otherwise specified) FY2007 (4/07-3/08)	FY2006 (4/06-3/07)	FY2005 (4/05-3/06)	Millions of U.S. Dollars*1 (Unless otherwise specified) FY2007 (4/07-3/08)
For the Year:				
Gross Profit	¥ **406,707**	¥ 384,101	¥ 359,542	$ **4,059**
Gross Profit before Credit Costs *2	**406,695**	385,461	360,354	**4,059**
Total Credit Costs	**13,338**	42,073	9,819	**133**
Net Business Profit before Credit Costs *3	**216,888**	215,485	196,270	**2,165**
Net Gains on Stocks and Other Securities	**(2,263)**	4,814	6,977	**(23)**
Net Income	**82,344**	103,820	100,069	**822**
At Year-End:				
Tier I Capital *4	**1,073,308**	1,026,199	909,376	**10,713**
Total Qualifying Capital *4	**1,732,290**	1,809,860	1,595,890	**17,290**
Total Risk-Weighted Assets *4	**14,625,988**	15,924,988	14,640,708	**145,983**
Per Common Share (Yen/U.S. Dollars):				
Net Assets *5	**639.76**	738.78	668.38	**6.39**
Net Income	**49.17**	62.05	59.91	**0.49**
Financial Ratios				
ROE *6	**8.34%**	11.30%	11.90%	—
Tier I Capital Ratio *4	**7.33%**	6.44%	6.21%	—
BIS Capital Adequacy Ratio *4	**11.84%**	11.36%	10.90%	—

*1 The U.S. dollar amounts are the yen equivalent, calculated for convenience only, at a rate of ¥100.19 to U.S. $1.00.
*2 Gross Profit before Credit Costs = (Gross Profit) + (Trust Account Credit Costs)
*3 Net Business Profit before Credit Costs = (Non-consolidated Net Business Profit before Credit Costs) + (Adjusted Ordinary Profit 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 at the beginning and end of the fiscal year.

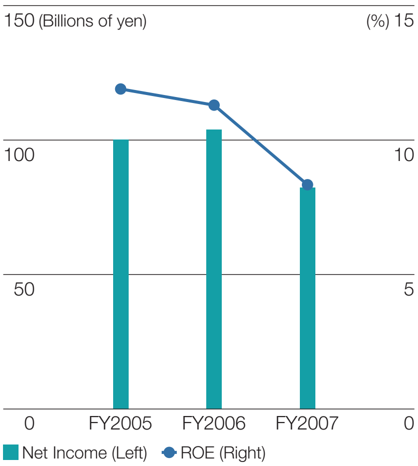
• Gross Profit before Credit Costs



• Net Business Profit before Credit Costs



• Net Income and ROE*



* See note 6 above

Editorial Policy

Thank you very much for reading Sumitomo Trust 2008 Annual Report*. We are confident that, while the outlook for some of our business environment is still uncertain, there are increasing opportunities for Sumitomo Trust to exercise its collective strength as a trust bank, including its capabilities in asset management and asset servicing, as well as in the real estate business.

Under these circumstances, in an effort to provide information about Sumitomo Trust's policy of aiding its further growth by pursuing the best balance between "offense" and "defense," we have put together this 2008 AR with its emphasis on the following three points.

* Hereinafter 2008 AR.

Feature 1.
The opening pages of this report make it easier to grasp the report's whole picture

We consider that a greater growth opportunity in the future lies in keeping our high-level expertise and competitiveness of each of our diverse business functions, which are features of Sumitomo Trust, and in proactively developing and synthesizing (we call this "hybridizing") those competitive advantages. Each component of Sumitomo Trust's features is described in the first half of the report, while their key points are summarized in the opening pages of this report.

Feature 2.
Describing in detail defensive framework and financial soundness

As in the 2007 AR, we have enhanced our disclosure concerning our basic philosophy for improving management reliability and the status of its implementation, and placed this information in the section entitled "Governance Report" (pages 27-42). In addition, the 2008 AR states in as much detail as possible losses related to overseas credit investments during the fiscal year under review (pages 12-14).

Feature 3.
Put together in a way that makes our business contents, performance and strategy even easier to read

As in the 2007 AR, to further facilitate reader's understanding of Sumitomo Trust's business, we have summarized the basic details of Sumitomo Trust's business groups, main subsidiaries and affiliates in the section entitled "STB Basic Information" (pages 179-203), and briefly reported the performance of each business group for the fiscal year under review in the section entitled "Business Report" (pages 15-26).

We hope that this 2008 AR will serve to give you a deeper understanding of Sumitomo Trust.

August 2008

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

CEO Message
— To Our Shareholders, Customers and Employees

Hitoshi Tsunekage President and CEO

Fiscal Year 2007 was a year when financial institutions in major countries around the world suffered from the U.S. subprime mortgage problems, the worst financial crisis in decades. Sumitomo Trust was no exception to this plight, as it posted a decline in consolidated net income in fiscal year 2007 despite showing an increase in net business profit before credit costs, mainly due to losses related to overseas credit investments amid the financial market turmoil triggered by the U.S. subprime mortgage problems.

However, our subprime-related losses were limited thanks to our prudent credit portfolio management. In order to put ourselves back on the path of stable growth in fiscal year 2008 and beyond, we will keep our focus firmly on our characteristics as a trustee ("Trustee-ness") and the specific merits of Sumitomo Trust ("STB-ness"). We aim to become an "essential partner" with our customers and society, as an independent and unique "asset management-oriented financial intermediary services group."

Tailwind Suddenly Turned into Headwind in Fiscal Year 2007

After maintaining a strong performance until the first half of fiscal year 2007, our retail financial services and real estate businesses slowed down in the second half of the year. Retail customers' investment appetites were severely blunted by the financial market turmoil, leading to a decrease in mutual funds sales. In the real estate business, a real estate market slump caused by the outflow of foreign funds undermined the performance of the real estate brokerage business in particular. As a result, the consolidated net business profit before credit costs of the retail financial services and real estate businesses remained essentially flat compared with the previous year. The consolidated net business profit before credit costs of the wholesale financial services business declined 3% year-on-year, mainly because of lower spreads on domestic loans.

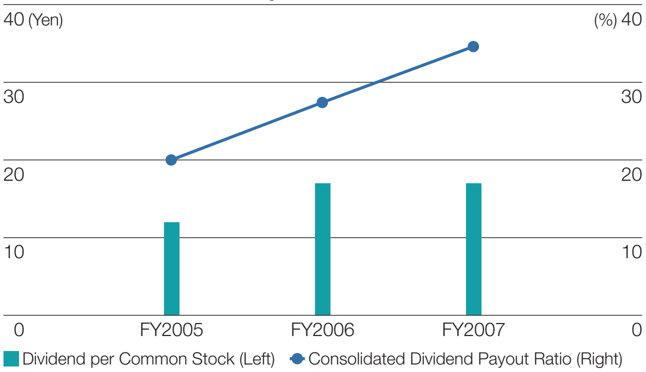
Meanwhile, despite such a severe business environment, the fiduciary services business (including pension and securities processing services), which is a growth area for Sumitomo Trust, continued to generate fee revenue steadily. This, coupled with market-related income produced by our successful efforts to take advantage of a decline in the interest rate in the second half, enabled us to increase our consolidated net business profit before credit costs slightly, by 1.4 billion yen, from the previous year to 216.8 billion yen in fiscal year 2007.

However, our consolidated net income dropped 21% year-on-year to 82.3 billion yen, mainly due to losses of 79.3 billion yen related to overseas credit investments.

Dividend Payout Remains Unchanged

We have been striving to satisfy our shareholders in terms of both our potential for sustainable growth and a return of profits through dividends, with the goal of maintaining a con-

• Dividend per Common Stock and Consolidated Dividend Payout Ratio



solidated payout ratio of approximately 30%.

In fiscal year 2007, we decided to leave the annual dividend unchanged from the previous year at 17 yen per share despite the net income decline caused by losses related to overseas credit investments, taking into consideration the one-time nature of those losses as well as our future growth strategy. The consolidated payout ratio for fiscal year 2007 stands at 34.6%, a figure partly reflecting the effects of the net income decline.

Subprime-Related Losses are Limited

Since completing the repayment of public funds in January 2004, Sumitomo Trust has been promoting loans to individuals and investment in domestic and foreign market-based assets in order to pursue diversification of its credit portfolio and increase the ROA from the viewpoint of making effective use of its capital and ensuring the efficient management of deposits placed by individual and corporate customers, totaling 13 trillion yen. As for overseas assets, we expanded investment in bonds with high credit ratings and securitized products.

Although most of these investment assets carried high credit ratings and had little in common with subprime mortgages, the U.S. subprime mortgage problems affected such products, too, causing them to be downgraded, sapping their liquidity and reducing their prices sharply.

Confronted with this situation, we wrote off additional losses in the second half of fiscal year 2007, going beyond the requirement of the existing standard for the recognition of impairment losses, so as to avoid carrying over losses to fiscal year 2008 and later. As a result, we booked losses of 50.8 billion yen related to the write-down of overseas asset-backed securities (including additional losses of 46.8 billion yen). If losses from the sale of such securities and loan loss provisions for corporate loans are included, the total losses related to overseas credit investments amounted to 79.3 billion yen. However, we have sharply reduced the amount of our holdings of equity-related securitized products and have almost eliminated valuation losses.

Most of the remaining holdings of overseas assets are plain vanilla asset-backed-securities, and we expect that any additional loss that may arise in the future will be limited.

Meanwhile, our consolidated BIS capital adequacy ratio and Tier I capital ratio at the end of fiscal year 2007 stood at 11.84% and 7.33%, respectively, with both figures improving compared with the end of the previous year. Thus, we have avoided an erosion of capital by the U.S. subprime mortgage problems and maintained our financial soundness.

Commitment to Risk Management

In business management, it is essential to strike the right balance between “offense” and “defense,” and we believe that the key to “defense” is enhancing our risk management.

The ongoing financial market turmoil has forced financial institutions in major countries to review their frameworks for risk management and internal control. Sumitomo Trust also suffered an unexpected drop in the value of its credit investment assets, which underscored the need to enhance our risk management.

We will enhance our framework for controlling domestic and overseas credit investments and introduce a “hybrid” risk management system, which will combine market and credit risk management systems.

Fresh Start with a New Vision

The immediate challenge I have been tackling since I became President and CEO of Sumitomo Trust in January 2008 is dealing with the U.S. subprime mortgage problems. However, Sumitomo Trust has not engaged only in defensive management. While consolidating the foundation of our defense, we have been steadily preparing to implement an offensive strategy to put ourselves back on the path of stable growth.

New Vision with Sharp Focus on Our Strength

As Sumitomo Trust faced a sudden gust of headwind after coasting along smoothly following the repayment of public funds, my first task was to set forth a vision of what Sumitomo Trust should be like in the future. Our strength lies in a business model that combines the banking business, including retail and wholesale financial services, with the trust and real estate businesses, which involve pension and real estate services requiring highly advanced expertise. Believing that the key to achieving growth is to exploit the strength of Sumitomo Trust fully as a “hybrid” financial institution, I have concluded that the company should become an “essential partner” of customers and society, serving as an independent and unique “asset management-oriented financial intermediary services group.”

The “asset management-oriented financial intermediary services group” represents the business model of offering the best mix of products and services based on the Sumitomo Trust Group’s broad range of on-balance and off-balance functions (indirect finance, arranging, asset management and asset servicing) so as to satisfy the diverse needs of customers, and providing financial solutions in a meticulous manner. We will serve retail customers as a reliable "main bank for asset management and asset servicing" while catering to corporate customers and institutional investors as an "essential strategic partner" capable of providing value tailored to their particular needs. In this way, we hope to contribute to promoting the shift of funds from savings to investments.

In order to realize this corporate vision, we have set forth the following four basic policies for business management.

(1) Strong Commitment to "Trustee-ness" and "STB-ness"

"Trustee-ness" refers to the concept of providing the best solutions from the standpoint of customers in a conscientious manner in the spirit of trusteeship on a group-wide basis. "STB-ness" means the company's ability to create new value by combining the advanced and diverse expertise of its various business divisions and provide solutions speedily. In short, "STB-ness" can be represented by the three key words "diversity," "creativity" and "speed."

(2) Quest to Become Number One for Client Satisfaction, and Creation of Value through the Fulfillment of CSR

Aiming to become the leading company in terms of client satisfaction, we will make constant efforts to improve the quality of our services from the standpoint of clients. Also, we will create new value through the fulfillment of corporate social responsibility.

(3) Best Balance between "Offense" and "Defense"

In order to respond flexibly to changes in the business environment, we will establish the best balance between "offense" and "defense" while maintaining proper corporate governance.

(4) Global Business Expansion

We will expand our business operations, including not only the loan and credit investment businesses but also the trust and asset custody businesses, on a global scale and provide high-quality services competitive in the global markets.

Evolution and Synergy toward New Vision — New Midterm Management Plan —

Under the management policies described above, we launched a new midterm management plan (fiscal year 2008-2010 "Evolution and Synergy") in fiscal year 2008. The new management plan aims to promote the evolution of the existing business model — a multi-function trust banking model based on the structure of five business divisions and affiliated companies — toward our envisioned "asset management-oriented financial intermediary model" by achieving synergy between the various businesses. Under the new three-year management plan, we will establish Sumitomo Trust as "the number one brand of choice in terms of client satisfaction" by pursuing a business expansion based on "Trustee-ness" and "STB-ness" and consolidate our position as an "essential partner" of our customers and society.

Under the new management plan, we also aim to achieve a consolidated net business profit before credit costs of 250 billion yen, a consolidated net income of 125 billion yen, an ROE of around 11% and a Tier I capital ratio of around 8% on a consolidated basis.

Midterm Financial Plan

(Billions of Yen)

• Net Business Profit before Credit Costs	250.0
• Net Income	125.0
• Return on Shareholders' Equity	Approx. 11%
• Tier I Capital Ratio	Approx. 8%

In order to meet these numerical targets, we will devote particular efforts to the "enhancement and innovation of the investor marketing strategy" so that we can expand our customer base to support the "asset management-oriented financial intermediary model." In doing so, we will place priority on the following points.

(1) Enhancement of Investment Marketing

We will expand the investor base, including both individual and corporate investors, for the entire Sumitomo Trust Group by making full use of the asset management consulting capability developed through our business with institutional investors and the know-how regarding the development of investment products accumulated through our market finance business in order to promote the retail and wholesale financial services businesses. In particular, there is much room for us to obtain new customers through marketing targeted at non-profit corporations, financial corporations and industrial companies, so we will place priority on this in our marketing activity.

(2) Increased Efforts for Wealth Management Business

We will devote increased efforts to the provision of asset-related comprehensive solutions to private-banking customers and other wealthy customers. We will improve our framework for providing meticulous services based on "STB-ness." We also plan to introduce a new SMA (separately managed account) product "Sumishin Fund Wrap" with a minimum investment of 10 million yen in the second half of fiscal year 2008.

(3) Promotion of Comprehensive Real Estate Business

Sumitomo Trust will seize various income earning opportunities that arise during the real estate transaction process on a group-wide basis. This is a task carried over from the previous midterm management plan, and we will further strengthen our real estate investment management and real estate administration services under the new midterm management plan in order to enhance our product supply capacity.

(4) Improvement of Profitability of Credit Portfolio

This is also a task carried over from the previous midterm management plan. While recognizing the bitter lesson of the U.S. subprime mortgage problems, we intend to build a dynamic credit portfolio designed to boost the ROA through the reallocation of assets with a focus on market-based loans.

Through the implementation of the above priority measures, we plan to increase sales and trust management fee income by 18 billion yen over the three years to fiscal year 2010, the last year of the new midterm management plan. We expect that our investor marketing strategy will bring particularly generous benefits in the retail investor market, which covers private-banking customers and other wealthy customers, and the corporate investor market, where there is much room for obtaining new customers. Specifically, we plan to raise income by 7 billion yen in the retail investor market, by 8 billion yen in the corporate investor market and by 3 billion yen in the institutional investor market.

20% Net Income Growth Projected for Fiscal Year 2008

For fiscal year 2008, the first year of the new midterm management plan, we project a consolidated net income of 100 billion yen, up some 20% from the previous year. Total substantial credit costs (non-consolidated basis) are estimated to be equivalent to only 0.2% of the total credit balance as the downside risk stemming from the U.S. subprime mortgage problems, which was the main cause of our profit decline in fiscal year 2007, has been removed. We plan to pay an annual dividend of 17 yen per share, which translates into a consolidated payout ratio of 30%.

"Essential Partner" with Unmatched Strength

Customers expect Sumitomo Trust to provide comprehensive solutions through services with high value added on the basis of its diverse functions, and the ability to satisfy this expectation is the source of our strength.

The most important objective of the new midterm management plan is to enhance our strength further, to a level unmatched by other financial institutions amid the increasingly tough business environment and establish an unparalleled new business model and develop it to the full.

The key to achieving this objective is the "evolution and synergy" of the diverse functions of the entire Sumitomo Trust Group.

The Sumitomo Trust Group will seek to achieve growth amid this tough business environment by pursuing the "Three Bests" — "the best solution" in consulting, "the best performance" in products and services such as loans and asset management and the "best balance" between "offense" and "defense" in business operation and management. Through "evolution and synergy," we will transform ourselves into an "asset management-oriented financial intermediary services group" with a focus on the needs of investors so that we can become an "essential partner" of our customers and society.

I should like to ask all of you to give us your kind support.

Hitoshi Tsunekage President and CEO

Status of Overseas Credit Investment

In the severe market environment, Sumitomo Trust adopted stricter processing for overseas credit-related assets in the fiscal year 2007 ended March 2008, with a view to maintaining financial soundness and avoiding carrying over risk factors into the future wherever possible. As a result, the impairment losses pertaining to overseas asset-backed securities amounted to 50.8 billion yen, and the total overseas credit-related losses, including loan loss reserves for corporate customers and losses on securities sales, marked 79.3 billion yen.

Overseas Credit Investment Portfolio as of the End of Fiscal Year 2007.

Held by the parent company

1. Securities (with Fair Value)

		Billions of Yen						
		Cost (after impairment)			Impairment loss	Valuation difference		
			North America	Europe				Unrealized loss ratio
Asset-backed securities		**663.8**	**297.5**	**363.0**	**(50.8)**	**(56.5)**		**(8.5%)**
Securities backed by non-securitized assets		**640.4**	**275.2**	**361.9**	**(12.5)**	**(55.3)**		**(8.6%)**
RMBS exc. Subprime related RMBS		229.1	6.0	220.8	(1.7)	(16.3)		(7.1%)
CMBS		38.8	0.7	38.0	(0.1)	(3.2)		(8.3%)
CLO	Total 595.3	205.5	143.1	62.3	(0.0)	(20.6)	Average (8.5%)	(10.0%)
CARDS		85.2	74.7	10.4	(0.3)	(8.5)		(10.0%)
Other ABS		36.6	13.9	21.7	(0.9)	(1.8)		(5.0%)
Subprime related RMBS		13.0	13.0	—	(2.3)	(1.3)		(10.3%)
CDO mezzanine		18.3	15.9	2.3	(1.7)	(2.8)		(15.5%)
Synthetic CDO		13.7	7.6	6.0	(5.2)	(0.5)		(3.8%)
Securities backed by securitized assets	Total 68.4	10.4	9.3	1.1	(2.7)	(1.0)	Average (8.6%)	(10.2%)
ABS-CDO		10.4	9.3	1.1	(2.7)	(1.0)		(10.2%)
Equity type securities		12.9	12.9	—	(35.5)	(0.1)		(0.9%)
CLO equities		12.1	12.1	—	(10.1)	(0.1)		(1.0%)
SIV Capital notes		0.8	0.8	—	(25.4)	—		—
International corporate bonds		**355.8**	**39.0**	**152.6**	—	**(9.0)**		**(2.6%)**
Financial debt		92.1	18.2	46.6	—	(4.2)		(4.6%)
Other corporate bonds		263.6	20.8	106.0	—	(4.8)		(1.8%)

2. Securities (With No Available Fair Value)

	Billions of Yen			
	Cost (after impairment)			Impairment loss
		North America	Europe	
Unlisted foreign bonds	**34.4**	**8.8**	**13.8**	—
Asset-backed securities (CLO equities)	3.7	—	3.7	—

3. Corporate loans

	Billions of Yen				
	Balance			Allowance	
		North America	Europe		Reserve ratio
Corporate loans	**285.5**	**162.9**	**66.1**	**10.4**	**3.6%**
CLO Warehousing loans	42.1	42.1	—	9.0	21.4%
Other	243.4	120.8	66.1	1.3	0.5%

Held by a subsidiary

4. Securitization Products Held by Subsidiary STB Omega Investment Limited

	Billions of Yen					
	Cost (after impairment)			Impairment loss	Valuation difference	
		North America	Europe			Unrealized loss ratio
Unlisted foreign bonds	**5.9**	**5.9**	—	**(5.3)**	**(0.0)**	**(0.2%)**
Asset-backed securities (CLO equities)	5.9	5.9	—	(5.3)	(0.0)	(0.2%)

Accounting Processing in Fiscal Year 2007

Securities with Fair Value (Non-consolidated)

1. Measurement of Fair Value

After establishing methodologies to measure and verify fair values, we reclassified most of the asset-backed securities categorized as "Securities with No Available Fair Value" to "Securities with Fair Value," and recognized impairment losses based on the fair value. In measuring fair values, we adopted the fair values offered by brokers. And we have confirmed the appropriateness of such values used as criteria for the above reclassification in regard to the entire overseas asset-backed securities as of the end of March 2008, based on the analysis or verification indicated in (1) and (2) below.

• Assets subject to Fair Value Verification as of March 31, 2008

	(1)	(2)	(3)
Verification method	Comparison with prices obtained from brokers or information vendors	Comparison with a theoretical values calculated using valuation models	Comparison with prices of similar securities*
Assets	RMBS, CMBS, CARDS, etc.	CLO, CLO equity, ABS-CDO, CDO mezzanine, Synthetic CDO, etc.	N.A.
Notes	When prices are available from other brokers or information vendors, this method is used	Obtain market inputs, such as the discount rate, for each securities category and calculate values using valuation models	Used only for securities for which methods (1) and (2) cannot be used

*Securities with similar collateral, credit ratings, etc.

2. Impairment Losses and Balance as of the End of March 2008

We uniformly applied a more conservative standard for the recognition of impairment losses by changing the rate of valuation loss to "over 30% fair value depreciation from the original cost*." At the same time, we wrote off all the securities that we decided to liquidate, regardless of the rate of valuation loss.

The total losses on impairment in this fiscal year were 50.8 billion yen, as posted in losses on devaluation of stocks and other securities and losses on overseas asset-backed securities. The balance of asset-backed securities stood at 663.8 billion yen, decreasing primarily due to the aforementioned impairment losses and the appreciation of the yen, while we acquired 123.3 billion yen of highly rated RMBS, CLO, financial debts, etc. during the year as underlying assets for the disposal of SIV capital notes.

*The former standard was "over 50% fair value depreciation from the original cost."

Loans for Corporate Customers (Non-consolidated)

With regard to the CLO Warehousing loan, which was included in the loans for corporate customers, we took various measures such as sales thereof and decreased its balance to 42.1 billion yen at the end of the fiscal year, with approximately 21% of the amount reserved for loan loss.

Securitized Products Held by STB Omega Investment Limited (subsidiary of Sumitomo Trust)

We also wrote off 5.3 billion yen of the CLO equities owned by our subsidiary, STB Omega Investment Limited* (As for the investment in said subsidiary, 4.3 billion yen in reserve for investment losses was recorded in the non-consolidated financial statement).

*Sumitomo Trust owns 75% of STB Omega Investment Limited.

Further information about overseas credit investment related terms, please see page 190

Overview of Portfolio as of the End of March 2008 (after impairment)

(1) Asset-backed Securities

The outstanding balance of highly risky asset-backed securities, which gave rise to most of impairment losses and showed a major drop in price, was reduced to 68.4 billion yen and the unrealized loss ratio was reduced to 8.6%, as of the end of March 2008. Although the balance of other asset-backed securities amounted to 595.3 billion yen, the unrealized loss ratio remained at 8.5% (refer to the table of page12) and most of these were highly rated (refer to the table below). Therefore, potential risks that may cause further losses will be limited in asset-backed securities as a whole.

• Credit ratings of main securities (with Fair Value)

	Billions of Yen					
	Cost (after impairment)	Credit Ratings*1				
		AAA	AA	A	BBB	BB and below (No rating)
Asset-backed securities*2	**663.8**	**386.0**	**104.9**	**59.3**	**99.7**	**1.5**
Securities backed by non-securitized assets	640.4	—	—	—	—	—
RMBS exc. Subprime related RMBS	229.1	111.0	46.3	37.2	34.4	—
CMBS	38.8	28.0	9.3	1.4	—	—
CLO	205.5	177.2	28.0	—	0.2	—
CARDS	85.2	24.4	—	6.7	54.0	—
Other ABS	36.6	24.0	10.4	1.6	0.4	—
Subprime related RMBS	13.0	8.9	3.3	0.4	0.2	—
CDO mezzanine	18.3	—	—	9.2	8.6	0.3
Synthetic CDO	13.7	6.1	4.3	1.5	1.6	—
Securities backed by securitized assets	10.4	6.0	3.1	0.9	—	0.4
ABS-CDO	10.4	6.0	3.1	0.9	—	0.4
Equity type securities	12.9	—	—	—	—	(12.9)

*1 On internal credit ratings basis (shown in rating marks based on the general correspondence with external credit ratings)
*2 Vintage of RMBS: 2007: 16%, 2006: 32%, 2005: 28%, 2004 and before: 24%

	Billions of Yen		
	Cost (after impairment)	Credit Ratings	
		Average	BB and below
Foreign bonds	**355.8**	A	**23.7**
Bonds issued by financial institutions	92.1	AA	0.0

<Exposure to Monoline Insurers>
As of the end of March 2008, we held 13.9 billion yen of asset-backed securities and corporate bonds that were guaranteed by monoline insurers (insurance companies working exclusively in financial security). Meanwhile, we have no direct credit extended to monoline insurers or derivative transactions therewith.

(2) Balances of Other Overseas Investments and Loans

Almost the entire amounts of other loans for Europe and America are senior secured, and their portfolios are well diversified across industries.

• Other overseas loans as of March 31, 2008 (breakdown by industry sector)

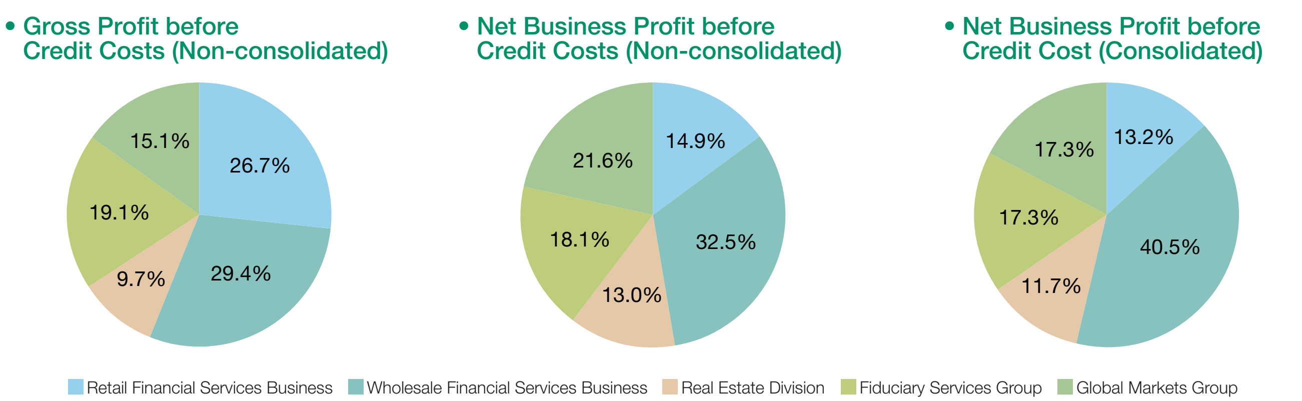
	Billions of Yen				
	Balance			Internal Credit Ratings*1	
		North America	Europe	5-6	7-8
Corporate loans*2	285.5	162.9	66.1	234.5	9.9
CLO Warehousing loans	42.1	42.1	—	37.4	4.8
Manufacturing	103.1	65.7	28.4	93.1	3.6
Energy and utilities	6.5	5.4	—	5.6	0.8
Communication	44.0	25.4	10.6	37.8	2.6
Wholesale and retail	28.6	20.0	8.1	26.1	0.5
Real estate	6.3	1.9	—	2.8	0.4
Various services	55.6	36.1	16.3	49.7	1.9

*1 Internal Credit Ratings: 1-6: Ordinary debtors, 7-8: Special mention debtors (except for Substandard debtors)
*2 There are no subprime related loans.

Business Report

Sumitomo Trust Group at a Glance

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.



• Breakdown of Profit by Business

	Billions of Yen								
	Non-consolidated						Consolidated		
	Gross Profit before Credit Costs			Net Business Profit before Credit Costs			Net Business Profit before Credit Costs		
	FY2007	FY2006	Change	**FY2007**	FY2006	Change	**FY2007**	FY2006	Change
Retail Financial Services	**¥ 87.5**	¥ 84.2	¥ 3.3	**¥ 27.5**	¥ 27.3	¥ 0.2	**¥ 30.3**	¥ 29.6	¥ 0.6
Wholesale Financial Services	**96.3**	105.3	(8.9)	**59.9**	69.4	(9.5)	**92.8**	96.2	(3.3)
Stock Transfer Agency Services	**18.4**	19.5	(1.0)	**4.1**	4.5	(0.3)	**7.7**	9.1	(1.4)
Global Markets	**49.3**	48.7	0.5	**39.8**	39.4	0.3	**39.8**	39.4	0.3
Fiduciary Services	**62.4**	55.9	6.5	**33.4**	28.5	4.9	**39.6**	33.1	6.5
Pension Asset Management	**43.0**	41.5	1.5	**20.3**	19.9	0.3	**22.4**	21.3	1.0
Securities Processing Services	**19.5**	14.4	5.0	**13.1**	8.5	4.5	**17.2**	11.7	5.4
Real Estate	**31.8**	30.0	1.8	**23.9**	22.6	1.2	**26.9**	27.0	(0.0)
Fees Paid for Outsourcing	**(26.1)**	(27.3)	1.2	—	—	—	—	—	—
Stock Transfer Agency Services	**(12.1)**	(13.0)	0.9	—	—	—	—	—	—
Fiduciary Services	**(14.0)**	(14.3)	0.3	—	—	—	—	—	—
Others*	**4.5**	1.0	3.5	**(10.5)**	(11.4)	0.8	**(12.6)**	(9.9)	(2.6)
Total	**¥ 305.7**	¥ 297.7	¥ 8.0	**¥ 173.8**	¥ 175.9	¥ (2.0)	**¥ 216.8**	¥ 215.4	¥ 1.4

* Include cost of capital funding, dividend of shares for cross-shareholdings, general and administrative expenses of headquarters, etc.

Business Group		Business Details	Major Subsidiaries
Wholesale and Retail Client Services Group	Retail Financial Services Business	Retail Financial Services Business 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 Business	Wholesale Financial Services Business 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	Real Estate Division provides 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		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		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.	

Review of Operations

Wholesale and Retail Client Services Group/ Retail Financial Services Business

Tomoaki Ando
Group President, Wholesale and Retail Client Services Group
Supervising Officer, Retail Financial Services Business
Director, Senior Executive Officer

Contents of Business

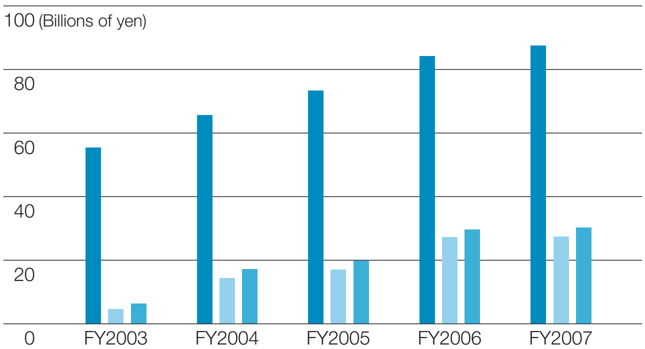
- Banking products (time deposits, foreign currency deposits, loans, etc.)
- Management products (mutual funds, annuities, etc.)
- Trust and property management services
  (will trusts and estate settlement services, etc.)

For details of businesses in this segment, please see pages 180-181

1. Overview of Business Results for Fiscal Year 2007

Despite the severe business environment, the Retail Financial Services Business saw accelerated growth due mainly to an increase in the total volume of depositary assets. Gross profit before credit costs on a non-consolidated basis was 87.5 billion yen, a 3.9% year-on-year increase. Net business profit before credit costs on a consolidated basis, on the other hand, remained at 30.3 billion yen, a 2.0% year-on-year increase, almost the equivalent level to the previous year, due mainly to the effective tax rate after adopting deferred tax accounting performed in our subsidiaries.

• Gross Profit/Net Business Profit before Credit Costs



2. Business Environment in Fiscal Year 2007

The Japanese economy continued its gradual expansion in the first half of fiscal year 2007. In the latter half of the year, however, corporate profit was oppressed due to the economic turmoil in financial markets triggered by the U.S. subprime mortgage problems and the increased costs of energy and raw materials. In addition, a fall in stock prices and the increased prices of oil-based products as well as groceries led to prudent consumption; and thus, Japan's economy slowed down. Along with these events, in response to the global economic turmoil in financial markets, including stock exchanges, retail investors' appetite for risk showed restraint.

However, the shift of retail investor assets from savings to investments continued to occur. Anxiety about the public pension program escalated, since the "pension record-keeping problem*" occurred in 2007. Also, people showed a real concern about inflation, while observing the increasing costs of familiar daily goods. All these are directing people to give a great deal of thought to a self-sustainable lifestyle and assets management. In anticipation of the mass retirement of Japan's baby boomer generation beginning in the spring of 2007, financial institutions took steps to significantly increase the quality and range of their services, improving the environment for investors; and thus, facilitated the aforementioned shift.

*The pension record-keeping problems became a major political issue when it was revealed that over 50 million pension accounts were unidentified due to record-keeping errors by the Social Insurance Agency.

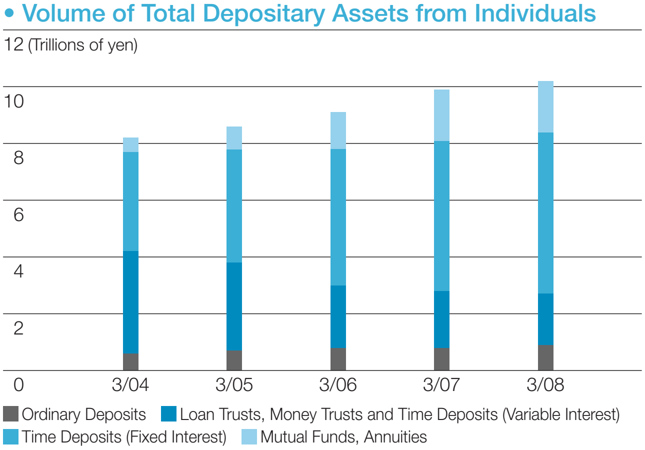
3. Basic Strategy and Business Performance in the Fiscal Year 2007

In the Retail Financial Services Business, we are providing high value-added services in our conventional type of consulting based on a business model, called the "main bank for asset management and servicing."

Specifically for our major customers, those over 50 years old, we provided the optimal combination of asset management plans and products that took into account their stage of life, by capitalizing on our consulting strengths and expertise as a trust bank, engaging in a wide range of operations including real estate and pension asset management. In so doing, we aimed both to expand in terms of the amount of transactions per customer, and to increase the balance of deposits and of products with returns based on performance (mutual funds, insurance products, etc.).

In January 2008, we revamped our preferential membership service, "Advantage Service" into one which is "easier" and "more attractive" to use. Without customers having to make an application and with no annual fees, we provide customers, depending on their individual trade details, with interest bearing time deposits, discounts on various fees, and privileges for travel and health care, supporting them in a quality life style in addition to the management and operation of their precious assets. As strategies for the wealthy client segment, we are aiming to provide a wide range of financial products and services, such as real estate, sales activities for will trusts and estate settlement services, business inheritance, including "Sumishin SMA" (Separately Managed Account) in an effort to expand the base of wealthy customers and encourage further transactions.

• Volume of Total Depositary Assets from Individuals

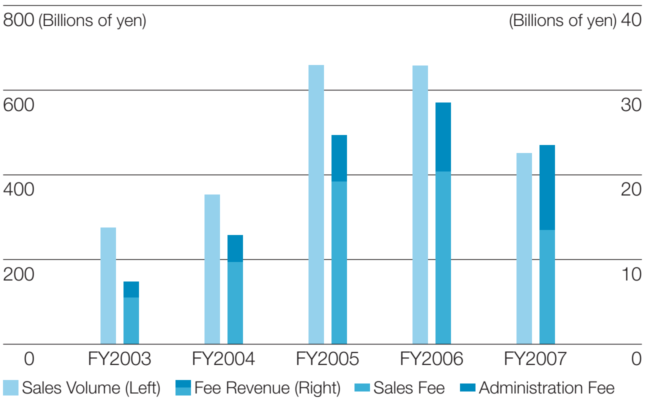


As a result of these strategies, the volume of depositary assets grew with the overall volume increasing to 10.2 trillion yen, a 2.9% year-on-year increase.

Furthermore, although we have been strengthening our operation with regard to loans to individuals, including housing loans, the outstanding volume of loans at the end of fiscal year 2007 was 2 trillion yen, the equivalent level to the previous year, influenced by increased land and house prices, in addition to a significant decrease in new privately-owned housing units started, which resulted from the revised Building Standards Act.

Meanwhile, fee-generating operations pertaining to mutual funds and other products in fiscal year 2007 was 23.5 billion yen, a 17.5% year-on-year decrease, as a result of decelerating sales in the latter half of the year, whereas the administration fees associated with the buildup in volume of the balance increased by 23.5% year-on-year.

• Sales Volume and Fee Revenue of Mutual Funds/Annuities



Review of Operations

Wholesale and Retail Client Services Group/ Wholesale Financial Services Business

Tomoaki Ando
Group President , Wholesale and Retail Client Services Group
Director, Senior Executive Officer

Teruhiko Sugita
Supervising Officer,
Wholesale Financial Services Business President
Director, Senior 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

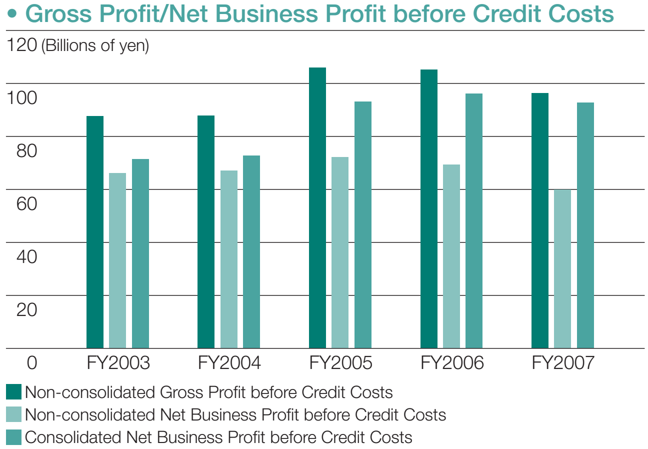
For details of businesses in this segment, please see pages 182–183

1. Overview of Business Results for Fiscal Year 2007

During fiscal year 2007, the Wholesale Financial Services Business operated under the influences of the decreased demand for funds in the face of increased prices of crude oil and raw materials and continuing rise of the yen, which oppressed corporate profit in the latter half of the year, and of the restraint in investment in overseas credit-related assets, which was led by the economic turmoil in financial markets triggered by the U.S. subprime mortgage problems. On a consolidated basis, gross profit before credit costs for the fiscal year of 2007 was 96.3 billion yen, a decrease of 8.5% year-on-year.

Net business profit before credit costs on a non-consolidated basis stood at 59.9 billion yen, a decrease of 13.7%, and that on a consolidated basis was 92.8 billion yen, a drop of 3.4 % year-on-year.

• Gross Profit/Net Business Profit before Credit Costs



2. Business Environment in Fiscal Year 2007

The domestic front during fiscal year 2007 rapidly became severe, owing partly to the increased material costs and the yen's rise particularly in the latter half of the year, and to the sluggish growth of exports resulting from the economic slowdown abroad. In addition to these oppressing factors in income, prolonged economic turmoil in financial markets triggered by the U.S. subprime mortgage problems, and increasing uncertainty over the global economic outlook led to tightening of corporate financial demand for capital investment and other needs.

Amid these conditions, the lending race by banks has continued at a pace surpassing capital demand; and thus, loan rate spreads continued to decrease.

In contrast, the international financial and capital markets remained in a state of turmoil triggered by the U.S. subprime mortgage problems since the summer of 2007. In securitized products markets, which were the epicenter of the problem, the drop of securitized products prices continued along with declines in credit ratings.

Moreover, in the stock transfer agency field, 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 business.

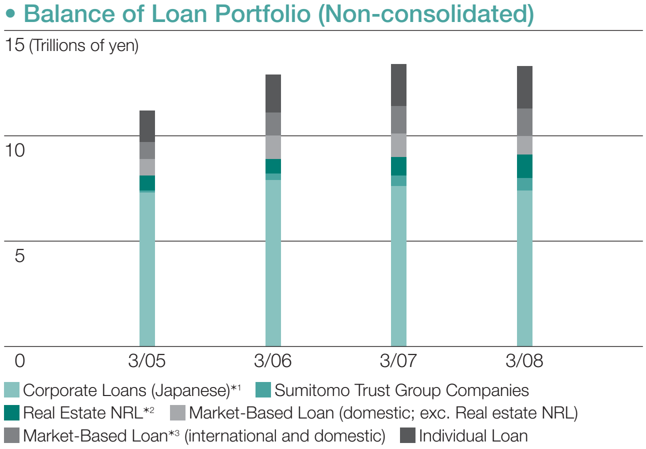
3. Basic Strategy and Business Performance in the Fiscal Year 2007

In an effort to realize loan portfolio diversification and profitability improvement, Sumitomo Trust has shifted from conventional corporate loans to more profitable foreign and domestic market-based loans and individual loans.

As a result, market based loans came to form a component of the core portfolio and the ratio of market based loans among the overall loan balance reached approximately 25% at the end of fiscal year 2007.

The balance of loans (including bonds with credit risk) to corporations was 11.4 trillion yen, almost the equivalent level of the previous year, owing to our suppressive management of overseas credit investment in response to the financial market turmoil, sluggish growth of loans to domestic corporations, and sales of loan assets aimed at promoting diversification.

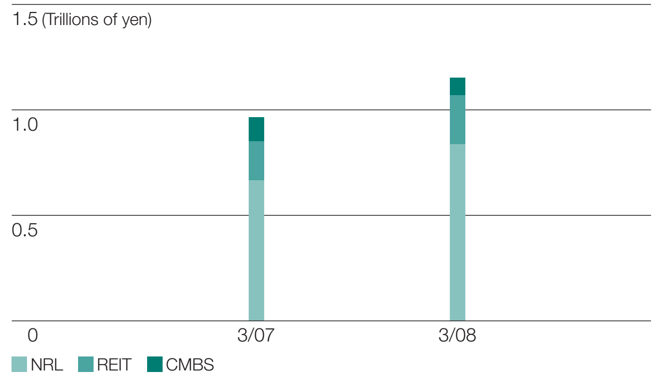
• Balance of Loan Portfolio (Non-consolidated)



*1 Corporate loan (Japanese) includes conventional loan, syndicate loan and loan purchased from other banks.
*2 Real estate NRL includes loan to REIT and investments in CMBS.
*3 Market-based loan (international and domestic) includes bonds with credit risk.

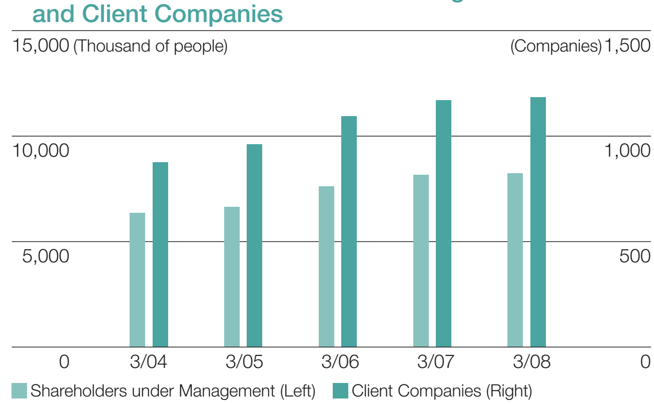
Regarding real estate non-recourse loans, the balance of loans at the end of March 2008 (managerial reporting basis; including loans to REITs and investments in CMBS) reached 1.1 trillion yen, marking a continuous increase of 19.3% year-on-year, led by transactions of the Tokyo metropolitan office property.

• Real Estate NRL Balance



In the stock transfer agency field, we are working towards the early realization of our goal of handling stock transfers of 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 2007, we performed stock transfer agency tasks for 1,191 companies and the number of shareholders under management reached 8,280 thousand. The number of companies we serve increased by 1.3% and the number of shareholders under management by 1.0% year-on-year.

• Number of Shareholders under Management and Client Companies



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

Tomoaki Ando
Group President, Wholesale and Retail Client Services Group
Director, Senior Executive Officer

Rikiya Hattori
Division President, Real Estate Division
Director, Managing Executive Officer

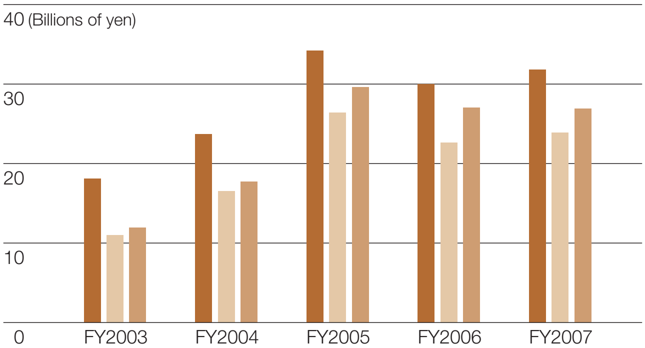
Contents of Business
- Real estate transaction services (including brokerage, securitization, consulting)
- Real estate investment management (including REIT and private real estate fund investment)
- Real estate infrastructure services (including real estate trusts, appraisal services)

For details of businesses in this segment, please see pages 184-185

1. Overview of Business Results for Fiscal Year 2007

Gross profit before credit costs for the real estate business was 31.8 billion yen on a non-consolidated basis, a 6.0% year-on-year increase, due to the accumulation of brokerage fees that centered on large-sized commercial properties in the Tokyo metropolitan area and fees from securitization. Sumitomo Trust secured a net business profit of 23.9 billion yen on a non-consolidated basis, a 5.8% year-on-year increase. On a consolidated basis, however, net business profit before credit costs stayed at 26.9 billion yen, almost the same level as in the previous fiscal year, as Sumishin Realty Company, Limited, which offers housing brokerage remained slightly sluggish.

• Gross Profit/Net Business Profit before Credit Costs



2. Business Environment in Fiscal Year 2007

• Real Estate Transaction Market

The real estate brokerage market remained on track during the first half of the year. However, the market took a sudden turn in the second half as it started to face tough conditions under the influence of the U.S. subprime mortgage problems and other factors. In the commercial real estate market, there were increasing transactions of assets of the central government, local public bodies, independent administrative agencies, etc. amid the accelerated disposal of such assets. However, the brokerage demand except for blue chip properties in the Tokyo metropolitan area weakened its strength partly because financial market turmoil, as seen in a global stock decent, led to the diminishing of institutional investors' demand for acquiring profit-earning real estate. As for housing brokerage for individual customers, new construction was sluggish in response to financial market forces and enforcement of the revised Building Standards Act. In contrast, demand for existing properties remained firm as such properties increased their relative attractiveness.

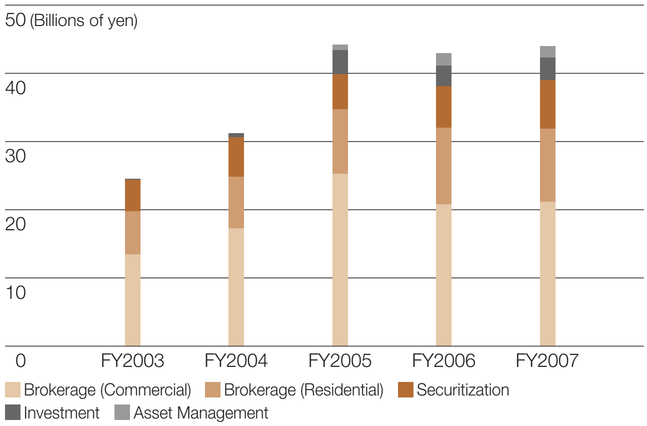
• Real Estate Securitization Market

While needs for real estate securitization remained strong as a method to address the challenge of improving financial health, diversifying the means of funding and coping with accounting system changes, the amount of real estate assets which were securitized in fiscal year 2007 stood at 8.4 trillion yen, a slight increase year-on-year, due partly to an increase of securitized properties whose securitization period expired.

3. Basic Strategies and Business Performance in the Fiscal Year 2007

As a result of implementing the initiatives of (1) strengthening ties with investors and developers as well as with other business groups within our company, (2) expanding and energizing the customer base, and (3) promoting full-fledged operation of the real estate investment management business, Sumitomo Trust secured results comparable to those of fiscal year 2005 where overall gross profit was strong despite the severe business environment.

• Consolidated Gross Profit for Real Estate Business



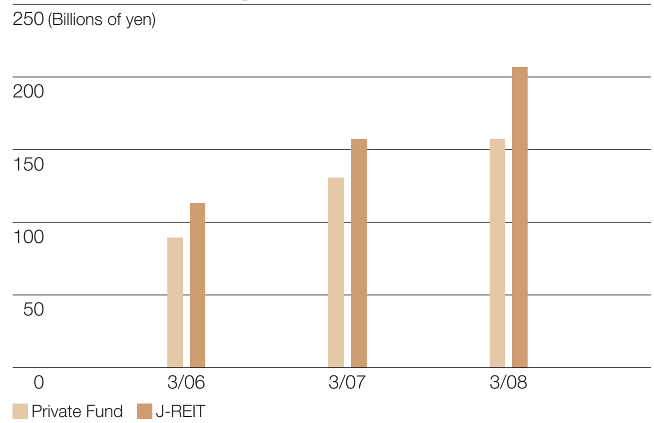
• Real Estate Transaction Services

In the first half of the year, we improved our performance particularly in the brokerage of large-sized prime assets in the Tokyo metropolitan area. However, due to slowdown and other factors in the second half of the year, the annual results remained unchanged to stand at 21.3 billion yen, a 0.5 billion yen year-on-year increase. As for real estate securitization-related business, although we focused our energies on securitization of office buildings in the Tokyo city center, as overall market growth level remained unchanged from the previous fiscal year, both the number and volume of clients' assets grew only moderately.

• Real Estate Investment Management

The result of equity investments was 3.3 billion yen, a 0.3 billion yen increase year-on-year. The volume of assets under management of STB Real Estate Investment Management, which was established in November 2005 as an investment advisory company specializing in real estate securitization, was in excess of 200 billion yen, as it accumulated assets in a stable manner by acquiring large office buildings with the help of its strong leasing capabilities. Performance of pension and other asset management up to now has been rated highly by domestic institutional investors.

• Asset under Management

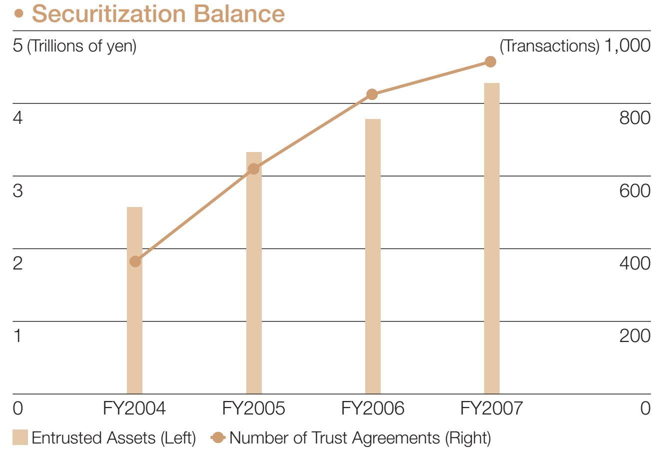


• Real Estate Infrastructure Services

Results came to 3.9 billion yen, a 0.3 billion yen increase 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 appraisal businesses as part of an effort to accommodate the Corporate Real Estate (CRE) Strategies of corporations. As a result, performance was on a gradual increasing trend.

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

• Securitization Balance



Review of Operations
Fiduciary Services Group

Akio Otsuka
Group President, Fiduciary Services Group
Director, Senior Executive Officer

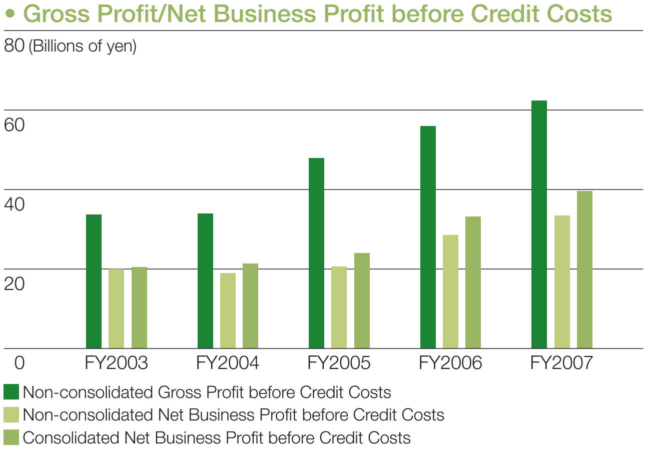
Contents of Business
- Pension trust (pension system planning, asset management, pension subscriber/beneficiary management, etc.)
- Investment management (development, due diligence and provision of managed products, investment advisory services, discretionary investment management services, etc.)
- 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 186–187

1. Overview of Business Results for Fiscal Year 2007

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 an all-time high of 62.4 billion yen, an 11.6% year-on-year increase. As a result, net business profit before credit costs was 39.6 billion yen on a consolidated basis, a 19.6% year-on-year increase and 33.4 billion yen on a non-consolidated basis, a 17.2% year-on-year increase.

• Gross Profit/Net Business Profit before Credit Costs



2. Business Environment in Fiscal Year 2007

Due to an increase of corporations adopting defined contribution pension plans with the aim of stabilizing the costs of employee retirement benefits, as well as signs of corporations revising their pension plans in anticipation of the elimination of qualified pensions set to take effect in 2012, the corporate pension market is anticipated to produce continued growth moving forward.

In asset management, under the influences of falling stock prices and the rise of the yen triggered by the U.S. subprime mortgage problems since the summer of 2007, the average return on corporate pensions posted a considerable negative result for the first time in five years since 2002. Despite the severe conditions, alternative investments which focused on stabilized return increased.

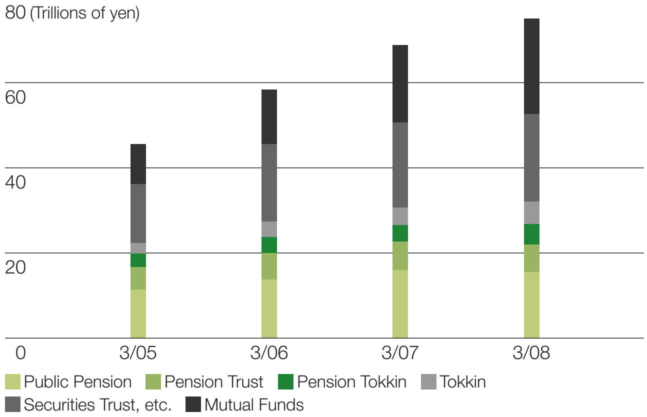
3. Basic Strategy and Business Performance in the Fiscal Year 2007

Overall Business Results

Despite the harsh business environment in the second half of the year as illustrated by falling stock prices and the strong yen, the volume of entrusted assets as of the end of March 2008 expanded. This was driven by the following two products that supported, in particular, profits for the Fiduciary Services Group: "mutual funds" which remained robust with a market share of securities investment trusts at over 20% as of the end of the year*, and "pension trusts" that increased the total volume of entrusted assets through alternative management, in addition to passive management and active management.

*Share among trust banks estimated by Sumitomo Trust

• Volume of Entrusted Assets



• Pension Trust Business

On the strength of our aggressive sales activities capitalizing on our consulting capabilities, as well as our multi-product strategy, our pension trust business built on solid growth. This was seen by the fact that in terms of a net change attributed to share changes among trustees, we secured a net increase in the volume of entrusted assets for as long as five years since August 2002. With regard to systems, the driving forces were our support strength not only for traditionally adopted defined benefit corporate pension plans, but also for defined contribution pension plans which have drawn a high degree of interest in recent years. With regard to 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.

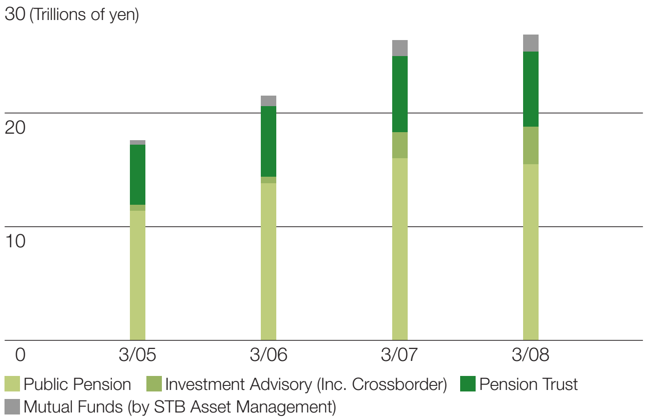
• Investment Management Business

There was a capital influx in all product segments, including mutual funds managed by our subsidiary, STB Asset Management, and discretionary investment management services primarily for public institutions. However, the volume of outstanding assets under the management of the Sumitomo Trust Group stayed at 27 trillion yen at fair value, a 1.5% year-on-year increase, reflecting the falling stock prices.

Fiduciary services for alternative investment products led by hedge funds continued to grow, with the volume of entrusted assets reaching 991.4 billion yen, an 8.4% year-on-year increase. The ratio of pension assets under active management also rose to an industry-leading figure of 53%. Such highly profitable products are contributing to the steady improvement of the rate of pension return.

Our discretionary investment management services are still in strong demand, especially from European customers, partly because our Japanese stock products maintained high evaluations from rating agencies. However, due to the weakness in the Japanese stock market itself, the number of investors who put off actual investment increased.

• Assets under Sumitomo Trust Group Management

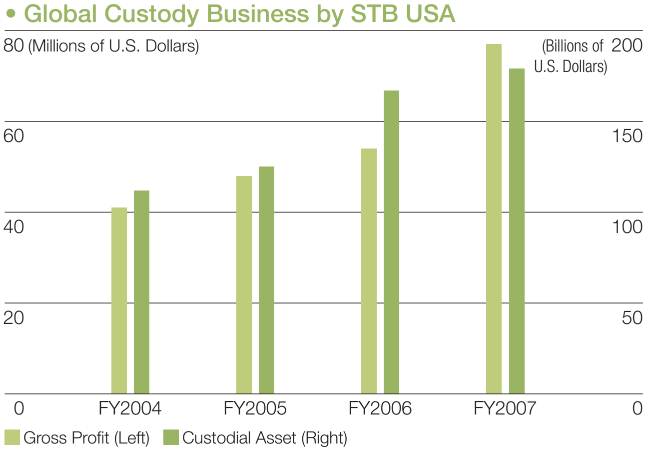


• Securities Processing Business

Market share by volume of stock investment trusts increased steadily by 1.5% year-on-year. The balance of assets entrusted in mutual funds showed a steady increase partly due to the increased amount of assets transferred from Barclays Global Investors Japan Trust & Banking Co., Ltd., which Sumitomo Trust acquired.

Global custody services, which our overseas subsidiary in the United States mainly implemented, also produced steady growth with the volume of assets entrusted mainly in mutual funds at 179 billion dollar, a 7.2% year-on-year increase, leading to the highest rise in contribution to consolidated profits.

• Global Custody Business by STB USA



Sumikazu Tsutsui
Group President, 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, stock price risk, etc.

For details of businesses in this segment, please see page 188

Overview of Business Results for Fiscal Year 2007

During the first half of fiscal year 2007, the policy interest rate at the Bank of Japan was gradually raised even at low levels, in response to the government operation of financial policies, based on scenarios for a "positive cycle of growth in production, income, and spending" and "flow of income from the corporate sector to the household," set up after the March 2006 lifting of the quantitative easing policy. However, easy monetary policy at home and abroad was taken in the latter half of the year, due to the financial market turmoil triggered by the U.S. subprime mortgage problems since the summer of 2007, which caused a reversal of the previous uptrend in interest rates.

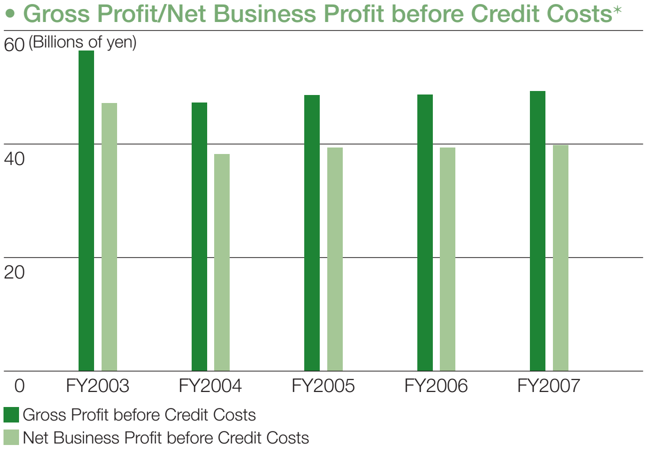
Even in an environment dominated by such an unfavorable wind, our global markets business secured a year-on-year increase in income and profit by profit increase related to the financial operations and marketing functions. Thus, gross profit before credit costs was 49.3 billion yen, a 1.0% year-on-year increase, and net business profit before credit costs was 39.8 billion yen, a 0.7% year-on-year increase, both almost the same level as in the previous year.

In investment operations, performance was weak, due mainly to interest rates, leading to a substantial year-on-year profit decrease.

Marketing functions, on the other hand, remained our steady source of profit as a result of proper management of interest rate risks arising from loans and deposits, as well as effective accumulation of our profit from market-making that is linked to foreign exchange and interest rates.

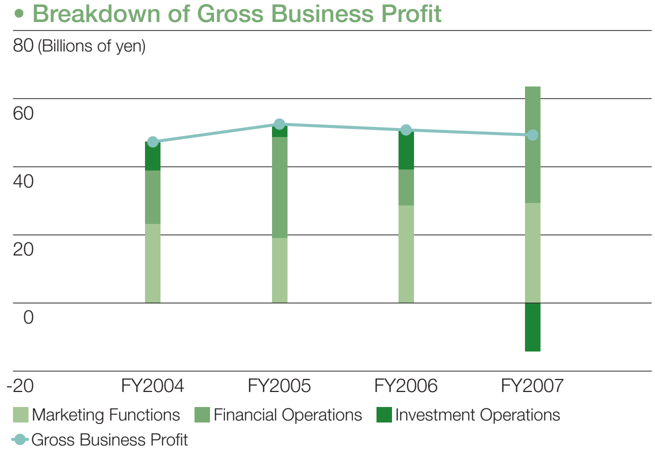
With regard to market operations that focused on potential market risks involved in the overall balance sheet, our bond market operations realized a considerable performance increase by precisely capturing the downtrend of interest rates in the second half of the fiscal year.

• 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 Gross Business Profit



Governance Report

Changes in Business Environment and Our Initiatives

Basel II (Implemented in the fiscal year 2006)

The Basel II framework set out new regulations for calculating the capital adequacy ratio of financial institutions.

In light of the recent progress of financial institutions' risk management practice and advances in financial technology, the Basel II framework seeks to assess more precisely the risks that financial institutions face as well as to promote improvement of their risk management capabilities.

•Keyword 1: Three Pillars

The three pillars of the Basel II framework are based on the following three perspectives:

1) The minimum required capital which is stipulated in the First Pillar;
2) Self-management by financial institutions and validation process by supervising authorities which are stipulated in the Second Pillar;
3) Information disclosure standards for boosting the effectiveness of market discipline which are stipulated in the Third Pillar.

Financial Instruments and Exchange Law (Implemented in September 2007)

The Financial Instruments and Exchange Law (the "FIEL") is the legislation enacted for the purpose of securing the functioning of markets toward shifting "from savings to investment" and promoting more globalized financial and capital markets. The FIEL seeks to strengthen user (investor) protection rules and improve user convenience by developing a cross-sectoral legal system which covers a wide scope of financial instruments with strong investment purposes.

•Keyword 2: Suitability

One pillar of the FIEL is the "Principle of Suitability." The FIEL requires financial institutions to sell financial products suited not only to investors' knowledge, experience and financial situation, which had been specified under the previous Securities and Exchange Law, but also to their objectives.

Internal Control Report System (Implementation started in the fiscal year 2008)

The Internal Control Report System (the Japanese version of the Sarbanes-Oxley Law, "J-SOX Law") is stipulated under Article 24-4-4 of the FIEL (System for Ensuring Appropriateness of Statements on Finance and Accounting and Other Information). The FIEL requires listed companies to submit an Internal Control Report and to undergo audit by an external auditor concerning the Internal Control Report.

•Keyword 3: Internal Control Report

Management is responsible for appropriate development and implementation of internal control with regard to financial reporting. When making evaluation of the effectiveness of internal control, management must also decide on the policy and scope for the evaluation and formulate a plan. Further, they are required to evaluate the state of the development and implementation and to prepare and submit an Internal Control Report.

•P. 30-31

Corporate Governance, Internal Control

This section describes that the essence of the trust business ("Confidence and Integrity") and Sumitomo's basic business principle ("Placing Prime Importance on Credibility and Sound Management") comprise the basic policy of Sumitomo Trust and the platform of corporate governance.

It presents an overall picture of our corporate governance framework and internal control activities for the purpose of speeding up decision making and business execution processes with an executive officer system and a business group management system as the core.

•P. 32-33

Compliance Structure, Fulfilling Accountability to Our Customers

These sections describe how Sumitomo Trust regards the ensuring of compliance as a core element of its management strategy, in terms of both offense and defense, and gives first priority to the development of an environment that allows our officers and employees to behave with honesty and fairness.

They explain our philosophy and action concerning customer protection toward improving business operations on the basis of customer feedback and improving customer satisfaction while complying with suitability requirements under the FIEL and carrying out thorough information provision in an appropriate manner.

•P. 34-36

Risk Management, Capital Management

These sections explain the types of our management risk, the outline of risk management framework, and policy and system concerning capital management.

They introduce measures to adapt to new legal and regulatory frameworks, including the Basel II framework and the FIEL, as well as efforts to establish a risk management system that can respond flexibly to changes in the business environment by strengthening the functions of managing risks whose importance has grown relatively following the breakout of the U.S. subprime mortgage problems.

•P. 37

Management of Information Disclosure and Internal Auditing

This section presents our philosophy and action to disclose information in a fair and timely manner.

It explains our efforts aimed at ensuring and improving the effectiveness of internal auditing.

•P. 38

Effort to Enhance Customer Satisfaction

This section presents our philosophy and action to enhance customer satisfaction through the PDCA (Plan-Do-Check-Action) cycle, which starts with checks of customer feedback.

•P. 39-40

Personnel that Support Sumitomo Trust

This section describes our initiatives to respect individuality, encourage self-reliance and the will to take on challenges, and promote an open corporate culture and human resource nurturing through fair evaluation and appointment.

•P. 41-42

Corporate Social Responsibility Management

"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.

This section introduces some of our efforts aimed at both contributing to the sustainable growth of society and enhancing our own corporate value, with this quotation as our basic philosophy.

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 execution 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

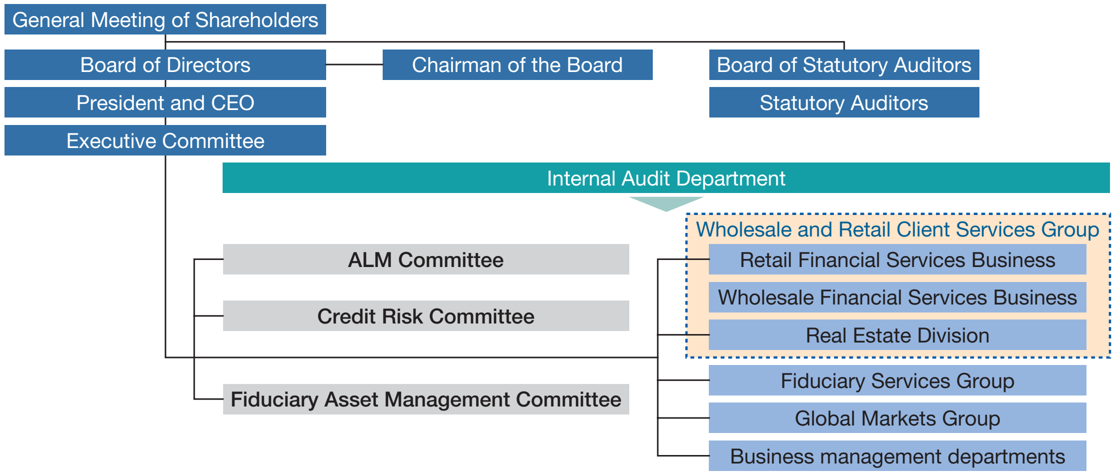
(1) Decision Making and Business Execution

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 managerial 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. Directors and executive officers are appointed based on criteria such as ability, knowledge and skills critical to making management policy decisions and supervising business execution and a sense of responsibility in executing business.

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, in order to discuss and make decisions 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 the Consolidated Management Promotion Department, which supervise our subsidiaries and affiliates, along with a special department in charge of consolidated management specifically to grasp 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 ALM Committee, Credit Risk Committee, Fiduciary Asset Management Committee, etc.

• The Internal Control System Including Business Execution and Supervision



(2) Scope and Basic System of Internal Control

Sumitomo Trust has determined the scope of internal control as to encompass the six 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, 5) information disclosure, and 6) 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 32-37.

• Basic Policy of Internal Control System Structure

(3) Auditing System

Sumitomo Trust employs a corporate auditor system. The Board of Statutory Auditors, which comprises five auditors, including three external auditors, audits the execution of duties by the directors based on audit policies and plans formulated by itself with due consideration of the need to examine the consolidated operations of the Sumitomo Trust Group as a whole.

In order to ensure the objectivity and neutrality of the management oversight function and enhance the effectiveness and efficiency thereof, Sumitomo Trust employs a three-tier auditing system that combines auditing by the Statutory Auditors with internal auditing by the Internal Audit Department and auditing by certified public accountants and seeks to strengthen cooperation among the three groups of auditors. One of the three external auditors is a person with a business background in a non-financial industry and with experience in matters concerning business management. The other two are a law academician knowledgeable about the Corporate Law as well as the management and operations of financial industries and an academician who has experience in the management of a financial institution. The appointment of persons from various fields and with various backgrounds for external auditors enables the implementation of audits from diverse viewpoints based on expert knowledge.

We have a Statutory Auditors 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 external auditors. This office oversees preparation of materials such as resolutions, holds opinion hearings, and compiles various reports as required.

In addition, we are strengthening our internal auditing.*2 The Board of Directors has set out an internal audit 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 37.

• Activities of External Auditors at Meetings

Name	Post	Activities
Koichi Takamura	Full-time auditor	At meetings of the Board of Directors, Mr. Takamura asks questions and expresses opinions as necessary mainly from his standpoint as a full-time auditor with experience in manufacturing business. At meetings of the Board of Statutory Auditors, he exchanges views with other auditors with regard to the results of audits and hold consultations on important matters concerning audits. It should be noted that Mr. Takamura concurrently serves as a part-time auditor (on an unpaid basis) at several subsidiaries of Sumitomo Trust, thereby contributing to the enhancement of the audit framework for the Sumitomo Trust Group as a whole.
Hitoshi Maeda	Part-time auditor Professor emeritus, Gakushuin University	At meetings of the Board of Directors, Mr. Maeda asks questions and expresses opinions as necessary mainly from his standpoint as a legal expert. At meetings of the Board of Statutory Auditors, he exchanges views with other auditors with regard to the results of audits and hold consultations on important matters concerning audits.
Koji Hirao	Part-time auditor Professor, Senshu University	At meetings of the Board of Directors, Mr. Hirao asks questions and expresses opinions mainly from his standpoint as an expert on the management of financial institutions. At meetings of the Board of Statutory Auditors, he exchanges views with other auditors with regard to the results of audits and hold consultations on important matters concerning audits.

Compliance Structure

1. Basic Philosophy

Compliance with laws, regulations and other rules, including social norms, is a core element of Sumitomo Trust's management strategy, in terms of both offense and defense, as we exercise the asset management-type financial intermediary function, which combines the financial intermediary function and the asset management function. We thus regard the ensuring of compliance as one of the most important management tasks.

We have developed a compliance structure that encompasses Sumitomo Trust's in-house rules, a compliance manual, check measures and promotion measures, so that all of our directors and employees including those of our domestic and overseas subsidiaries and affiliates would "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," as is stated in the Ethics Charter.

In order to establish an organization that tackles challenges and resolves problems through a self-cleansing process through the above measures, we are striving to ensure that the PDCA (Plan-Do-Check-Action) cycle regarding compliance works effectively.

2. Putting This Philosophy into Practice

(1) Compliance Structure

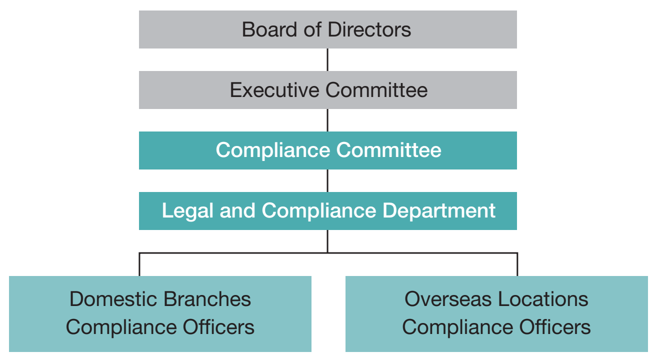
The Legal and Compliance Department is in charge of and centrally manages compliance-related annual practice plans such as the development of the compliance system for Sumitomo Trust. The department handles promotional activities and measures such as the development of related regulations and training. Moreover, in order to develop the compliance structure and carry out thorough practice throughout the Sumitomo Trust Group, this department provides guidance on developing a structure at subsidiaries and affiliates (including organizations, regulations and systems) in cooperation with those 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. The Board of Directors in turn reflects the contents of these reports in its management policies.

In order to promote the steady practice of compliance, 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.

In addition, we have constructed systems that allow appropriate action to be taken promptly when the need arises. For example, we have established a Compliance Hotline through which employees can make direct reports to management.

• Compliance Structure



(2) Enhancement of Compliance in Daily Work

Sumitomo Trust is enhancing its training courses in order to foster compliance awareness throughout the institution. The Legal and Compliance Department has the primary responsibility for providing training regarding institution-wide compliance themes. Meanwhile, Compliance Officers assigned to branches and business divisions are responsible for enhancing compliance awareness and ensuring thorough compliance there by holding branch-by-branch and division-by-division training courses and by providing guidance and instructions in daily work processes.

Also, the Legal and Compliance Department has established arrangements and procedures for legal checks and is enhancing the function of supporting branches and business divisions.

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 strives to strengthen its efforts with the aim of building "the Number-one Brand of Choice in terms of Customer Satisfaction."

2. Putting This Philosophy into Practice

(1) Formulation of Rules and Organizational Reform in Response to Changes in Business Environment

In order to adapt to changes in the business environment, such as the enforcement of the FIEL, and practice customer-oriented-business management, 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.

Based on the Customer Protection Management Policy, Sumitomo Trust has made organizational reforms, including the establishment of the Customer Satisfaction Promotion Department, and formulated a manual for the provision of explanations to customers, which requires full compliance with the "suitability rule" and specifies the appropriate procedures for the provision of information. We will continue efforts to foster an institution-wide awareness of the importance of customer protection through training courses and establish a relevant PDCA cycle so as to better establish the customer protection management system and have it more deeply ingrained throughout the institution. In addition, we will enhance our arrangements and procedures for managing conflicts of interest in light of the progress made in financial-sector deregulation.

(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 "Declaration for the Protection of Personal Information" we are developing an internal system for the appropriate protection and use of personal information.

(3) Efforts to Use Customer Feedback to Improve Services

Sumitomo Trust responds to feedback from customers, such as inquiries, complaints and requests, in a conscientious manner and uses such input to improve our services, with the Customer Satisfaction Promotion Department playing the central role in this respect. The Compliance Committee checks the status of response to feedback from customers and its use for the improvement of services and submits to the Board of Directors and other relevant parties recommendations and reports regarding policies for response to feedback.

Although the way feedback from customers is handled may vary from division to division according to the characteristics of customers and business, in the Retail Financial Services Business, we are actively proceeding with efforts to improve customer satisfaction by constructing an organizational operation system that thoroughly collects customer complaints and service improvement proposals, and studies concrete measures. In other groups and divisions also, in the light of the characteristics of our business operations, we developed a system of gathering "Voice of Customers," for service improvement.

By putting in place thorough customer protection and improving convenience through such measures, as well as by raising our management framework to a higher level, Sumitomo Trust is responding to the expectations and mandate from the society as a financial institution and linking this to the widening of customers' support.

1. Basic Philosophy

As financial businesses become increasingly diverse and complex and the business environment for financial institutions changes rapidly, risk management is becoming more important than ever. Sumitomo Trust regards the establishment of a risk management system suited to the characteristics of businesses as one of the most important management tasks. Accordingly, we are making constant efforts to enhance and advance our risk management, which forms the basis of the expansion of the business scope and the sustainable growth of the Sumitomo Trust Group.

In fiscal year 2007, we strived to strengthen our existing internal risk management framework so that we can fully adapt to the introduction of new legal and regulatory frameworks, including the Basel II framework and the FIEL. In addition, we are making efforts to establish a risk management system that can respond flexibly to changes in the business environment by strengthening the functions of managing price risk, which is inherent in credit risk, and market liquidity risk, as the importance of these risks has grown relative to other risks following the breakout of the U.S. subprime mortgage problems.

2. Putting This Philosophy into Practice

(1) Types of Risk

Our “Risk Management Policy” classifies risk categories, by the cause of risk we face in business operations, into credit risk, market risk, operational risk, and liquidity risk.

(2) Organizational Structure for Enterprise Risk Management

In accordance with the Risk Management Policy set by the Board of Directors, Sumitomo Trust has clarified the allocation of authority, organizational structure and management processes and procedures so that it can identify, assess, monitor, control and mitigate risks based on the PDCA cycle regarding each risk category.

The roles and responsibilities of operational organizations and departments related to risk management are 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 with authority.

2) Executive Committee

Sets rules and provisions regarding the identification, assessment, monitoring, control and mitigation of risks, 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.

• Risk Categories

<table>
<tr><th></th><th></th><th colspan="2">Risk Category</th><th>Risk Management related Department</th><th>Risk Description</th></tr>
<tr><td rowspan="10">Enterprise Risk Management (Risk Management through Comprehensive Assessment of All Risk Categories)</td><td rowspan="9">Integrated Risk Management (Quantitative Risk Management using VaR as an Integrated Measurement)</td><td colspan="2">Credit Risk</td><td>Corporate Risk Management Department</td><td>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.</td></tr>
<tr><td colspan="2">Market Risk</td><td>Corporate Risk Management Department</td><td>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.</td></tr>
<tr><td colspan="2">Operational Risk</td><td>Corporate Risk Management Department</td><td>Risk of incurring loss resulting from inadequate or failed internal processes, people and systems or from external events (including the following risks).</td></tr>
<tr><td rowspan="6"></td><td>Business Processing Risk</td><td>Operations Process Planning Department (or Personnel Department for Internal Fraud)</td><td>Risk of incurring losses arising from executives or employees neglecting to engage in proper business activities, or other incidents such as accident or fraud.</td></tr>
<tr><td>Information Security Risk</td><td>IT & Business Process Planning Department</td><td>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.</td></tr>
<tr><td>Compliance Risk</td><td>Legal and Compliance Department</td><td>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.</td></tr>
<tr><td>Human Resource Risk</td><td>Personnel Department</td><td>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.</td></tr>
<tr><td>Event Risk</td><td>Corporate Administration Department</td><td>Risk of incurring losses arising from extraordinary situations such as natural disasters, war and criminal offenses.</td></tr>
<tr><td>Reputational Risk</td><td>Corporate Risk Management Department</td><td>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.</td></tr>
<tr><td></td><td colspan="2">Liquidity Risk</td><td>Corporate Risk Management Department</td><td>Risk of loss due to inability to secure necessary funds, or due to being forced to pay interest rates significantly above normal in fund procurement, and risk of loss due to inability to transact in a market, or due to being forced to accept disadvantageous prices in transactions.</td></tr>
</table>

4) Front Office Departments

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

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

In addition, among risks held by our corporate group, quantifiable risks (credit risk, market risk and operational risk) are measured by the integrated VaR*, the combination of various risks measured by the unified criteria (the one-tailed confidence interval of 99.9%, the 1 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 groups according to business plans, and pursues the efficiency of capital use through risk-return as an indicator.

* Value at Risk (VaR): Risk amount measurement indicator. 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. We are applying an adequately conservative level of measurement with a one-tailed confidence interval of 99.9%.

• Response to Basel II Framework

The Basel II framework was implemented in March 31, 2007 to replace the previous framework under the original Basel Capital Accord, which put in place a set of rules concerning the examination of the capital adequacy of internationally active banks.

In comparison with its predecessor, the Basel II framework seeks to more precisely assess the risks that financial institutions face while promoting improvement of their risk management capabilities. Our response to the three pillars of the Basel II framework is as follows:

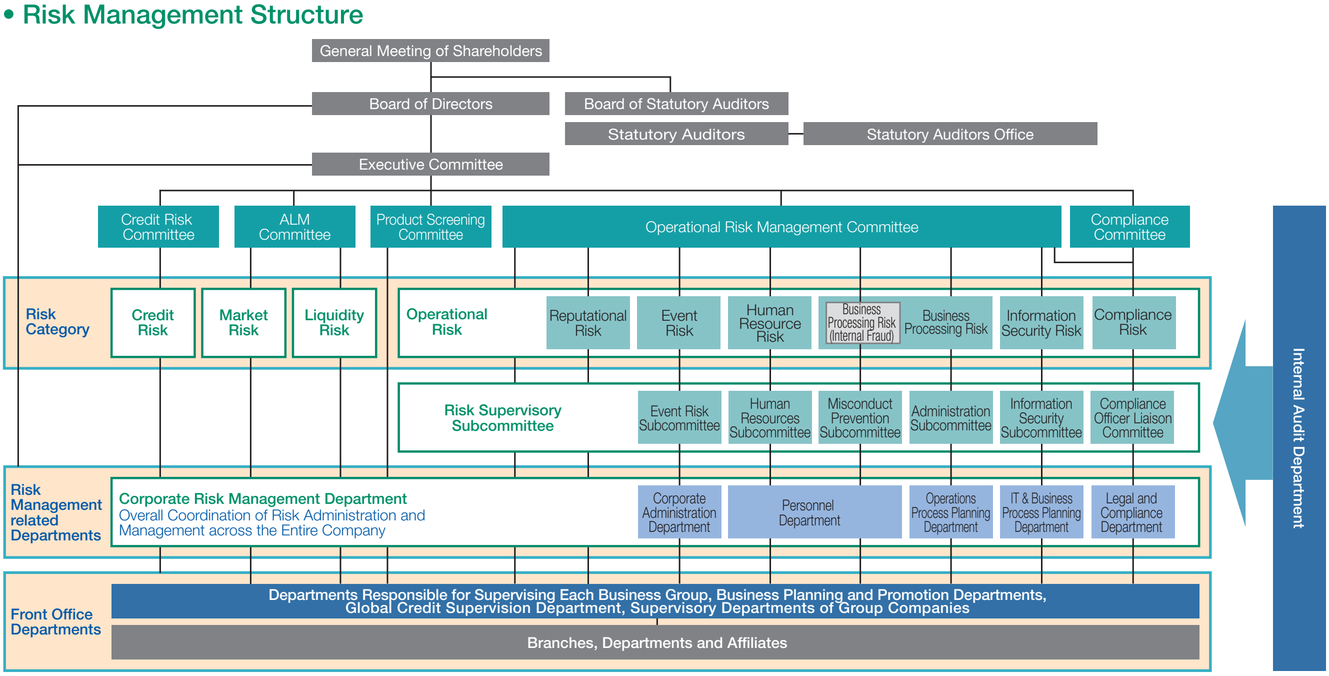
(i) First pillar:
to manage our capital so as to maintain the required capital as calculated with the prescribed method from the viewpoint of compliance with the capital adequacy requirement.

(ii) Second pillar:
to examine the capital adequacy and efficiency as part of our internal control.

(iii) Third pillar:
to make adequate disclosure concerning (i) and (ii) above so that the effectiveness of market discipline can be enhanced.

Sumitomo Trust can meet the Basel II requirements through its Enterprise Risk Management. For details concerning this matter, please refer to the Risk Management section of this Annual Report on page 118-137.

• Risk Management Structure



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.

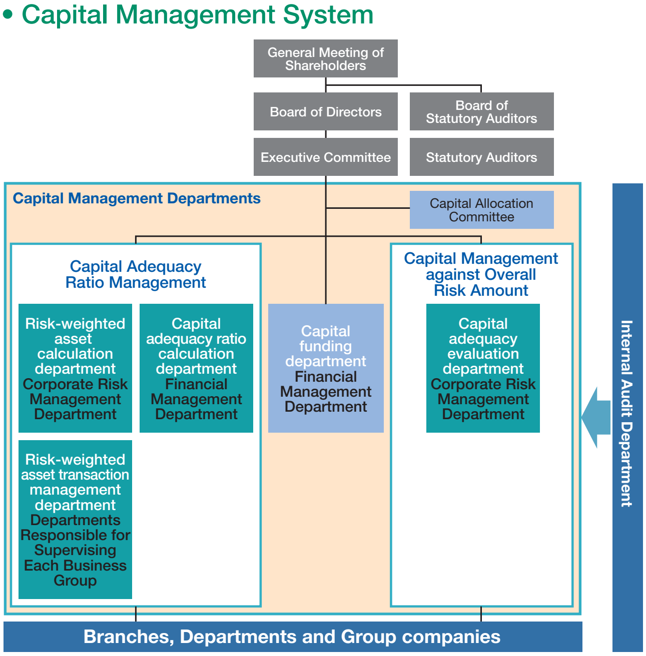
At Sumitomo Trust, we ensure sufficient capital to meet the risks we face, and make efforts to improve our capital and the effectiveness of its use by establishing a basic Capital Management Policy founded on our management policy and the basic policy of our internal control system.

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 of capital adequacy 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 capital adequacy, we compare risk capital, which is the sum of unrealized 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 bonds* and risk capital.

On the other hand, we evaluate capital efficiency, comparing the appropriated capital allocated to divisions against the risk capital and the integrated risk amount.

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 Executive Committee and the Board of Directors, and in this way we are maintaining capital sufficient and controlling risk.

*Perpetual subordinated bonds: unsecured bonds 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.

Management of Information Disclosure and Internal Auditing

Management of Information Disclosure

1. Basic Philosophy

Under basic action guidelines set by Sumitomo Trust, all officers and employees must endeavor to ensure the transparency of corporate management through appropriate disclosure of corporate information, among other measures. In addition, we have published our disclosure policy in order to make clear our principles on disclosure both internally and externally, thereby ensuring appropriate disclosure. Moreover, we have set a basic policy for internal control concerning the disclosure of our corporate information in general, and based thereon, established an internal control system that ensures that we make disclosure in accordance with relevant laws, regulations and rules, including the Corporate Law, the Banking Law and the FIEL. Thus, we make appropriate disclosure in a timely manner.

2. Putting This Philosophy into Practice

In order to ensure fair, appropriate and timely information disclosure, Sumitomo Trust has established the Disclosure Committee, which deliberates specific measures necessary for properly establishing and managing an internal control system concerning information disclosure and reports the deliberation results to the Executive Committee. Furthermore, in order to adapt to the Internal Control Report System (the J-SOX Law), which is applicable from business years starting in April 2008 or later, we have established an internal control project team. We verify the effectiveness of our internal control concerning financial reports on a consolidated basis for each business year through the assessment of internal control by an internal audit department and ensure that the results of the assessment are periodically reported to the President and CEO, the Board of Directors and other relevant parties. Also, we have established arrangements and procedures for making improvement when a deficiency is detected in internal control concerning financial reports.

Internal Auditing

1. Basic Philosophy

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 groups to carry out internal audits, headed by the President and CEO himself.

2. Putting This Philosophy into Practice

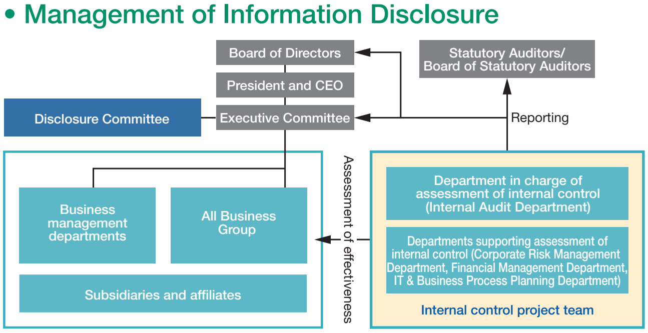
Internal auditing verifies the appropriateness and effectiveness of our internal management system (including the risk management system) in the light of laws, our corporate charter, management policy and various regulations. The purpose is to contribute to the strengthening of the internal management 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. 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 in a timely and appropriate manner.

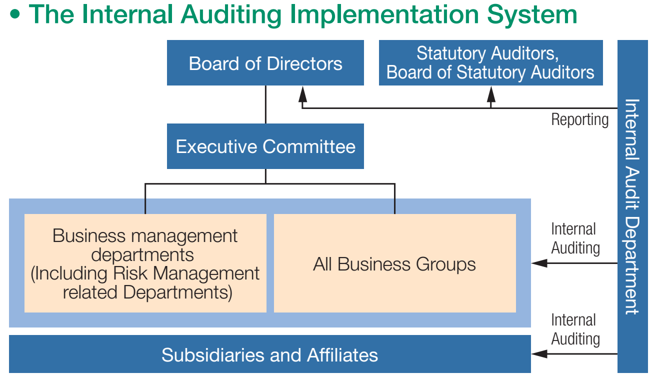
The effectiveness of auditing is ensured by the Internal Audit Department, which manages the improvement of problem points that are identified in the course of internal auditing.

In addition, we engage in evaluation and improvement activities periodically or as necessary in order to establish an appropriate internal auditing system.

• Management of Information Disclosure



• The Internal Auditing Implementation System



Effort to Enhance Customer Satisfaction

1. Basic Philosophy

Because of advances in information technology and a wider choice of financial institutions and products available to customers, financial institutions now face a cut-throat competition. In this situation, the top priority for financial institutions is to enhance customer satisfaction (CS) and adopt the customer-first approach.

Based on its recognition that customer satisfaction should be the ultimate yardstick by which to measure the performance of our businesses, Sumitomo Trust is making efforts, throughout the institution and across all business divisions, to promote customer satisfaction, with a view to becoming the "CS No.1" financial institution.

Promotion of customer satisfaction is the most fundamental element of our business management, which is based on the principle of "providing the best solution to every customer in a conscientious manner from the customer's standpoint and with supreme loyalty and sincerity, which represent the philosophy of the trust service." We believe that we will be able to make Sumitomo Trust the brand of first choice for customers by making proposals that satisfy their needs through high added value achieved through the combination of all of our available functions.

2. Putting This Philosophy into Practice

Sumitomo Trust handles opinions, requests and complaints received from customers in a conscientious manner and strives to make prompt and appropriate response to them. Moreover, it improves the quality of products and services through a PDCA cycle that starts with feedback from customers.

(1) Check

We are striving to collect feedback from as many customers as possible by making postcards available at our branches for use by customers to send their feedback to Sumitomo Trust, conducting periodic questionnaire surveys with retail customers (customer satisfaction monitoring surveys) and customer satisfaction surveys with corporate customers.

(2) Action and (3) Plan

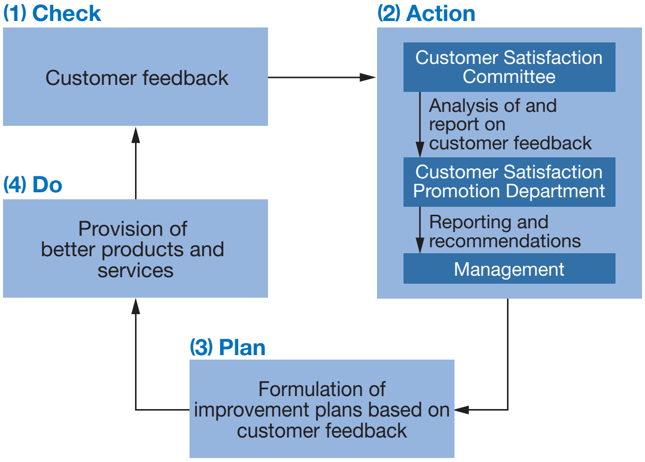
Opinions, requests and complaints received from customers are investigated and analyzed by the customer satisfaction committees of business divisions and used as a basis for the formulation of improvement plans. The Customer Satisfaction Promotion Department,* reports the results of the investigation and analysis to the management and supports the implementation of necessary measures.

(4) Do

Improvement made through the processes (1) to (3) based on feedback from customers leads to the development of financial products and services that better satisfy the needs of customers.

* Establishment of the Customer Satisfaction Promotion Department
Sumitomo Trust established the Customer Satisfaction Promotion Department in June 2007. The new department oversees activities related to the promotion of customer satisfaction so as to enhance customer satisfaction further and step up institution-wide efforts toward customer satisfaction.

• PDCA Cycle regarding the Promotion of Customer Satisfaction



Governance Report

Personnel that Support Sumitomo Trust

1. Basic Philosophy

We believe that our business management is supported by human resources that form the core of our strengths: consulting capabilities, which enable us to respond precisely to the needs of each customer, and our product development capabilities as well as our wide business scope, which combines banking, trust and real estate operations and a high level of professional expertise.

We practice all human resource nurturing processes from recruitment and education to assignment and treatment under the Basic Approaches of the Personnel System mentioned to the right, as well as the Principles of Conduct of the Personnel System by means of which our employees implement these Basic Approaches.

The Basic Approaches of the Personnel System

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 external marketplace; and

3) Align compensation with the business strategies and attributes of different business groups and promote the development of strategic (manpower) planning.

• 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 redesigned our recruitment website aimed at new graduates in October 2007. Ingeniously designed to allow visitors to gain an introduction to the work of Sumitomo Trust and its employees from a variety of angles, our redesigned site has improved and expanded pages where features about our personnel system, as well as employee interviews and other items, are posted.

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

Sumitomo Trust abolished its former conventional 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.

In addition, we have established a career platform common to all career paths, which classifies employees into four ranks: associates, managers, leaders and senior leaders. This enables us to evaluate the performance of employees and assign positions based on their merits, irrespective of age and gender.

Also, twice each year, we implement a job transfer system using a public invitation system, under which employees seeking a transfer can apply directly to the Personnel Department. If an applicant passes the screening, they may be transferred to their desired position or division. In fiscal year 2007, around 50 applicants passed the screening under this program, which has made a significant contribution to the promotion of career formation based on an individual employee's own initiative and commitment.

(3) Human Resource Nurturing and Skill Development

As a means of promoting human resource nurturing on a companywide basis, Sumitomo Trust established the Human Resource Development Committee, comprised of the President and CEO, Group Presidents for each business division, and the Directors in charge of the Corporate Planning Department and Personnel Department, in fiscal year 2006. Through this committee, we analyze tasks involved in human resource nurturing, and study a variety of themes such as nurturing younger and middle-ranking employees, on-the-job training and management, and support for the activities of women by delving into policies for individual issues.

In order to enable each employee to acquire advanced professional expertise and a broad range of abilities and enhance his/her performance, we have been expanding our personnel development program by reflecting the results of the deliberations by the committee for human resource building. The human resource nurturing program centers on on-the-job training and is supplemented by off-the-job training (e.g. training courses) and self-education initiatives.

Specifically, we provide training courses to each class of employees, from branch managers, department chiefs and other senior managers to young employees and new recruits, in light of the respective roles expected of them. In addition, we have established a new, short-term internal trainee program, which is intended to broaden the perspectives of employees.

(4) Evaluation and Appointment

At Sumitomo Trust, we introduced a personnel evaluation system in 1997 that allows individual employees to participate in the evaluation process while aiming 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, each branch or department, section and team, and (4) rigorously enforce merit-oriented evaluations.

In addition, 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 2008, the ratio of female staff at Sumitomo Trust was 49% and the number of women serving in management positions was 85.

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.

Corporate Social Responsibility (CSR) Management

"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, and we are focusing our efforts on putting those themes into practice.

In addition, we aim to realize sustainable growth for society at large as well as our businesses through efforts to build mutually developmental relations with our important stakeholders such as customers and employees.

1. 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, following our signature of and involvement 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), 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.

Furthermore, since 2007, we have been involved in the establishment of an international framework for environmentally-friendly property development through our participation in the UNEP FI Property Working Group.

At the ninth meeting of the Conference of the Parties to the Convention on Biological Diversity held in May in Bonn, Germany, we also signed a leadership declaration under the Business and Biodiversity Initiative, together with 33 other companies around the world.

2. 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 involvement in the Ministry of the Environment's Environment and Finance Advisory Committee and Tokyo Metropolitan Government's Tokyo Environmental Finance Project. We name these financial instruments, collectively, "Eco-Trustution" a combination of "Eco," "Trust" and "Solution," in order to reflect their purpose of helping solve environmental problems through the use of trusts, and we will continue to promote them actively.

- **Preferential Loans for Environmentally Friendly Housing**

  We have developed a lineup of preferential loans for housing aimed at promoting environmentally friendly housing including houses equipped with solar power generation systems, as a means of supporting the popularization of such housing. In the case of apartments in particular, 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.

- **Support for the 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 by way of providing wide-ranging support for the Eco-Land-Fund, a contaminated land purchase and rehabilitation fund, operated by Green Earth Co., Ltd., including investment and financing, and the establishment of a real estate trust. In addition, we are also offering soil contamination related consultation.

- **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.

- **Greenhouse Gas Emission Credit Trusts**

  Sumitomo Trust has started to sell greenhouse gas emission credits in small lots by taking advantage of its intermediation and trust functions. Since May 2008, we have been cooperating with several regional financial institutions to provide emission credit trust products to a broad range of customers.

- **Studies of Tenant Buildings Energy Conservation Promotion Schemes**

  Generally in energy conservation facilities investment in office buildings, the economic incentives for owners to make such investments is small because the benefits tend to accrue to tenants, the fact allegedly viewed as a deterrent to such investment. To overcome this drawback, Sumitomo Trust has developed schemes introducing the business model offered by Energy Service Company (ESCO)*1 to tenant buildings where energy conservation is not progressing, while adjusting the balance of interests, in coordination with Building Performance Consulting, Inc. and other organizations.

*1 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.

• Research on Promotion and Raising Awareness of Environmentally Friendly Real Estate Business (Green Building Business)

"Environmentally friendly real estate designed with due consideration of factors such as energy conservation and extended life span (sustainable real estate) has high economic value." Based on this concept, Sumitomo Trust, together with STB Research Institute, established a research group on the Multi-stakeholder Approach toward Expansion of Sustainable Real Estate Business (headed by Chairman Tomonari Yashiro, Professor of the Institute of Industrial Science, the University of Tokyo) and is conducting research concerning this approach jointly with the national and local governments, construction companies, developers, manufacturers of energy-efficient equipment and environmental NGOs. In the future, Sumitomo Trust will consider the development of new products that contribute to the popularization and promotion of environmentally friendly real estate, through the creation of a "Sustainable Real Estate Fund" and other means.

• SRI Fund

The Sumitomo Trust Group expanded its lineup of Socially Responsible Investment (SRI) funds, including instruments for corporate pension funds that were the first such instruments in Japan when they were launched in July 2003, and instruments for individuals and defined contribution pension plans. As of March 2008, the total amount in SRI funds under the Group's management reached approximately 68.7 billion yen, one of the largest balances*2 held by a SRI fund operator. We are now entrusted with managing SRI funds for defined contribution pension plans by 78 companies. Also, in May 2008, our publicly offered mutual funds for retail investors "Sumishin SRI Japan Open Fund" (nickname: Good Company) received the R&I Fund Award 2008 from Rating and Investment Information Inc.

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

(2) Socially Considerate Endeavors

As socially considerate endeavors, 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*3" series, through which family members and others can entrust money for the benefit of severely disabled people, which we disburse in periodic installments.

*3 Compassion in English.

3. 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
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.
Kofu and Shizuoka	Mt. Fuji clean-up program	In cooperation with Fujisan Club, an NPO, we are engaging in a company-wide voluntary clean-up activity at Mt. Fuji (Aokigahara forest) under the initiative of the Kofu and Shizuoka Branches.
Yamaguchi Hofu	Lecture aimed at senior high school students	In February 2008, we sponsored a lecture, entitled "Realize Your Dream and Go Forward!," by Mr. Tsutae Shinoda, a native of Yamaguchi Prefecture who invented the plasma display panel TV, and invited 600 students from three local senior high schools.
Sakai	Disaster prevention/mitigation fair	In March 2008, we sponsored the "Sakai Disaster Prevention/Mitigation Fair," which involved lectures and a number of events for hands-on experiences related to disaster prevention/mitigation, in cooperation with Sakai City and the fire-fighting associations of Sakai and Takaishi Cities among other organizations.
Shanghai	Education-oriented CSR activity	We provided support to schools for children of migrant workers from rural areas by donating books and stationery goods and held a gathering during which the staff of the Shanghai Branch mingled with the children.

A Report from the Front Lines

Special Feature 1

Enhancement of Solution Capability through Strategic M&As and Alliances

1. Our History

Pioneer of Trust Business

Since concurrent engagement in the banking and trust businesses was allowed for the first time in 1943, trust banks have played the role of providers of industrial finance by raising funds in the retail market and using them to extend long-term loans to companies for the purpose of capital expenditures and other corporate activities.

Loan trusts have been used by trust banks as their main means of fund-raising. Sumitomo Trust, which was involved in the development and design of this fund-raising means, started selling loan trust products in 1952, earlier than any other trust bank, and made significant contributions to Japan's post-war economic development.

Since then, we have led the trust banking industry with our pioneering activities, developing a series of products and services based on our characteristics as a trustee ("Trustee-ness") and the specific merits of Sumitomo Trust ("STB-ness") that satisfy the needs of customers and society. Examples of our pioneering achievements include: (1) the development of the tax-qualified pension plan (1962), which laid the foundation for Sumitomo Trust to establish itself as the leader in the pension market, (2) the development of the land trust, which represented Sumitomo Trust's strength in the real estate business, and (3) the joint establishment of Japan Trustee Services Bank (2000), which specializes in the securities processing business.

• History of STB as a Pioneer of Trust Business

- 1952: Start of "Loan Trust" sales ahead of other trust banks
- 1962: Development of the "Tax-qualified Pension Trust"
- 1984: Development of the "Land Trust"
- 2000: Joint establishment of Japan Trustee Services Bank, Ltd.

Strategic M&As and Business Alliances for Exploiting Our Strengths and Compensating for Our Deficiencies

Sumitomo Trust has been striving to increase competitiveness and profitability by making the most of our strengths in a broad range of specialized business areas, such as banking, trust and real estate services.

In recent years, we have made M&As and business alliances part of our growth strategy. What we have achieved through M&As and business alliances is not a mere expansion of size. Rather, we have enhanced our existing functions and compensated for what we lacked, in order to transform the single-function business model centered on conventional loan trusts into a new multi-function model featuring the diverse range of functions of the entire Sumitomo Trust Group.

• History of Our M&As and Alliances

- 2000: Joint establishment of Japan Trustee Services Bank, Ltd.
- 2004: Joint establishment of Top REIT Asset Management Co., Ltd.
  Joint establishment of Japan Pension Operation Service, Ltd.
- 2005: Acquisition of a 66% voting rights of Matsushita Leasing & Credit Co., Ltd. from Matsushita Electric Industrial Co., Ltd.
  Conclusion of a business and capital alliance with the Financial Risk Management Limited of the U.K.
  Acquisition of First Credit Corporation
- 2006: Listing of Top REIT, Inc., a real estate investment trust (J-REIT), on the Tokyo Stock Exchange
  Conclusion of a business and capital alliance with Yachiyo Bank, Ltd.
- 2007: Acquisition of Life Housing Loan, Ltd.
  Acquisition of Barclays Global Investors Japan Trust & Banking Co., Ltd.
  Establishment of Tokai Tokyo-Sumishin Wealth Partners & Consulting Co., Ltd.
  Business commencement of SBI Sumishin Net Bank, Ltd.
  Conclusion of a business alliance with Aozora Bank, Ltd.

2. Our Strategy and Actual M&As and Alliances

(1) Enhancement of Asset Management and Asset Servicing Functions

Sumitomo Trust has concluded a variety of business alliances in order to enhance its asset management and asset servicing capabilities. Sumitomo Trust achieved this through the expansion of its role in trust and asset management and the real estate business, and its pursuit of economy of scale.

To enhance asset servicing capabilities, Sumitomo Trust established in June 2000 as a joint venture Japan Trustee Services Bank, Ltd., the first specialized securities processing bank in Japan, and established in December 2004 as a joint venture Japan Pension Operation Services, Ltd. for handling administrative services related to corporate pension plans.

In asset management, Sumitomo Trust established in October 2004 as a joint venture Top REIT Asset Management Co., Ltd., an asset management company focusing on real estate investment trusts, and listed "Top REIT, Inc." (J-REIT) on the Real Estate Investment Trust Section of the Tokyo Stock Exchange in March 2006.

In addition, Sumitomo Trust entered into business and capital alliance with the Financial Risk Management Limited, a major U.K. asset management company focusing on hedge funds in August 2005 and increased the balance of entrusted assets under management. Moreover, Sumitomo Trust purchased all outstanding stock of Barclays Global Investors Japan Trust & Banking Co., Ltd. in 2007.

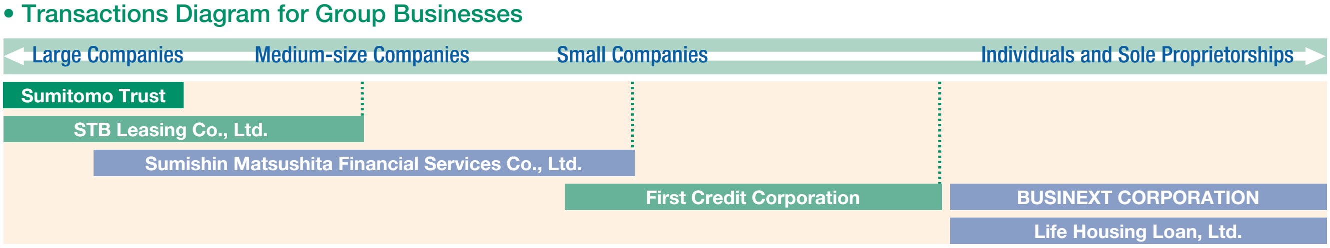
- **Japan Trustee Services Bank, Ltd.:** The first specialized securities processing bank in Japan, with the former Daiwa Bank (now reorganized as Resona Bank, Ltd.) (The Chuo Mitsui Trust and Banking Company, Limited became a joint venture partner in 2002).
- **Top REIT Asset Management Co., Ltd.:** An asset management company focusing on real estate investment trusts, with Nippon Steel City Produce Inc. and Oji Real Estate Co., Ltd.
- **Japan Pension Operation Service, Ltd.:** Established in December 2004 as a joint venture between Sumitomo Trust and Mizuho Trust & Banking Co., Ltd. This company handles administrative services related to corporate pension plans such as membership management and corporate pension benefit payments, as well as system development and operation.
- **The Financial Risk Management Limited ("FRM"):** Sumitomo Trust entered into formalized strategic relationship with FRM in an attempt to further enhance its capacity of offering solutions to investors by integrating its marketing power using Sumitomo Trust's consulting expertise and FRM's superior hedge fund products.
- **Barclays Global Investors Japan Trust & Banking Co., Ltd. ("BTB"):** Sumitomo Trust purchased all outstanding stocks of BTB from Global Investors UK Holdings Limited to acquire the trust administration and custody operation of BTB.

(2) Enhancement of Financial Intermediary Function

Sumitomo Trust is striving to diversify its loan portfolio and place more emphasis on small-lot loans. We are also endeavoring to enhance our role as a group-wide financial intermediary by expanding the customer base of the wholesale financial services business to include customers who can be expected to bring more generous profits, such as small and medium-size companies and individuals.

- **Sumishin Matsushita Financial Services Co., Ltd.:** Sumitomo Trust purchased 66% of the outstanding stock of the former Matsushita Leasing & Credit Co., Ltd. from Matsushita Electric Industrial Co., Ltd. in 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 and the leasing know-how of STB Leasing to provide its customers with comprehensive financial solutions.
- **First Credit Corporation:** Specializing in small-lot loans that use real estate as collateral.
- **Life Housing Loan, Ltd.:** A company specializing in housing loans based on a unique type of consulting-and evaluation.

• Transactions Diagram for Group Businesses

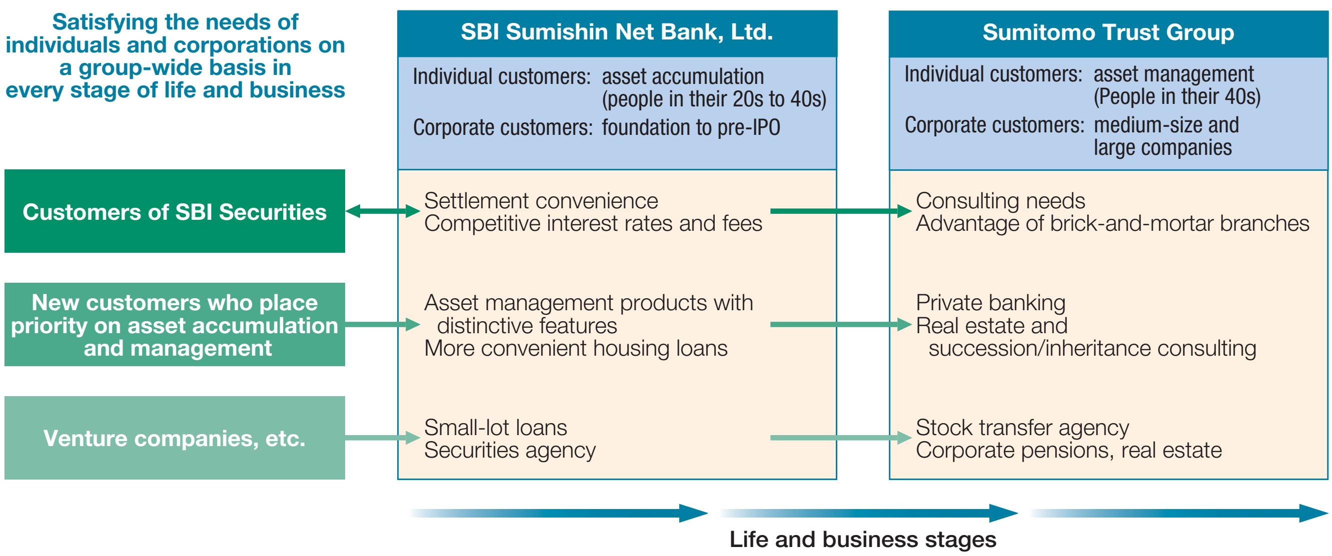


(3) Expansion of Customer Base

Securing points of contact with customers, such as branch offices, is critical to the success of our growth strategy. Through capital and business alliances, we are actively making efforts to extend the coverage of our services to regions where we have few branch offices, and to obtain customers in a wider range of age groups.

- **Yachiyo Bank, Ltd.:** Sumitomo Trust concluded a business and capital alliance with this bank, which had broad branch network centering in Tokyo and the northeast of Kanagawa Prefecture, and little overlap in terms of clients and business franchise.
- **SBI Sumishin Net Bank, Ltd.:** An internet-based joint venture between Sumitomo Trust and SBI Holdings Inc.
- **Tokai Tokyo-Sumishin Wealth Partners & Consulting Co., Ltd.:** Jointly established with Tokai Tokyo Securities Co., Ltd. and Sumishin Realty Co., Ltd. in an attempt to provide customers in Nagoya metropolitan area with consultation services focusing on estate inheritance and business succession.
- **Aozora Bank, Ltd.:** Sumitomo Trust concluded a business alliance with this bank in an attempt to bring together the expertise of both banking groups to drive development in (a) Real estate related business, (b) Fiduciary/agency related business, and (c) Asset management related business.

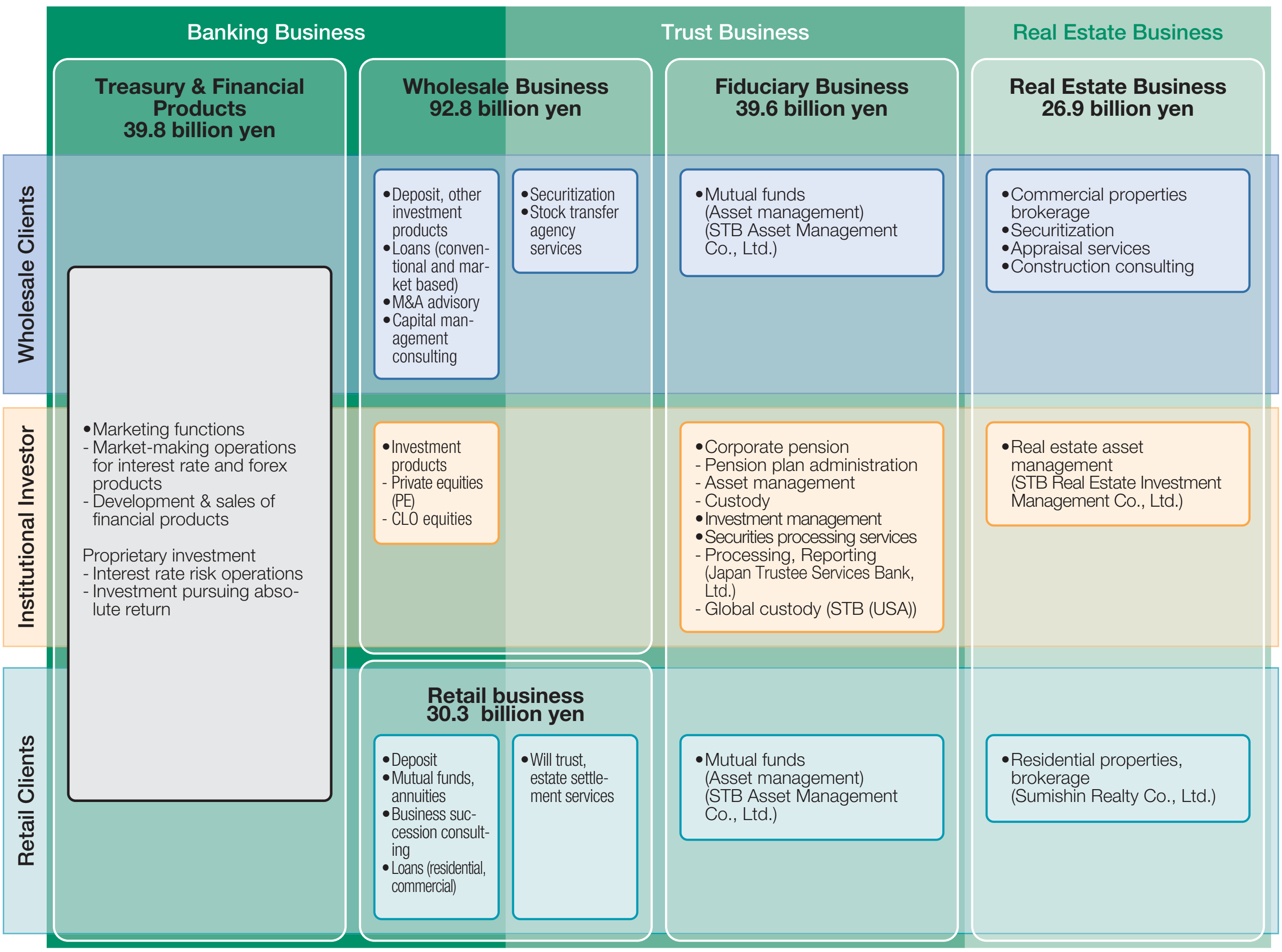
• Expansion of Customer Base



3. Changing Business Structure and Future Evolution

Through the acquisition and business alliance strategy described above, we have promoted a shift to a multi-function model on a group-wide basis and acquired a diverse range of functions and services essential for the establishment of an "asset management-oriented financial intermediary model."

• Overview of Sumitomo Trust's business



From now on, we will seek to reap further benefits from our capital and business alliances by promoting the synergy of the operations of our group companies and the cross-selling of products and services among them. In addition, we will advance the capital and business alliance strategy from the stage of seeking multi-functionality to the stage of synergizing all our diverse roles.

We will achieve the synergy of expert knowledge and skills related to the diverse range of businesses of the entire Sumitomo Trust Group, and promote the creation of new value featuring "STB-ness" so that we can evolve into an "asset management-oriented financial intermediary services group."

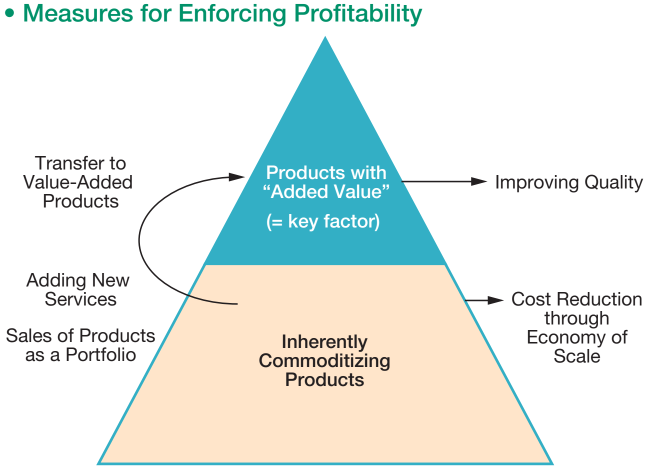
1. Measures to Strengthen Competitiveness in the Fiduciary Services Business

Since prior to completing the repayment of public funds in January 2004, Sumitomo Trust has been striving to enhance its profitability and business model, in an effort to achieve the corporate goal of establishing itself as an "asset management financial institution that can provide sophisticated investment management and perfect custody." The fiduciary services business, which combines elements of both asset management and custody, has been the cornerstone of this business strategy.

Enhancing Profitability with a Focus on "Trustee-ness" and "STB-ness"

In order to prevent our businesses and products from becoming commoditized and enhance our profitability, it is important that we provide customers with the added value generated by our characteristics as a trustee.

• Measures for Enforcing Profitability



To this end, we have made comprehensive efforts to develop our fiduciary services into a solutions business. Specifically, we have enhanced (1) our consulting function, which involves close examination of the particular circumstances of each customer (corporate pension fund) and identification of problems and needs, and (2) our "multi-plan, multi-product" approach, which provides an optimal solution tailored to the specific circumstances of each customer, and these have given us a competitive edge.

Developing Our Business into a "Japanese Master Manager"

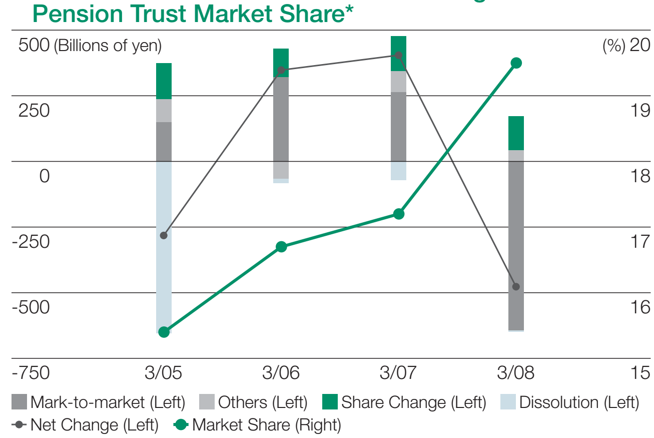
Through our "multi-plan" consulting service, which integrates our "Trustee-ness" in designing custom-made pension plans tailored to each customer, we provide meticulous support for practical affairs related to the introduction and operation of pension and retirement benefit plans, based on the advanced expertise that represents our "STB-ness" — an institution well-versed in all aspects of Japanese pension and retirement benefits plan.

Meanwhile, in asset management, Sumitomo Trust offers the best mix of products through our "multi-product" approach, selecting from a variety of investment products, including our own and those of other companies, and taking advantage of the prowess in asset management and due diligence that we have acquired as an institutional investor.

As a result, we have won the esteem of customers for the high quality of our solutions for both institutional and operational matters related to pension plans, and for our broad business framework that serves as a one-stop shop for a full range of services, from plan designing and operation to asset administration. In our pension trust business, the balance of assets under management amounted to around 6.5 trillion yen as of the end of fiscal year 2007. Our pension trust business has been performing remarkably, as illustrated by the fact that our share of the market for pension trusts undertaken by trust banks has registered a net increase for 68 consecutive months (as of March 2008). Moreover, the balance of assets under management at Sumitomo Trust as a whole, including public pension assets entrusted to it, stood at around 27 trillion yen as of the end of fiscal year 2007, making the company one of the largest asset management organizations in Japan.

Until now, we have enhanced our profitability by devoting intense efforts to strengthening our various individual functions. From now on, we will seek to develop our fiduciary services-based business model into a Japanese master manager by further strengthening and integrating those functions.

• Factors of Pension Trust Balance Changes and Pension Trust Market Share*



*Estimate

Below, we will explain in more detail "Trustee-ness" and "STB-ness" focusing on the keywords "multi-plan" and "multi product."

2. "Multi-Plan" Approach — Serving as a Strategic Partner for Corporate Pensions

A Rush to Reform Corporate Pension Plans after 2000

After 2000, the flaws of Japanese corporate pension systems were rapidly brought out into the open.

This was caused by changes in pension-related accounting and tax systems, as well as deterioration in the investment performance of pension funds. Disclosure of financial information regarding pension funds started in 2002, in line with the introduction of retirement benefit accounting standards, and the system allowing reserves for retirement benefit payments to be booked as losses was abolished in the same year. Meanwhile, by the first half of fiscal 2002, the combined retirement benefit liabilities of the 1,656 listed companies*1 had ballooned to around 80 trillion yen, or about half the total amount of shareholders' equity*2, and this problem was compounded as corporate pension funds posted a negative investment return for three consecutive years from 2002. Under these circumstances, a rapidly increasing number of companies reviewed and reformed their pension plans in the early 2000s.

*1 Excluding financial companies
*2 Based on a Nihon Keizai Shimbun article on August 24, 2003.

Serving as a Strategic Partner for Corporate Pensions and Companies through Consulting

Previously, pension asset management companies such as trust banks and life insurance companies had provided a pension plan consulting service for free, mostly as an "accessory service" attached to their asset management, and Sumitomo Trust was no exception. Also, corporate pension funds used to choose their asset managers mainly on the basis of the business relations between their founder companies and the financial institutions.

However, we started to charge fees for our consulting service in June 2000, believing that the quality of our consulting would become the key to winning pension plan consulting deals, and anticipating a market expansion. We have strived to further enhance our competitive edge since then.

The pension plan consulting service not only requires expert knowledge regarding a broad range of matters, including labor and personnel affairs and corporate value, but also involves such challenges as accommodating the interests of the wide range of stakeholders concerned. However, we have succeeded in establishing our position as a strategic partner for corporate pension funds and companies by making sure to meet the requirements of customers, taking advantage of our "Trustee-ness" and "STB-ness."

3. “Multi-Product Approach” — Integrating Internal Resources in the Spirit of Trusteeship

Pioneer in Alternative Investment Products

In the global stock downturn after 2000, the limitations of conventional types of diversified investment were exposed.

Until then, Japanese corporate pension funds had diversified their investment based on allocating assets to the “traditional four asset categories,” namely domestic stocks, domestic bonds, foreign stocks and foreign bonds. However, as the markets in countries around the world started to show similar movements, in line with economic and financial market globalization and the bursting of the IT bubble, doubts arose about the effectiveness of conventional types of diversified investment.

In this situation, Sumitomo Trust, while enhancing its asset management capability, started to actively offer alternative investment products, such as hedge funds managed by other companies and real estate-backed securities, in 2001, taking the lead in the industry.

At a time when it was implicitly assumed that asset management companies would offer in-house investment vehicles to customers, considering — let alone implementing — the idea of selling investment products from other companies was quite an unusual move. However, our decision to go ahead with this approach in pursuit of optimal asset management for our customers, followed by an excellent investment performance, has enabled us to win their high esteem.

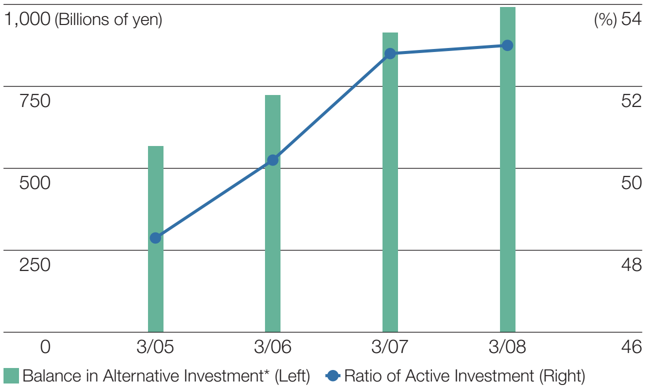
Comprehensive Due Diligence Function Based on the “Uniqueness of Sumitomo Trust”

The “multi-product” approach, which gives our asset management business a competitive edge, is backed by a broad array of internal resources and diverse expertise.

Sumitomo Trust has experts for each of the various types of products and services in relevant divisions. For example, experts in our real estate division satisfy the needs of customers looking for real estate-related products, while experts in our Wholesale Financial Services Business cater to customers needing services related to private equity and credit investment, including overseas investment. In this way, we enable our customers to choose the products and investments best suited to them. Meanwhile, alternative investment conducted on our own account has contributed to our acquisition of know-how related to the fiduciary services business, representing an example of our various divisions contributing to each other in ways that enhance the asset management capability of Sumitomo Trust as a whole.

Consequently, Sumitomo Trust has become one of the leaders in alternative investment products in terms of the size of entrusted assets.

• Ratio of Active Management (corporate pension) and Balance of Entrusted Assets in Alternative Investments



*Mark-to-market basis

Establishment of Japan Trustee Services Bank

For products and services whose commoditization is inevitable, it is possible to pursue efficiency by reducing costs based on an economy of scale. This concept was realized through the establishment in 2000 of Japan Trustee Services Bank, a trust bank specializing in asset administration, as a joint venture between Sumitomo Trust and the former Daiwa Bank (now reorganized as Resona Bank). The assets entrusted to Sumitomo Trust and the former Daiwa Bank — as well as the Chuo Mitsui Trust and Banking Company, Limited, which also became a joint venture partner in 2002 — were concentrated at Japan Trustee Services Bank in order to attain an economy of scale. As a result, we have been able to enhance our price competitiveness and continuously improve the quality of administrative services.

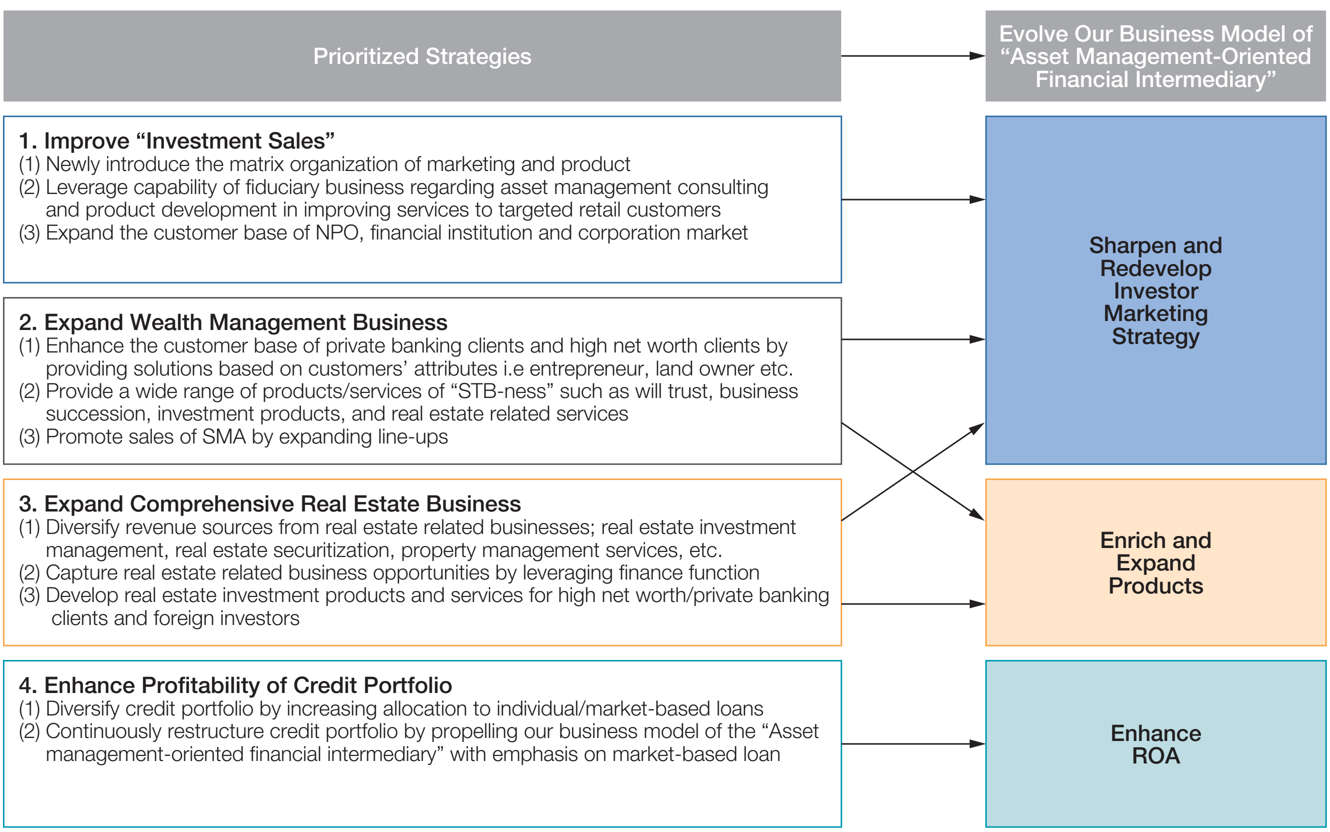
4. Aiming to Become an Asset Management-Oriented Financial Solutions Group

The fiduciary services business constitutes the core of our new midterm management plan starting in fiscal year 2008.

Under this plan, Sumitomo Trust will strive to achieve the goal of establishing itself as a Japanese master manager by enhancing individual businesses while strengthening organic collaboration between them. At the same time, we will take advantage of our strength in the pension business, such as our prowess in asset management, product development and consulting, in order to enhance our wholesale and retail financial services businesses and increase sales and management fee revenue, thus further strengthening our financial foundations. Moreover, Sumitomo Trust will develop its company-wide business model toward an independent and unique "asset management-oriented financial intermediary services group."

Currently, Japan is engaging in efforts, at both the public and private sector level, to promote "market-based indirect finance" in order to expand its financial markets while enhancing their fairness and efficiency. In this context, we hope to contribute to promoting the flow of funds "from savings to investments," as a financial intermediary catering to the interests of investors, by exploiting the synergy of trust service and our diverse expertise reflecting "STB-ness," as well as the know-how and achievements that we have accumulated.

• Prioritized Strategies of the New Midterm Management Plan (FY2008 to FY2010)



1. Why CSR Management ?

Responding to the diverse problems that contemporary society is facing, such as escalating global warming, with a solution called "finance" — that is the basis of Sumitomo Trust's CSR activities.

In this special feature we would like to explain "Business Revitalization," part of our CSR activities, which aim to plan and promote a new financial business that will contribute both to the sustainable growth of society and the improvement of our corporate value.

2. Examples of "CSR through Business"

(1) Commencing Trade of Emission Rights Trusts

In collaboration with Marubeni Corporation, Sumitomo Trust commenced sales of emission trusts in June 2008.

Our products have two features. One is "amount guarantee." In traditional emission rights trading, corporations have had to take the risk that they might not be able to secure their requested amount of emission rights. Now, our products have become the first to sell any amount of emission rights that corporations require*.

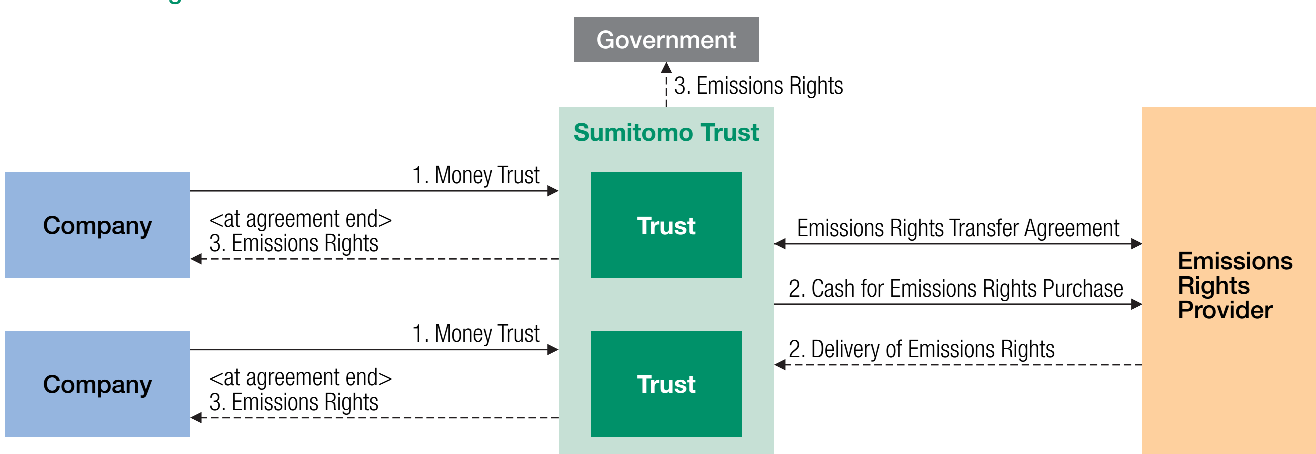
The other feature is "small-lot sales." In traditional emission rights trading, large customers like the electric or iron and steel industries mainly carry out large-lot trades in amounts of tens of thousands of tons. In contrast, by utilizing trust functions, our products have reduced the minimum amount of trade to 1,000 tons, and thus made it possible to provide non-manufacturers and small and medium-sized companies with emission rights.

We also give consideration to the use of emission rights generated by environmentally friendly small-scale hydroelectric projects for our products.

We aim to promote these products, practicing "CSR through Business," as a new profit core.

*Limited by a ceiling.

• Emissions Rights Trust Mechanism



(2) Efforts for Biodiversity

In May 2008, the "Basic Act on Biodiversity" was enacted as a law to supersede the "Law on Species Preservation" and "Wildlife Protection Basic Act" in Japan, granting the National Biodiversity Strategy with legal binding force for the first time. Now, the conservation of biodiversity is rapidly gaining public attention, together with countermeasures against global warming.

Sumitomo Trust participated in the Conference of the Parties to the Convention on Biological Diversity at its Ninth Meeting (COP 9) held in Bonn, Germany in May 2008. We signed the Business and Biodiversity Initiative which incorporated concrete details, such as "including the conservation of biodiversity in a corporate environmental management system to set up an indicator for conservation."

We have also pioneered the development of the SRI funds business. In order to facilitate and disseminate biodiversity initiatives, we are also promoting the commercialization of new biodiversity-related financial products and services by forming investment trusts incorporating corporations with high CSR consciousness, with the target year of 2010, when COP 10 will be held in Nagoya.

(3) Research for the Environmental Value Added on Real Estate

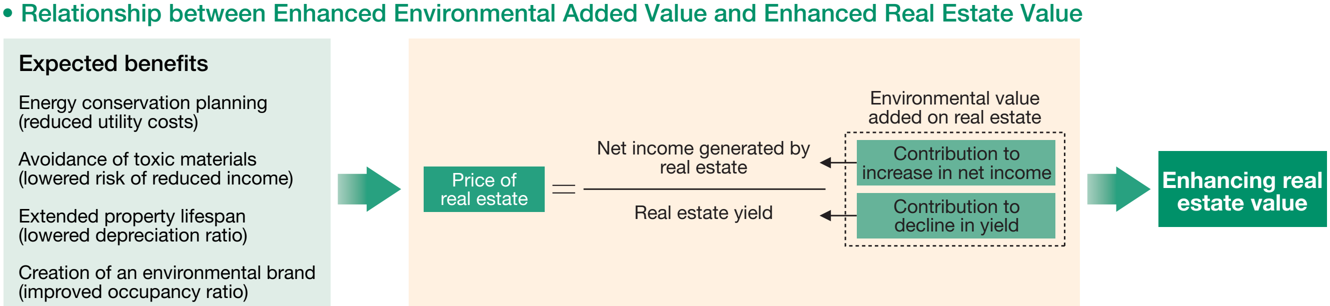
With regard to "real estate," which plays a major role in global environmental issues, to disseminate and facilitate "consideration for the environment" while ensuring economic rationality, it seems important for us to recognize the added value generated from environmental consciousness, i.e. an "environmental added value."

Recently, the spread of the Comprehensive Assessment System for Building Environmental Efficiency (CASBEE) program has been facilitated. Some other movements are also being observed, such as the revision of the Law concerning the Rational Use of Energy (Ministry of Land, Infrastructure, Transport and Tourism), strengthening of the Tokyo Metropolitan Government's Building Environmental Plan System and revision of the Ordinance on Environmental Preservation. All these suggest that the risk of not considering the environment is becoming apparent.

In these circumstances, Sumitomo Trust acknowledges that initiatives to address environmental problems will produce an effect in increasing net profit by reducing energy costs and in reducing risk premiums in terms of the real estate yield by taking preemptive action regarding environmental regulations. As such, we are trying to reflect the environmental value of real estate in appraisal valuation.

In fiscal year 2007, we strove to put this Environmental Added Value theory into action, as a member of the research committee of the Japanese Association of Real Estate Appraisal, Working Group on Assessment of CASBEE for Existing Buildings and Renovation, United Nations Environment Programme Finance Initiative Property Working Group (UNEP FI PWG), etc., as well as hosting a workshop at the STB Research Institute Co., Ltd. by inviting experts from a variety of industries.

• **Relationship between Enhanced Environmental Added Value and Enhanced Real Estate Value**



Profile of Trust Sixty Foundation

"Trusteeship has immeasurable potential," as stated in the letter of intent for the establishment in 1925 of Sumitomo Trust, which enshrined its corporate philosophy.

Since then, Sumitomo Trust has met the needs of the times by developing and popularizing a variety of trust schemes. For example, the loan trust products, which we started selling in 1952, satisfied Japanese industry's strong fund needs in the era of post-war reconstruction and supported the country's rapid economic growth. Meanwhile, the land trust, which we developed in 1984, contributed to social infrastructure building as the product enabled effective use of entrusted land for various purposes.

In the firm belief that trusteeship has still much more potential, we set up Trust Sixty Foundation in 1987, when we celebrated the 60th anniversary of our establishment. This foundation was intended to realize our corporate motto we have had since our establishment: contributing to society and the public through the popularization and development of trust schemes.

Over the two decades since then, Trust Sixty Foundation, as the only Japanese research institution specializing in trusteeship, has made a number of research achievements and made efforts to spread the use of trust schemes. Specifically, it has offered financial education (about trust schemes) to universities, used charitable trust schemes to make social contributions and supported financial institutions' initiatives for environmental problems. Below, we will explain examples of the foundation's recent activities.

Research on Environmental Value-Added on Real Estate

In addition to increasing real estate income by reducing energy utility costs, improving a building's energy conservation capabilities is considered to raise the value of the building by 1) lowering the depreciation ratio by increasing the building's useful life, 2) reducing the risk to the environment from the emission of harmful substances, and 3) improving the brand image. In the United States, actual examples of improvements in real estate profitability for certified environment-conscious buildings (green buildings) have already begun to appear in the shape of rising occupancy rates and higher rents.

In 2005, Sumitomo Trust began research on methods of reflecting the environmental value of real estate in appraisal service and has played the central role in the "Workshop of Environment Value Added on Real Estate," which is sponsored by Trust Sixty Foundation, in order to promote in-depth research regarding environment-friendly real estate. The discussions held during this workshop were summarized in the report "The Added Value of Sustainable Real Estate and its Diffusion and Promotion Business."

Support for Research by NPOs

While the importance of the non-profit private sector is increasing amid the ongoing social trend of shifting power from the public to private sector, there is not a sufficient system to support non-profit organizations. In light of this situation, Trust Sixty Foundation provides support, as follows, for non-profit organizations' research concerning financing methods using trust schemes:

- Support for research by the non-profit organization Social Innovation Japan (SIJ) regarding the method of measuring the value of social businesses (social innovation).
- Support for research and the presentation of recommendations by the non-profit organization Social Investment Forum Japan (SIF-J) regarding the popularization of Socially Responsible Investment (SRI).

Support for Education about Trust Schemes

In order to promote the popularization of trust schemes, we have opened endowment lectures at universities as follows:

- A lecture about the Trust Law at the Kobe University Faculty of Law (from 1998 to 2003).
- A lecture about trust and finance at the Business and Information Academy, Waseda University (since 2004).
- Education support for the Graduate School of Law, the Faculty of Law, and the Law School at Kyoto University (since 2006).

Financial Section

Features of Trust Banks' Financial Statements

1. Features of Trust Banks' Balance Sheets

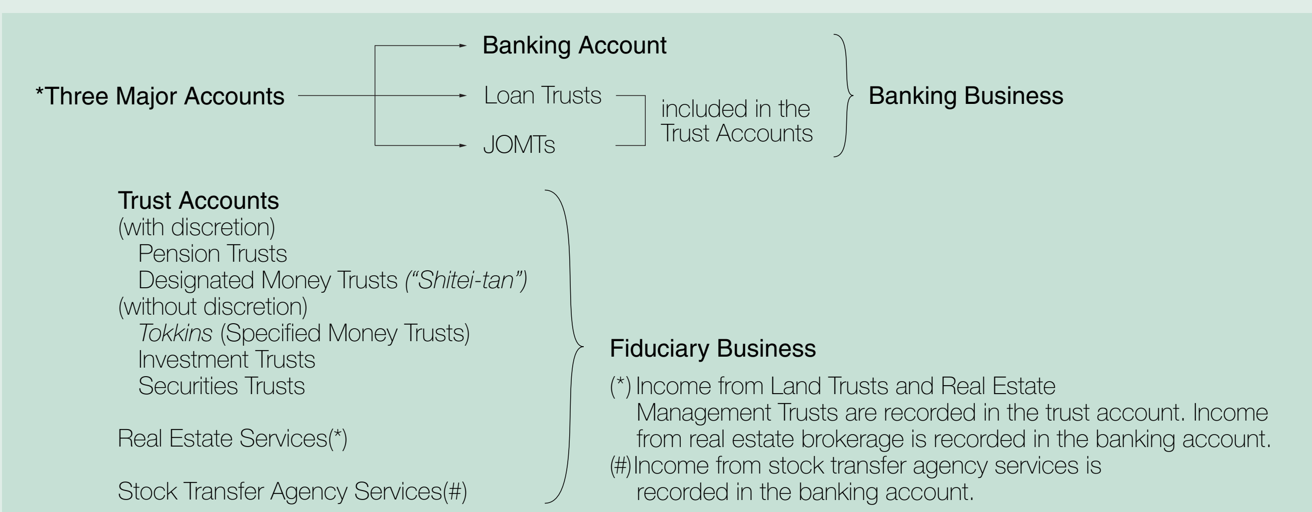
Financial statements of trust banks include two balance sheets, one for the banking account and the other for the trust account (Statements of Trust Account). They are classified by whether businesses are conducted based on trust agreements or not. The balance sheets for the banking account are similar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

Gross Profit before Credit Cost
−General and Administrative Expenses (excluding Non-recurring expenses)

Net Business Profit before Credit Cost
+Net Non-recurring Profit (Loss)

Ordinary Profit
+Extraordinary Profit (Loss)

Income (Loss) before Income Taxes
−Income Taxes-Current
−Income Taxes-Deferred

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)

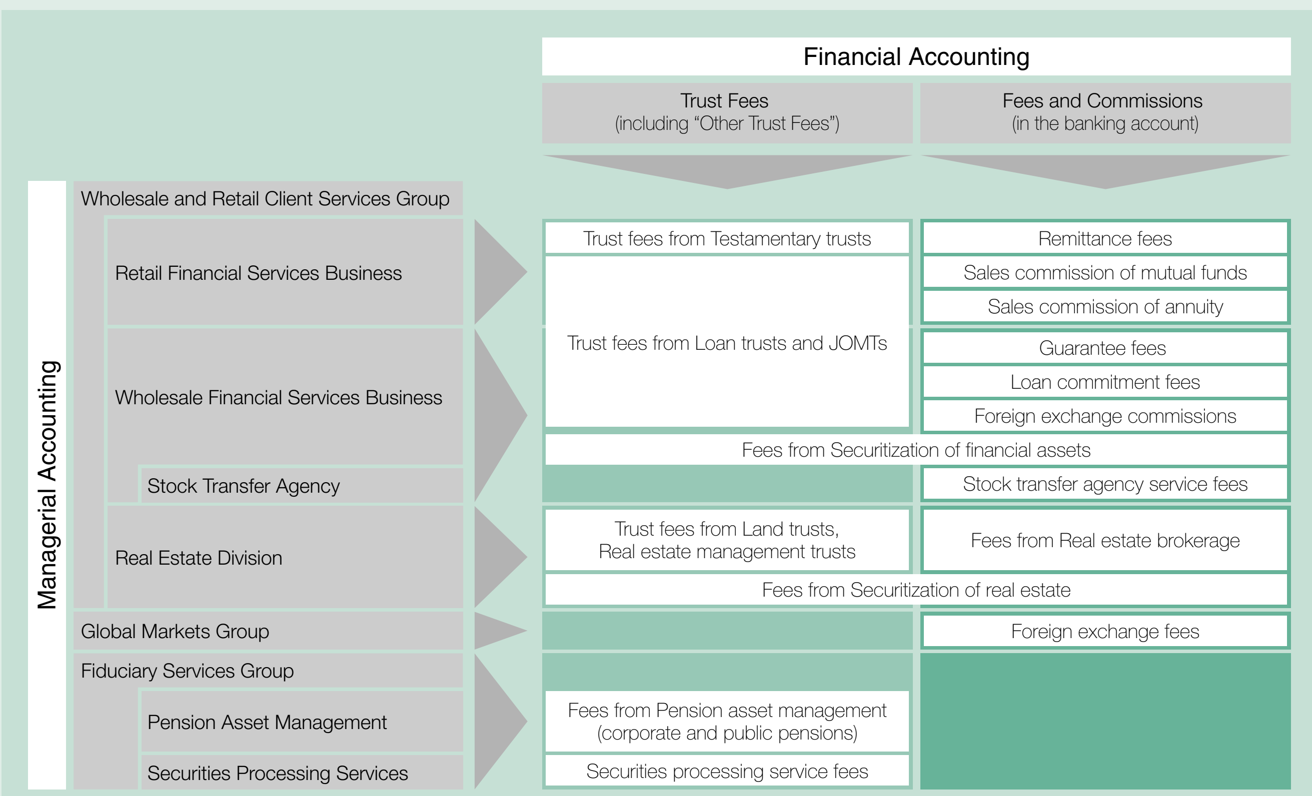
* Fees and Commissions
  - Fees from transfer agency services
  - Fees from real estate brokerage
  - Fees from securities custody services, other than trust contract etc.
  - Fees from banking business (foreign exchange, securitization, etc.)

4. Managerial Accounting for Trust Banks

The Bank consists of three business groups. As of June 27, 2008, 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 two businesses and one division, which are the "Wholesale Financial Services Business," "Retail Financial Services Business" 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 Business and Retail Financial Services Business in the Wholesale and Retail Client Services Group. Similarly, fees from securitization of financial assets are allocated to the Wholesale Financial Services Business. Foreign exchange fees are allocated to the Wholesale Financial Services Business 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.



As of June 2008, "Wholesale and Retail Client Services Group" comprises "Retail Financial Services Business," "Wholesale Financial Services Business" and "Real Estate Division."

Overview of Fiscal Year 2007

Macro Economy

Up until the first half of fiscal year 2007, the Japanese economy maintained modest economic expansion, but corporate earnings were squeezed in the second half of the year due to the increasing cost of energy and raw materials, and the hike in oil products and food prices made consumers more cautious about spending, resulting in the slowdown of the economy.

In the financial market, the turmoil caused by the U.S. subprime mortgage problems affected the entire world financial market. In the short-term financial market in the United States and Europe, credit crunch continued to spread, while in the credit market, the prices of securitized products showed a substantial decline, which caused great loss to the banks and institutional investors in major economies. Under these circumstances, the stock prices and the foreign exchange rates became volatile.

The Nikkei stock index, once having surpassed 18,000 yen, plunged to the level of 12,000 yen, and with respect to the yen-dollar rate, the yen appreciated to the level of 90 yen against the dollar from the level of 120 yen.

Business Performance

Net Business Profit before Credit Costs Slightly Gained

In fiscal year 2007, non-consolidated net business profit before credit costs was 173.8 billion yen a decrease of 2.0 billion yen year-on-year, mainly due to an increase in personnel expenses and non-personnel expenses caused by staff buildup and consolidation of offices designed to improve the efficiency of business and strengthen customer services. However, with revenue contributions from our consolidated subsidiaries (STB Leasing Co., Ltd. and Life Housing Loan, Ltd.) consolidated net business profit before credit costs was 216.8 billion yen, an increase of 1.4 billion yen year-on-year.

Consolidated Net Income Dropped

Consolidated net income was 82.3 billion yen, a decrease of 21.4 billion yen, after posting temporary factors including gains on return of retirement benefit trusts (amounting to 9.9 billion yen that contributed to an increase of consolidated net income by 5.9 billion yen), and an influence on the adjusted amounts of corporate taxes after adopting the "Practical Guidelines for Deferred Tax Accounting in Consolidated Financial Statements" (the JICPA Accounting System Committee Report No.6, March 29, 2007) (that contributed to a decrease of consolidated net income by 4.1 billion yen).

ROE

Return on shareholders' equity (ROE) on consolidated basis was 8.34 % and fully-diluted net income per share was 49.17 yen.

Breakdown of Net business Profit before Credit Costs

Net trust fees increased by 1.4 billion yen year-on-year. Other trust fees which include those from pension trust, securities processing and investment management businesses, among others, increased by 4.4 billion yen year-on-year to 62.6 billion yen, due to a steady increase in balance of funds entrusted to pension trusts and mutual fund trusts. On the other hand, trust fees from loan trusts and JOMTs (jointly-operated money trusts) excluding write-offs of bad loans decreased by 4.3 billion yen to 11.9 billion yen year-on-year, mainly due to a decrease of the balance of loan trusts caused by the discontinuation of new offerings.

Net interest income increased by 1.6 billion yen year-on-year to 161.7 billion yen, including contributions from earnings from Life Housing Loan, Ltd, which became our consolidated subsidiary in fiscal year 2007.

Net fees and commissions decreased by 1.4 billion yen year-on-year to 102.3 billion yen due to a decrease in the sales of mutual funds and individual annuities during the second half of the fiscal year.

Net trading income increased by 5.2 billion yen year-on-year to 13.4 billion yen due to strong growth in trading based on customer dealings such as interest rate swaps.

Despite losses on financial derivative products, net other ordinary income and expenses increased by 15.7 billion yen year-on-year to 54.6 billion yen due to an increased earnings from capital gains on government and other bonds, as well as contributions made by STB Leasing Co., Ltd.

As a result of the aforementioned figures, gross profit before credit costs amounted to 406.6 billion yen, an increase by 21.2 billion yen year-on-year.

On the other hand, general and administrative expenses (excluding non-recurring expenses) increased by 15.8 billion yen to 199.8 billion yen due to an increase in personnel expenses and non-personnel expenses caused by staff buildup and consolidation of offices designed to improve the efficiency of business and strengthen customer services.

Net business profit before credit costs, which represents so-called actual business profit, was 216.8 billion yen, showing an increase of 1.4 billion yen year-on-year.

Subprime-Related Losses

Since completing the repayment of public funds in January 2004, the Bank has been promoting loans to individuals and investment in domestic and foreign market-based assets in order to pursue diversification of its credit portfolio and increase the ROA from the viewpoint of making effective use of its capital and ensuring the efficient management of deposits placed by individual and corporate customers, totaling 13 trillion yen. As for overseas assets, we expanded investment in bonds with high credit ratings and securitized products.

Although most of these investment assets carried high credit ratings and had little in common with subprime mortgages, the U.S. subprime mortgage problems affected such products, too, causing them to be downgraded, reducing their liquidity and lowering their prices sharply.

Confronted with this situation, we wrote off additional losses in the second half of fiscal year 2007, going beyond the requirement of the existing accounting standards, so as to avoid carrying over losses to fiscal year 2008 and later.

First, we reclassified most of the asset-backed securities categorized as "Securities with No Available Fair Value" to "Securities with Fair Value," and recognized impairment losses based on the fair value since it became possible to acquire market value and verify them.

Second, while our traditional standard for the recognition of impairment losses is "over 50% fair value depreciation from the original cost," we uniformly applied a more conservative standard for the recognition of impairment losses by changing the rate of valuation loss to "over 30% fair value depreciation from the original cost" in fiscal year 2007. At the same time, we wrote off all the securities that we decided to liquidate, regardless of the rate of valuation loss.

As a result, we booked losses of 50.8 billion yen related to the write-down of overseas asset-backed securities (including additional losses of 46.8 billion yen). If losses from the sale of such securities and loan loss provisions for corporate loans are included, the total losses related to overseas credit investments amounted to 79.3 billion yen. However, we have sharply reduced the amount of our holdings of equity-related securitized products and have almost eliminated valuation losses.

Most of the remaining holdings of overseas assets are primary securitized products, and we expect that any additional loss that may arise in the future will be limited. (Please refer to page 12 with regard to Status of Overseas Credit Investment).

Performance by Business Group

The fiduciary services business, one of the main driving forces of fiscal year 2007 performance, increased consolidated net business profit before credit costs by 20% year-on-year due to the firm expansion of pension trusts and mutual funds within the expansion of their markets.

On the other hand, while the retail financial services business and the real estate business maintained steady growth during the first half of the year, the growth of both businesses slowed due to the uphill battle of the sales of mutual funds and sluggish growth in the number of real estate brokerages. As a result, consolidated net business profit before credit costs of the two businesses remained unchanged year-on-year.

The wholesale financial services business saw a decrease in consolidated net business profit before credit costs by 3% year-on-year mainly because of lower spreads on domestic loans.

While the global markets business fought an uphill battle during the first half, it considerably improved during the second half of the year taking advantage of the phase of falling interest rates, and secured as much profit as that of the previous year for the whole financial year.

Consolidated BIS Capital Adequacy Ratio

Consolidated BIS capital adequacy ratio was 11.84%, an increase of 0.48%, and consolidated Tier I capital ratio was 7.33%, an increase of 0.89% year-on-year.

Despite the decrease of total capital by 77.5 billion yen caused by the decline of net unrealized gains of securities, the decrease of total risk-weighted assets by 1,299 billion yen mainly due to the roll-out effect of approximately 550 billion yen of planned migration of approach on retail assets, such as residential mortgage loans, from the Standardized Approach to the FIRB (Foundation Internal Ratings-Based) approach, resulted in the above.

The figures in U.S. dollars are translated from yen-base for convenience at the rate of 100.19 yen to 1.00 U.S. dollar, the exchange rate prevailing at March 31, 2008.

Operating Results (Consolidated)

	Millions of Yen			Millions of U.S. Dollars
Years Ended March 31	**2008**	2007	**Changes**	**2008**
Net Trust Fees	**¥ 74,628**	¥ 73,226	**¥ 1,402**	**$ 745**
Net Interest Income	**161,750**	160,086	**1,664**	**1,614**
Net Fees and Commissions	**102,302**	103,751	**(1,449)**	**1,021**
Net Trading Income	**13,403**	8,144	**5,258**	**134**
Net Other Ordinary Income and Expenses	**54,622**	38,892	**15,730**	**545**
General and Administrative Expenses (*)	**199,847**	183,973	**15,873**	**1,995**
Net of Other Income and Expenses	**(60,588)**	(32,348)	**(28,240)**	**(605)**
Income before Income Taxes	**146,271**	167,778	**(21,507)**	**1,460**
Net Income	**82,344**	103,820	**(21,475)**	**822**
Net Business Profit before Credit Costs	**¥ 216,888**	¥ 215,485	**¥ 1,402**	**$ 2,165**

(*) Excluding Non-recurring expenses

Net Trust Fees

Net 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 11.9 billion yen (before elimination of credit costs in the trust account), a decrease of 26.8% 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 4.4 billion yen, or 7.6%, mainly due to the increase in Trust fees from pension trusts and securities investment trusts. Net trust fees in total saw a increase of 1.4 billion yen, or 1.9%, from the previous fiscal year.

Net Trust Fees (Consolidated)

	Millions of Yen			Millions of U.S. Dollars
Years Ended March 31	2008	2007	Changes	2008
Trust Accounts Credit Costs (Deduction)	¥ (11)	¥ 1,360	¥ (1,372)	$ (0)
Trust Fees from Loan Trusts and Jointly-Operated Money Trusts (before deducting trust accounts credit costs)	11,977	16,356	(4,378)	120
Gain and Loss on Sales of Securities	—	(0)	0	—
Other Trust Fees	62,639	58,230	4,409	625
Net Trust Fees	¥ 74,628	¥ 73,226	¥ 1,402	$ 745

Net Interest Income

Interest income increased by 61.1 billion yen from 344.5 billion yen to 405.6 billion yen, while Interest expenses increased by 59.4 billion yen from 184.4 billion yen to 243.9 billion yen, which resulted in an increase in Net interest income of 1.6 billion yen, or 1.0%, over the previous fiscal year. This gain was attributed to the consolidation of Life Housing Loan, Ltd. by becoming a wholly owned subsidiary in the fiscal year 2007.

Net Interest Income (Consolidated)

	Millions of Yen			Millions of U.S. Dollars
Years Ended March 31	2008	2007	Changes	2008
Interest Income	¥ 405,653	¥ 344,541	¥ 61,112	$ 4,049
Interest on Loans and Discounts	224,495	192,565	31,930	2,241
Interest and Dividends on Securities	155,468	127,848	27,619	1,552
Interest on Deposits with Banks	13,992	16,409	(2,417)	140
Interest on Interest Swaps	—	345	(345)	—
Other Interest Income	11,697	7,372	4,325	117
Interest Expenses	243,903	184,455	59,447	2,434
Interest on Deposits	136,129	113,421	22,707	1,359
Interest on Payables under Repurchase Agreements	41,717	36,257	5,460	416
Interest on Bonds	15,527	9,014	6,512	155
Interest on Borrowings and Rediscounts	12,615	6,904	5,710	126
Interest on Payables under Securities Lending Transactions	2,582	3,324	(742)	26
Interest on Short-term Bonds	2,952	1,311	1,640	29
Interest on Interest Swaps	19,495	—	19,495	195
Other Interest Expenses	12,883	14,221	(1,338)	129
Net Interest Income	¥ 161,750	¥ 160,086	¥ 1,664	$ 1,614

Net Other Ordinary Income

Net other ordinary income saw an increase of 15.7 billion yen from the previous fiscal year due to an increase in net gains on bonds despite an increase in expenses on derivatives other than for trading or hedging.

Net Other Ordinary Income (Consolidated)

	Millions of Yen			Millions of U.S. Dollars
Years Ended March 31	**2008**	2007	**Changes**	**2008**
Other Ordinary Income	**¥ 418,847**	¥ 261,632	**¥ 157,215**	**$ 4,181**
Gains on Sales of Bonds (1)	**62,108**	14,863	**47,244**	**620**
Net Gains on Foreign Exchange Transactions	**6,768**	11,735	**(4,966)**	**68**
Gains on redemption of bonds (2)	**2**	—	**2**	**0**
Other	**349,968**	235,033	**114,935**	**3,493**
Other Ordinary Expenses	**364,225**	222,739	**141,485**	**3,635**
Loss on Sales of Bonds (3)	**6,592**	16,182	**(9,590)**	**66**
Loss on redemption of bonds (4)	**6,005**	—	**6,005**	**60**
Loss on devaluation of bonds (5)	**2,686**	—	**2,686**	**27**
Expenses on Derivatives other than for Trading or Hedging	**36,304**	176	**36,128**	**362**
Other	**312,636**	206,380	**106,255**	**3,120**
Net Other Ordinary Income	**¥ 54,622**	¥ 38,892	**¥ 15,730**	**$ 545**
Net Gains on Bonds [(1)+(2)-(3)-(4)-(5)]	**¥ 46,826**	¥ (1,319)	**¥ 48,144**	**$ 467**

General and Administrative Expenses

General and administrative expenses (excluding non-recurring expenses) increased by 15.8 billion yen, or 8.6%, from the previous fiscal year. Other (non-personnel expenses) increased by 5.4 billion yen due to an increase in expenses caused by consolidation of offices designed to improve the efficiency of business and strengthen customer services. Personnel expenses increased by 9.6 billion yen due to the increase in expenses related to the expansion of personnel.

General and Administrative Expenses (Consolidated)

	Millions of Yen			Millions of U.S. Dollars
Years Ended March 31	**2008**	2007	**Changes**	**2008**
Taxes Other than Income Taxes	**¥ 7,718**	¥ 6,923	**¥ 794**	**$ 77**
Personnel Expenses (*)	**86,864**	77,199	**9,665**	**867**
Other (Non-personnel Expenses)	**105,264**	99,850	**5,413**	**1,051**
General and Administrative Expenses	**¥ 199,847**	¥ 183,973	**¥ 15,873**	**$ 1,995**

(*) Excluding Non-recurring expenses.

Net of Other Income and Expenses

Net of other income and expenses decreased by 28.2 billion yen. Net gain on stocks and other securities decreased by 7.0 billion yen due to an increase in losses on devaluation of stocks and other securities. Expenses related to problem loans (banking account credit costs) amounted to 13.3 billion yen, a decrease of 27.3 billion yen from the previous fiscal year, due to a decrease in Provision for allowance for loan losses. Meanwhile, total substantial credit costs including impairment losses related to overseas credit investments amount to 76.4 billion yen, as described in page 66.

Net of Other Income and Expenses (Consolidated)

	Millions of Yen			Millions of U.S. Dollars
Years Ended March 31	**2008**	2007	**Changes**	**2008**
Net Gain on Stocks and Other Securities	**¥ (2,263)**	¥ 4,814	**¥ (7,078)**	**$ (23)**
Gain on Sales of Stocks and Other Securities	**31,403**	12,350	**19,053**	**313**
Losses on Sales of Stocks and Other Securities	**3,111**	2,962	**149**	**31**
Losses on Devaluation of Stocks and Other Securities	**30,555**	4,573	**25,981**	**305**
Expenses Relating to Problem Loans (Banking Account Credit Cost)	**13,349**	40,713	**(27,363)**	**133**
Written-Off of Loans	**6,102**	6,462	**(360)**	**61**
Provision for Allowance for Loan Losses	**1,519**	34,181	**(32,662)**	**15**
General Allowance	**17,023**	17,527	**(504)**	**170**
Specific Loan Loss Allowance	**(14,888)**	16,240	**(31,129)**	**(149)**
Allowance for Loans to Restructuring Countries	**(614)**	413	**(1,028)**	**(6)**
Losses on Sales of Loans	**5,727**	68	**5,659**	**57**
Other Expenses	**74,119**	20,718	**53,401**	**740**
Other Gain	**29,144**	24,268	**4,876**	**291**
Net of Other Income and Expenses	**¥ (60,588)**	¥ (32,348)	**¥ (28,240)**	**$ (605)**

Financial Condition

Total Assets (please see page 68)

As of March 31, 2008, the Bank's total assets stood at 22,180.7 billion yen, an increase of 1,177.6 billion yen, or 5.6%, from March 31, 2007.

This increase was mainly due to the 469.3 billion yen, or 77.1%, increase in Trading assets. Loans and bills discounted also increased by 258.9 billion yen, or 2.5%. On the other hand, Securities decreased by 662.7 billion yen, or 12.6% mainly due to the decrease in corporate bonds.

Total Liabilities, Total Net Assets and Shareholders' Equity (please see page 68)

Total liabilities of the Bank as of March 31, 2008 amounted to 20,899.7 billion yen, which was an increase of 1,344.6 billion yen, or 6.9%, from March 31, 2007. Deposits rose by 514.4 billion yen to 11,875.7 billion yen, while Borrowed money from trust account decreased by 571.9 billion yen. This partly explains the fact that decrease in loan trust is often replaced by the deposit to the Bank. Total net assets decreased by 166.9 billion yen, or 11.5%. Valuation difference on available-for-sale securities decreased to 65.9 billion yen from 295.2 billion yen, mainly because of the decrease of net unrealized gain of stocks and the increase of net unrealized loss of foreign bonds.

Capital

The BIS capital adequacy ratio and Tier I capital ratio both increased by 0.48% and 0.89% from the end of previous fiscal year to 11.84% and 7.33%. Tier I capital increased by 47.1 billion yen owing mainly to the increase of retained earnings.

BIS Capital Adequacy Ratio

	Billions of Yen, except for percentages		
At March 31	**2008**	2007	**Changes**
Total Qualifying Capital	**¥ 1,732.2**	¥ 1,809.8	**¥ (77.5)**
Tier I Capital	**1,073.3**	1,026.1	**47.1**
including: Net Unrealized Losses on Available-for-Sale Securities	**—**	—	**—**
including: Minority Interest in Consolidated Subsidiaries	**209.3**	210.6	**(1.2)**
including: Noncumulative Preferred Securities Issued by Overseas Special Purpose Companies (*)	**183.0**	183.0	**—**
including: Goodwill Equivalents (Deduction)	**115.5**	104.8	**10.6**
including: Equivalent to 50% of the Excess of Expected Loss over Qualifying Allowance (Deduction)	**14.9**	21.0	**(6.1)**
Tier II Capital	**760.9**	904.6	**(143.7)**
Upper Tier II	**366.2**	534.5	**(168.2)**
45% of Net Unrealized Gains on Available-for-Sale Securities	**48.0**	223.0	**(174.9)**
45% of Revaluation Reserve for Land	**0.7**	0.8	**(0.1)**
General Allowance for Loan Losses	**3.2**	5.6	**(2.4)**
Perpetual Subordinated Debts	**314.1**	305.0	**9.1**
Lower Tier II	**394.6**	370.0	**24.5**
Deductive Items (Deduction)	**101.9**	120.9	**(19.0)**
Risk-Weighted Assets	**¥ 14,625.9**	¥ 15,924.9	**¥ (1,299.0)**
Amount of Credit Risk-Weighted Assets	**13,745.3**	15,100.6	**(1,355.3)**
Amount of Market Risk Equivalents	**162.2**	158.9	**3.3**
Amount of Operational Risk Equivalents	**718.3**	665.3	**52.9**
Tier I Capital Ratio	**7.33%**	6.44%	**0.89%**
BIS Capital Adequacy Ratio	**11.84%**	11.36%	**0.48%**

(*) For detailed information of Noncumulative preferred securities issued by overseas special purpose companies, see "Details of Preferred Securities issued by Overseas Special Purpose Companies" on page 67.

Classified Assets under Financial Reconstruction Law

As of March 31, 2008, the total of "Bankrupt and Practically Bankrupt," "Doubtful," and "Substandard" (Banking and Trust Accounts combined; non-consolidated basis) loans decreased by 10.5 billion yen. Doubtful category decreased by 31.2 billion yen, which was mostly offset by the increase in Substandard category. The percentage of classified assets to total loan and equivalent assets decreased by 0.1% to 0.9%.

Total Classified Assets
(Banking and Trust Accounts Combined)

Classification	Billions of Yen, except for percentages							
	Balance		Coverage Ratio		Collateral/Allowance		Allowance Ratio	
At March 31	2008	2007	2008	2007	2008		2008	2007
Bankrupt and Practically Bankrupt (A)	¥ 6.9	¥ 6.5	100%	100%	Specific Allowance	¥ 0.4	100%	100%
					Collateral/Guarantee	6.5		
Doubtful (Kiken-Saiken) (B)	27.3	58.5	87%	85%	Uncovered	3.4		
					Specific Allowance	5.7	62%	68%
					Collateral/Guarantee	18.2		
Substandard (Yo-Kanri-Saiken) (C)	73.0	52.6	77%	64%	Uncovered	16.2		
					General Allowance	15.4	48%	29%
					Collateral/Guarantee	41.4		
Ordinary Assets (Seijo-Saiken)	12,084.6	11,966.3			General Allowance	72.5		
Total of (A), (B) and (C)	¥ 107.1	¥ 117.6			Allowance for Losses to Restructuring Countries	—		
Total	¥12,191.6	¥12,083.9						

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

Classification	Billions of Yen, except for percentages							
	Balance		Coverage Ratio		Collateral/Allowance		Allowance Ratio	
At March 31	2008	2007	2008	2007	2008		2008	2007
Bankrupt and Practically Bankrupt (D)	¥ 5.0	¥ 4.2	100%	100%	Specific Allowance	¥ 0.4	100%	100%
					Collateral/Guarantee	4.6		
Doubtful (Kiken-Saiken) (E)	14.5	58.1	76%	85%	Uncovered	3.4		
					Specific Allowance	5.7	62%	68%
					Collateral/Guarantee	5.4		
Substandard (Yo-Kanri-Saiken) (F)	72.2	35.8	77%	48%	Uncovered	16.2		
					General Allowance	15.4	48%	29%
					Collateral/Guarantee	40.7		
Ordinary Assets (Seijo-Saiken)	11,771.1	11,556.9			General Allowance	72.5		
Total of (D), (E) and (F)	¥ 91.7	¥ 98.0			Allowance for Losses to Restructuring Countries	—		
Total	¥11,862.7	¥11,654.9						

Trust Accounts
(Non-consolidated)

Classification	Billions of Yen, except for percentages							
	Balance		Coverage Ratio		Collateral/Allowance		Allowances	
At March 31	2008	2007	2008	2007	2008		2008	
Bankrupt and Practically Bankrupt (G)	¥ 1.9	¥ 2.3	100%	100%	Collateral/Guarantee	¥ 1.9	Allowance for Loan Trust (Tokubetsu-Ryuhokin)	¥ 1.8
Doubtful (Kiken-Saiken) (H)	12.8	0.4	100%	99%	Uncovered	—		
					Collateral/Guarantee	12.8	Allowance for JOMTs (Saiken Shoukyaku Junbikin)	0.9
Substandard (Yo-Kanri-Saiken) (I)	0.7	16.8	100%	100%	Collateral/Guarantee	0.7		
Ordinary Assets (Seijo-Saiken)	313.5	409.4						
Total of (G), (H) and (I)	¥ 15.4	¥ 19.5						
Total	¥ 328.9	¥ 428.9						

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

	Millions of Yen			Millions of U.S. Dollars
Years Ended March 31	2008	2007	Changes	2008
Banking Account	¥ 11,066	¥ 39,167	¥ (28,100)	$ 110
Written-Off of Loans	5,282	4,820	462	53
Provision for Allowance for Loan Losses	57	34,293	(34,235)	1
General Allowance	15,677	18,878	(3,200)	156
Specific Loan Loss Allowance	(15,004)	15,001	(30,006)	(150)
Allowance for Loans to Restructuring Countries	(614)	413	(1,028)	(6)
Losses on Sales of Loans	5,726	53	5,672	57
Trust Account	(11)	1,360	(1,372)	(0)
Total Credit Costs	¥ 11,054	¥ 40,527	¥ (29,472)	$ 110
Total Substantial Credit Costs	¥ 76,457	¥ 40,527	¥ 35,930	$ 763
Losses Related to Overseas Credit Investment	79,349	—	79,349	792

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

	Percentage Points		
Years Ended March 31	2008	2007	Changes
Average Yield on Interest-Earning Assets (a)	1.40%	1.26%	0.14%
Loans and Bills Discounted (A)	1.54	1.27	0.27
Securities	1.39	1.11	0.28
Average Yield on Interest-Bearing Liabilities (b)	0.53	0.33	0.20
Deposits (B)	0.48	0.28	0.20
Gross Margin (a)-(b)	0.87	0.93	(0.06)
Loan-Deposit Margin (A)-(B)	1.06	0.99	0.07

Details of Preferred Securities issued by Overseas Special Purpose Companies

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. When the Bank's BIS capital adequacy ratio or Tier I capital ratio is to decline below the minimum percentages required by Japanese banking regulations.	Same as on the left	Same as on the left
9. Rights to the Remaining Assets	The Securities are intended to provide holders, through the perpetual subordinated loan to the Bank, with rights to remaining assets 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

Consolidated Balance Sheets

The Sumitomo Trust and Banking Company, Limited at March 31, 2008 and 2007

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	**2008**
Assets:			
Cash and Due from Banks (Notes 2 and 26)	¥ **891,560**	¥ 789,472	$ **8,899**
Call Loans and Bills Bought	**140,780**	299,623	**1,405**
Receivables under Securities Borrowing Transactions	**152,240**	—	**1,520**
Monetary Claims Bought (Note 2)	**581,167**	753,314	**5,801**
Trading Assets (Notes 2, 4 and 11)	**1,078,192**	608,887	**10,761**
Money Held in Trust (Notes 2 and 5)	**17,533**	20,031	**175**
Securities (Notes 2, 6 and 11)	**4,602,451**	5,265,243	**45,937**
Loans and Bills Discounted (Notes 7 and 11)	**10,746,228**	10,487,237	**107,258**
Foreign Exchanges	**7,946**	6,618	**79**
Derivatives Other than for Trading-Assets (Note 8)	**1,802,243**		**17,988**
Other Assets (Notes 2, 8 and 11)	**1,414,171**	2,077,233	**14,115**
Tangible Fixed Assets (Notes 2 and 9)	**132,743**	131,120	**1,325**
Intangible Fixed Assets (Notes 2 and 10)	**148,241**	134,619	**1,480**
Deferred Tax Assets (Notes 3 and 33)	**83,050**	26,187	**829**
Customers' Liabilities for Acceptances and Guarantees (Note 17)	**488,865**	516,865	**4,879**
Allowance for Loan Losses (Note 2)	**(106,683)**	(106,671)	**(1,065)**
Allowance for Investment Loss (Note 2)	**—**	(6,718)	**—**
Total Assets (Note 34)	¥ 22,180,734	¥ 21,003,064	$ 221,387
Liabilities:			
Deposits (Notes 11 and 12)	**11,875,749**	11,361,270	**118,532**
Negotiable Certificates of Deposit	**2,456,695**	2,354,648	**24,520**
Call Money and Bills Sold	**140,152**	153,620	**1,399**
Payables under Repurchase Agreements (Note 11)	**790,588**	683,686	**7,891**
Payables under Securities Lending Transactions (Note 11)	**131,957**	292,166	**1,317**
Trading Liabilities (Notes 2 and 4)	**338,217**	53,682	**3,376**
Borrowed Money (Notes 11 and 13)	**883,039**	927,931	**8,814**
Foreign Exchanges	**0**	4	**0**
Short-term Bonds Payable	**356,754**	333,959	**3,561**
Bonds Payable (Note 14)	**598,859**	549,455	**5,977**
Borrowed Money from Trust Account (Note 15)	**747,554**	1,319,548	**7,461**
Derivatives Other than for Trading-Liabilities (Note 16)	**1,620,494**		**16,174**
Other Liabilities (Notes 2 and 16)	**437,776**	878,955	**4,369**
Provision for Bonuses (Note 2)	**6,272**	5,752	**63**
Provision for Directors' Bonuses (Note 2)	**75**	85	**1**
Provision for Retirement Benefits (Notes 2 and 31)	**9,636**	10,078	**96**
Provision for Reimbursement of Deposits (Note 2)	**819**		**8**
Provision for Contingent Loss (Note 2)	**7,806**		**78**
Provision for Relocation Expenses (Note 2)	**2,243**	—	**22**
Deferred Tax Liabilities (Note 33)	**198**	107,334	**2**
Deferred Tax Liabilities for Land Revaluation (Note 9)	**6,021**	6,113	**60**
Acceptances and Guarantees (Note 17)	**488,865**	516,865	**4,879**
Total Liabilities	¥ 20,899,780	¥ 19,555,157	$ 208,601
Net Assets:			
Shareholders' Equity:	**1,013,338**	959,340	**10,114**
Capital Stock (Notes 24 and 25)	**287,537**	287,517	**2,870**
Capital Surplus (Note 24)	**242,555**	242,538	**2,421**
Retained Earnings (Note 24)	**483,686**	429,674	**4,828**
Treasury Stock (Notes 24 and 25)	**(441)**	(389)	**(4)**
Valuation and Translation Adjustments:	**58,029**	277,817	**579**
Valuation Difference on Available-for-Sale Securities (Notes 2 and 29)	**65,958**	295,213	**658**
Deferred Gains or Losses on Hedges (Note 2)	**1,107**	(9,710)	**11**
Revaluation Reserve for Land (Note 9)	**(4,306)**	(4,168)	**(43)**
Foreign Currency Translation Adjustments (Note 2)	**(4,729)**	(3,517)	**(47)**
Minority Interests	**209,586**	210,749	**2,092**
Total Net Assets	¥ **1,280,954**	¥ 1,447,907	$ **12,785**
Total Liabilities and Net Assets	¥ 22,180,734	¥ 21,003,064	$ 221,387

	Yen		U.S. Dollars (Note 1)
Net Assets per Share (Note 36)	¥ **639.75**	¥ 738.77	$ **6.39**

See accompanying notes.

Consolidated Statements of Income

The Sumitomo Trust and Banking Company, Limited for the years ended March 31, 2008 and 2007

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	2008
Income:			
Trust Fees	¥ 74,628	¥ 73,226	$ 745
Interest Income:			
Interest on Loans and Discounts	224,495	192,565	2,241
Interest and Dividends on Securities	155,468	127,848	1,552
Other Interest Income (Note 19)	25,689	24,127	256
	405,653	344,541	4,049
Fees and Commissions	131,132	134,250	1,309
Trading Income (Note 20)	16,288	8,311	163
Other Ordinary Income (Note 21)	418,847	261,632	4,181
Other Income (Note 22)	60,547	36,618	604
Total Income (Note 34)	¥ 1,107,099	¥ 858,580	$ 11,050
Expenses:			
Interest Expenses:			
Interest on Deposits	136,129	113,421	1,359
Interest on Borrowings and Rediscounts	12,615	6,904	126
Other Interest Expenses (Note 19)	95,158	64,129	950
	243,903	184,455	2,434
Fees and Commissions Payments	28,829	30,498	288
Trading Expenses (Note 20)	2,885	166	29
Other Ordinary Expenses (Note 21)	364,225	222,739	3,635
General and Administrative Expenses (Note 23)	202,939	183,334	2,026
Other Expenses (Note 22)	118,044	69,606	1,178
Total Expenses (Note 34)	¥ 960,827	¥ 690,801	$ 9,590
Income before Income Taxes (Note 34)	¥ 146,271	¥ 167,778	$ 1,460
Income Taxes (Note 33):			
Current	73,747	59,830	736
Deferred	(14,920)	(1,086)	(149)
Minority Interests in Income	¥ 5,098	¥ 5,214	$ 51
Net Income	¥ 82,344	¥ 103,820	$ 822

	Yen		U.S. Dollars (Note 1)
Net Income per Share (Note 36)	¥ 49.17	¥ 62.05	$ 0.49
Net Income per Share (fully-diluted) (Note 36)	49.17	62.04	0.49

See accompanying notes.

Consolidated Statements of Changes in Net Assets

The Sumitomo Trust and Banking Company, Limited for the years ended March 31, 2008 and 2007

	Number of Shares (Note 25)	Millions of Yen				
		Shareholders' Equity				
	Common Stock (Thousands)	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' 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				429		429
Decrease in Reserve for Overseas Investment Loss				0		0
Net Changes of Items Other than Shareholders' 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**
Changes of Items during the Period:						
Issuance of New Shares	**94**	**19**	**19**			**39**
Dividends from Surplus			—	**(28,468)**		**(28,468)**
Net Income				**82,344**		**82,344**
Purchase of Treasury Stock					**(81)**	**(81)**
Disposal of Treasury Stock			**(2)**	—	**30**	**27**
Reversal of Revaluation Reserve for Land				**136**		**136**
Increase in Reserve for Overseas Investment Loss				**(0)**		**(0)**
Net Changes of Items Other than Shareholders' Equity						
Total Changes of Items during the Period	**94**	**¥ 19**	**¥ 16**	**¥ 54,012**	**¥ (51)**	**¥ 53,997**
Balance at March 31, 2008	**1,675,128**	**¥ 287,537**	**¥ 242,555**	**¥ 483,686**	**¥ (441)**	**¥ 1,013,338**

	Millions of U.S. Dollars (Note 1)				
	Shareholders' Equity				
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance at March 31, 2007	**$ 2,870**	**$ 2,421**	**$ 4,289**	**$ (4)**	**$ 9,575**
Changes of Items during the Period:					
Issuance of New Shares	**0**	**0**			**0**
Dividends from Surplus		—	**(284)**		**(284)**
Net Income			**822**		**822**
Purchase of Treasury Stock				**(1)**	**(1)**
Disposal of Treasury Stock		**(0)**	—	**0**	**0**
Reversal of Revaluation Reserve for Land			**1**		**1**
Decrease in Reserve for Overseas Investment Loss			**(0)**		**(0)**
Net Changes of Items Other than Shareholders' Equity					
Total Changes of Items during the Period	**$ 0**	**$ 0**	**$ 539**	**$ (1)**	**$ 539**
Balance at March 31, 2008	**$ 2,870**	**$ 2,421**	**$ 4,828**	**$ (4)**	**$ 10,114**

See accompanying notes.

Millions of Yen						
Valuation and Translation Adjustments						
Valuation Difference on Available-for-Sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Foreign Currency Translation Adjustment	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**
						39
						(28,468)
						82,344
						(81)
						27
						136
						(0)
(229,254)	**10,817**	**(137)**	**(1,212)**	**(219,787)**	**(1,163)**	**(220,950)**
¥ (229,254)	**¥ 10,817**	**¥ (137)**	**¥ (1,212)**	**¥ (219,787)**	**¥ (1,163)**	**¥ (166,952)**
¥ 65,958	**¥ 1,107**	**¥ (4,306)**	**¥ (4,729)**	**¥ 58,029**	**¥ 209,586**	**¥ 1,280,954**

Millions of U.S. Dollars (Note 1)						
Valuation and Translation Adjustments						
Valuation Difference on Available-for-Sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Foreign Currency Translation Adjustment	Total Valuation and Translation Adjustments	Minority Interests	Total Net Assets
$ 2,947	**$ (97)**	**$ (42)**	**$ (35)**	**$ 2,773**	**$ 2,103**	**$ 14,452**
						0
						(284)
						822
						(1)
						0
						1
						(0)
(2,288)	**108**	**(1)**	**(12)**	**(2,194)**	**(12)**	**(2,205)**
$ (2,288)	**$ 108**	**$ (1)**	**$ (12)**	**$ (2,194)**	**$ (12)**	**$ (1,666)**
$ 658	**$ 11**	**$ (43)**	**$ (47)**	**$ 579**	**$ 2,092**	**$ 12,785**

Consolidated Statements of Cash Flows

The Sumitomo Trust and Banking Company, Limited for the years ended March 31, 2008 and 2007

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	2008
Net Cash Provided by (Used in) Operating Activities:			
Income before Income Taxes	¥ 146,271	¥ 167,778	$ 1,460
Depreciation	15,313	14,071	153
Losses on Impairment of Fixed Assets	170	7,088	2
Amortization of Goodwill	8,238	6,171	82
Equity in Losses (Earnings) of Affiliates	2,702	(5,861)	27
Increase (Decrease) in Allowance for Loan Losses	(503)	29,259	(5)
Increase (Decrease) in Allowance for Investment Loss	(6,718)	6,718	(67)
Increase (Decrease) in Provision for Bonuses	275	(81)	3
Increase (Decrease) in Provision for Directors' Bonuses	(10)	85	(0)
Increase (Decrease) in Provision for Retirement Benefits	(522)	(635)	(5)
Increase (Decrease) in Provision for Reimbursement of Deposits	819	—	8
Increase (Decrease) in Provision for Contingent Loss	7,806	—	78
Increase (Decrease) in Provision for Relocation Expenses	2,243	—	22
Gain on Fund Management	(405,653)	(344,541)	(4,049)
Financing Expenses	243,903	184,455	2,434
Loss (Gain) Related to Securities	3,666	(3,495)	37
Loss (Gain) on Money Held in Trust	2,378	(680)	24
Foreign Exchange Losses (Gains)	92,386	(84,777)	922
Loss (Gain) on Disposal of Fixed Assets	1,378	(1,754)	14
Net Decrease (Increase) in Trading Assets	(469,305)	(173,842)	(4,684)
Net Increase (Decrease) in Trading Liabilities	284,535	(16,179)	2,840
Net Decrease (Increase) in Loans and Bills Discounted	(156,667)	(257,487)	(1,564)
Net Increase (Decrease) in Deposit	518,377	997,277	5,174
Net Increase (Decrease) in Negotiable Certificates of Deposit	102,046	(54,008)	1,019
Net Increase (Decrease) in Borrowed Money excluding Subordinated Borrowings	(131,728)	37,130	(1,315)
Net Decrease (Increase) in Deposit (excluding Deposit Paid to Bank of Japan)	(58,073)	(147,239)	(580)
Net Decrease (Increase) in Call Loans	333,093	75,699	3,325
Net Decrease (Increase) in Receivables under Securities Borrowing Transactions	(152,240)	—	(1,520)
Net Increase (Decrease) in Call Money	93,434	(815,431)	933
Net Increase (Decrease) in Payables under Securities Lending Transactions	(160,208)	(410,884)	(1,599)
Net Decrease (Increase) in Foreign Exchange-Assets	(1,327)	(3,534)	(13)
Net Increase (Decrease) in Foreign Exchange-Liabilities	(3)	2	(0)
Net Increase (Decrease) in Short-term Bonds Payable	22,784	(90,454)	227
Increase (Decrease) in Straight Bonds-Issuance and Redemption	2,150	—	21
Net Increase (Decrease) in Borrowed Money from Trust Account	(571,993)	(413,898)	(5,709)
Proceeds from Fund Management	410,907	336,732	4,101
Payments for Finance	(242,958)	(166,196)	(2,425)
Other Net	5,100	(37,586)	51
Sub Total	¥ (57,930)	¥ (1,166,098)	$ (578)
Income Taxes Paid	(95,829)	(8,396)	(956)
Net Cash Provided by (Used in) Operating Activities	¥ (153,759)	¥ (1,174,494)	$ (1,535)
Net Cash Provided by (Used in) Investment Activities:			
Purchase of Securities	(7,926,748)	(3,532,205)	(79,117)
Proceeds from Sales of Securities	7,304,575	3,386,301	72,907
Proceeds from Redemption of Securities	853,548	978,915	8,519
Increase in Money Held in Trust	—	(5,000)	—
Decrease in Money Held in Trust	119	417	1
Purchase of Tangible Fixed Assets	(10,915)	(51,725)	(109)
Proceeds from Sales of Tangible Fixed Assets	1,484	3,722	15
Purchase of Intangible Fixed Assets	(13,351)	(12,259)	(133)
Proceeds from Sales of Intangible Fixed Assets	24	0	0
Purchase of Investments in Subsidiaries Resulting in Change in Scope of Consolidation (Note 26)	(24,225)	(23,462)	(242)
Purchase of Investments in Subsidiaries	—	(399)	—
Net Cash Provided by (Used in) Investment Activities	¥ 184,510	¥ 744,304	$ 1,842
Net Cash Provided by (Used in) Financing Activities:			
Increase in Subordinated Borrowings	45,000	—	449
Decrease in Subordinated Borrowings	(58,500)	—	(584)
Proceeds from Issuance of Subordinated Bonds and Bonds with Subscription Rights to Shares	89,527	205,203	894
Payments for Redemption Subordinated Bonds and Bonds with Subscription Rights to Shares	(26,900)	(46,800)	(268)
Proceeds from Issuance of Common Stock	39	466	0
Proceeds from Stock Issuance to Minority Shareholders	—	51,735	—
Cash Dividends Paid	(28,522)	(24,248)	(285)
Cash Dividends Paid to Minority Shareholders	(6,031)	(4,492)	(60)
Purchase of Treasury Stock	(81)	(145)	(1)
Proceeds from Sales of Treasury Stock	27	10	0
Net Cash Provided by (Used in) Financing Activities	¥ 14,559	¥ 181,729	$ 145
Effect of Exchange Rate Change on Cash and Cash Equivalents	(1,295)	250	(13)
Net Increase in Cash and Cash Equivalents	¥ 44,014	¥ (248,209)	$ 439
Cash and Cash Equivalents at Beginning of Year	443,240	691,450	4,424
Cash and Cash Equivalents at End of Year (Note 26)	¥ 487,255	¥ 443,240	$ 4,863

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 Financial Instruments and Exchange Law of Japan (the "FIEL"), the Banking Law of Japan and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). Certain Japanese GAAP 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 FIEL. 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 100.19 yen to 1.00 U.S. dollar, the exchange rate prevailing at March 31, 2008. The 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 FIEL, 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 34 consolidated subsidiaries for the year ended March 31, 2007, the major subsidiaries include First Credit Corporation, Sumishin Matsushita Financial Services Co., Ltd., The Sumitomo Trust Finance (H.K.) Limited, Sumitomo Trust and Banking Co. (U.S.A.), and STB Leasing Co., Ltd. And of the 36 consolidated subsidiaries for the year ended March 31, 2008, the major subsidiary joined from the previous year is Life Housing Loan 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 in total, including Japan Trustee Services Bank, Ltd., as of March 31, 2008 and 2007.

(b) Trading Account Activities

Trading account activities are conducted for short-term profit-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 sheets.

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 (hereinafter trading securities), (2) debt securities intended to be held to maturity (hereinafter 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 (hereinafter 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. Valuation difference on available-for-sale securities is recorded as a separate component of Net assets and reported in the consolidated balance sheets.

Significant declines in the fair value of securities are charged to the statements 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.

A part of overseas asset backed securities whose fair value had not been available, has been valued at fair value as they become obtainable and verifiable from March 31, 2008, thus has become subject to recording Valuation difference in Net assets and Devaluation losses using fair values. As a result, Securities and Valuation difference on available-for-sale securities decreased by 4,032 million yen and 2,394 million yen, respectively, deferred tax assets increased by 1,637 million yen, and Income before income taxes both decreased by 14,597 million yen.

(d) Derivatives other than Trading Purposes

Derivatives 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 except buildings acquired on and 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 of subsidiaries are depreciated mainly using the declining-balance method over the estimated useful lives.

From the fiscal year ended March 31, 2008, in accordance with the taxation reform for the fiscal year 2007, Tangible fixed assets acquired on and after April 1, 2007 are depreciated using a method under the revised corporate tax law. This change did not materially impact on the consolidated financial statements.

From the fiscal year ended March 31, 2008, regarding Tangible fixed assets acquired on and before March 31, 2007, the remaining 5% of the purchase price would be depreciated to 1 yen using the straight-line method over 5 years starting from the following fiscal year after such Tangible fixed assets reached allowed limit for depreciation. This change did not materially impact on the consolidated financial statements.

(f) Depreciation for Intangible Fixed Assets

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.

(g) Allowance for Loan Losses

As for the Bank, Allowance for loan losses is provided as detailed below, pursuant to the internal rules for self-assessment of assets’ quality (hereinafter Self-Assessment Rules) and the internal rules regarding Allowance for loan 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 allowance is provided based on the amount of claims, after deduction 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 allowance is provided for the amount considered to be necessary based on an overall solvency assessment, after deduction of the amount 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, allowance 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 allowance is provided based on the historical loss-ratio.

For the fiscal year ended March 31, 2007, the allowance 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 Self-Assessment Rules. The Corporate Risk Management Department, which is independent from the branches and the department, subsequently conducts the audits of their assessments, and the allowance is adjusted to reflect the audit results.

As for the consolidated subsidiaries, Allowance for loan losses is provided for general claims based on the historical loss-ratio, and Allowance for loan losses is provided individually for certain claims based on the amount expected to be uncollectible.

(h) Allowance for Investment Loss

For the fiscal year ended March 31, 2007, Allowance for investment loss is provided for the possible losses on securities, which are estimated based on the financial conditions of issuers.

(i) Provision for Bonuses

Provision for bonuses is provided for the estimated employees' bonuses attributable to each fiscal year.

(j) Provision for Directors' Bonuses

Provision for directors' bonuses is provided for the estimated directors' bonuses attributable to each fiscal year.

(k) Provision for Retirement Benefits

Provision for 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) Provision for Reimbursement of Deposits

For the fiscal year ended March 31, 2008, Provision for reimbursement of deposits is provided for the deposits which are no longer accounted as deposit under certain conditions against the estimated future reimbursement requested by customers calculated based on the past reimbursement record. Deposits which had not been formerly recognized as liabilities were booked as expense when they were reimbursed. This provision was introduced by the new accounting treatment made possible by the JICPA Auditing and Assurance Practice Committee report No.42. As a result of this adoption, Income before income taxes decreased by 819 million yen.

(m) Provision for Contingent Loss

For the fiscal year ended March 31, 2008, Provision for contingent loss is provided for possible contingent loss on trust transactions based on individually estimated expected losses. This provision, formerly included in "Allowance for Loan Losses" with the amount of 2,888 million yen, is presented as a separate item in the consolidated balance sheets from March 31, 2008 due to increase in its materiality.

(n) Provision for Relocation Expenses

For the fiscal year ended March 31, 2008, Provision for relocation expenses is provided for the reasonably estimated cost for integrating and jointly developing office buildings in Tokyo district.

(o) 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 2008 and 2007, which are translated at the historical rates.

(p) 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.

(q) Hedge Accounting

The Bank manages interest rate risk arising from various assets and liabilities, such as Loans, Bills discounted, Deposits, etc., by using financial derivatives transactions and applies deferred hedge accounting regulated by "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (the 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 volatility 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" (the 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, 2008, Deferred hedge losses and income (before net of taxes) resulted from "Macro Hedge Accounting" were 28,797 million yen and 27,734 million yen, respectively. At March 31, 2007, Deferred hedge losses and income resulted from the same were 52,131 million yen and 51,101 million yen, 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" (the 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 liabilities and 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 account 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 non-arbitrarily 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.

(r) 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 as incurred.

(s) 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.

(t) Amortization of 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. 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.

(u) 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 Applied from the Fiscal Year 2007

(a) Accounting Standards for Financial Instruments

As the revision took effect to the scope of securities stipulated in the "Accounting Standards for Financial Instruments" (the ASBJ Statement No.10, revised on June 15, 2007) and the "Practical Guidelines for Financial Instruments Accounting" (the JICPA Accounting System Committee Report No.14, revised on July 4, 2007), the Bank has adopted such revisions from the fiscal year ended March 31, 2008.

(b) Practical Guidelines for Deferred Tax Accounting in Consolidated Financial Statements

From the fiscal year ended March 31, 2008, the Bank has started to adopt Paragraph 30-2 of the "Practical Guidelines for Deferred Tax Accounting in Consolidated Financial Statements" (the JICPA Accounting System Committee Report No.6, March 29, 2007) to tax effects of sales of investments such as shares of subsidiaries to the group companies. As a result, Net income for the fiscal year ended March 31, 2008 decreased by 4,134 million yen compared with the former method.

4. Trading Assets and Trading Liabilities

(a) Trading assets at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	**2008**
Trading Account Securities	**¥ 6,640**	¥ 4,175	**$ 66**
Derivatives of Trading Securities	**—**	4	**—**
Derivatives of Securities Related to Trading Transactions	**65**	—	**1**
Trading-Related Financial Derivatives	**458,616**	74,418	**4,577**
Other Trading Assets	**612,870**	530,288	**6,117**
Total	**¥ 1,078,192**	¥ 608,887	**$ 10,761**

(b) Trading liabilities at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	**2008**
Derivatives of Trading Securities	**¥ 51**	¥ —	**$ 1**
Derivatives of Securities Related to Trading Transactions	**308**	47	**3**
Trading-Related Financial Derivatives	**337,858**	53,634	**3,372**
Total	**¥ 338,217**	¥ 53,682	**$ 3,376**

5. Money Held in Trust

Money held in trust at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen			
	2008		2007	
	Book Value	Valuation Difference Reflected on the Statements of Income	Book Value	Valuation Difference Reflected on the Statements of Income
Money Held in Trust for Trading Purpose	**¥ 15,533**	**¥ (59)**	¥ 18,031	¥ 460
Money Held in Trust being Held to Maturity	**—**	**—**	—	—
Other Money Held in Trust	**2,000**	**—**	2,000	—
Total	**¥ 17,533**	**¥ (59)**	¥ 20,031	¥ 460

6. Securities

Securities held at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	**2008**
Government Bonds	**¥ 1,088,849**	¥ 1,123,681	**$ 10,868**
Local Government Bonds	**25,723**	61,984	**257**
Corporate Bonds	**533,180**	710,010	**5,322**
Stocks	**769,373**	1,100,436	**7,679**
Other Securities	**2,185,325**	2,269,131	**21,812**
Total	**¥ 4,602,451**	¥ 5,265,243	**$ 45,937**

Stocks included investments in unconsolidated subsidiaries and affiliates amounted 30,190 million yen and 27,763 million yen, and investment in capital of partnership amounted 17,176 million yen and 11,613 million yen at March 31, 2008 and 2007, respectively.

Other securities included foreign securities amounted 2,073,256 million yen and 1,926,248 million yen at March 31, 2008 and 2007, respectively.

7. Loans and Bills Discounted

Loans and bills discounted at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Bills Discounted	**¥ 5,089**	¥ 8,165	**$ 51**
Loans on Bills	**283,731**	368,852	**2,832**
Loans on Deeds	**8,812,392**	8,701,868	**87,957**
Overdrafts	**1,645,014**	1,408,350	**16,419**
Total	**¥ 10,746,228**	¥ 10,487,237	**$ 107,258**

Under the Bank's Self-Assessment Rules, the Bank classified loans as "Delinquent Loans" if borrowers were virtually bankrupt or potentially bankrupt. 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. The deducted amounts were 32,227 million yen and 31,963 million yen in the fiscal years ended March 31, 2008 and 2007, respectively.

The Bank treats Bills discounted as financial transaction, which are regulated by the JICPA Industry Auditing Committee Report No.24. The Bank holds the right to sell or pledge such bills discounted at its discretion and the total face value of these bills amounted to 5,089 million yen and 8,165 million yen at March 31, 2008 and 2007, respectively.

Loans and bills discounted at March 31, 2008 and 2007 included the followings:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Loans in Bankruptcy Proceedings	**¥ 1,126**	¥ 2,534	**$ 11**
Other Delinquent Loans	**56,110**	93,132	**560**
Loans more than Three Months Past Due	**4**	2	**0**
Restructured Loans	**77,668**	39,596	**775**
Total	**¥ 134,910**	¥ 135,266	**$ 1,347**

Loans in bankruptcy proceedings are non-accrual loans outstanding (not including direct write-off portion of loans) to borrowers who are legally bankrupt as defined in the Paragraph 1, Item 3 and 4 of Article 96 of "Enforcement Ordinance for the Corporation Tax Law" (Cabinet Order No.97, 1965).

Other delinquent loans are non-accrual loans other than 1) loans in bankruptcy proceedings and 2) loans of which interest payments are rescheduled in order to assist the restructuring of borrowers.

Loans more than three months past due are loans for which principal or interest payments are more than three months past due from the date succeeding the due date, excluding loans classified as delinquent loans.

Restructured loans are loans whose terms have been relaxed to support borrowers who are in financial difficulties excluding delinquent loans and loans more than three months past due.

8. Other Assets

Other assets at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Domestic Exchange Settlement Account, Debit	**¥ 683**	¥ 556	**$ 7**
Prepaid Expenses	**3,072**	3,523	**31**
Accrued Income	**113,531**	112,079	**1,133**
Initial Margins of Futures Markets	**4,777**	5,552	**48**
Variation Margins of Futures Markets	**3,776**	1,721	**38**
Derivatives Other than for Trading-Assets		591,937	
Receivables for Securities Transactions	**33,302**	139,016	**332**
Others	**1,255,026**	1,222,845	**12,526**
Total	**¥ 1,414,171**	¥ 2,077,233	**$ 14,115**

Others at both March 31, 2008 and 2007 included the amount of 6,316 million yen 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. Although the defendant appealed to the Tokyo High Court on May 1, 2007, its appeal was dismissed on March 12, 2008. It filed the final appeal on March 26, 2008.

Derivatives other than for trading-assets at March 31, 2008 is presented as a separate item in the consolidated balance sheets as it exceeded 5% of the Total Assets.

9. Tangible Fixed Assets

Tangible fixed assets at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Buildings	**¥ 107,070**	¥ 107,457	**$ 1,069**
Land	**86,075**	86,808	**859**
Construction in Progress	**61**	478	**1**
Other Tangible Fixed Assets	**44,400**	42,777	**443**
Subtotal	**¥ 237,606**	¥ 237,522	**$ 2,372**
Accumulated Depreciation	**(104,863)**	(106,401)	**(1,047)**
Total Tangible Fixed Assets	**¥ 132,743**	¥ 131,120	**$ 1,325**

Total tax qualified deferred gains on Tangible fixed assets, which are allowed by the tax law, were 28,337 million yen at both March 31, 2008 and 2007.

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 4,049 million yen and 7,099 million yen at March 31, 2008 and 2007, respectively.

Net unrealized losses on revaluation, after deduction of "Deferred Tax Liabilities for Land Revaluation," are recorded as "Revaluation Reserve for Land" in "Net Assets."

10. Intangible Fixed Assets

Intangible fixed assets at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		U.S. Dollars (Note1)
	2008	2007	**2008**
Software	**¥ 31,480**	¥ 28,595	**$ 314**
Goodwill	**115,508**	104,877	**1,153**
Other Intangible Fixed Assets	**1,252**	1,146	**12**
Total	**¥ 148,241**	¥ 134,619	**$ 1,480**

11. Assets Pledged

Assets pledged as collateral at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Assets Pledged as Collateral:			
Trading Assets	**¥ 343,204**	¥ 44,365	**$ 3,426**
Securities	**1,118,018**	1,608,556	**11,159**
Loans and Bills Discounted	**267,889**	272,204	**2,674**
Other Assets	**37,788**	65,971	**377**
Corresponding Liabilities of the Assets Pledged as Collateral:			
Deposits	**35,211**	1,230	**351**
Payables under Repurchase Agreements	**790,588**	683,686	**7,891**
Payables under Securities Lending Transactions	**131,957**	292,166	**1,317**
Borrowed Money	**174,667**	219,024	**1,743**

In addition to the items outlined above, at March 31, 2008, "Securities" of 571,967 million yen and "Other Assets" of 197 million yen were pledged mainly as collateral in substitution for settlement of cash or margin of future markets. "Other Assets" included margin of future markets of 4,777 million yen, security deposits of 16,786 million yen and cash collateral for derivative transactions of 5,076 million yen.

At March 31, 2007, "Securities" of 743,159 million yen and "Other Assets" of 172 million yen were pledged mainly as collateral in substitution for settlement of cash or margin of future markets. "Other Assets" included margin of future markets of 5,552 million yen, security deposits of 17,036 million yen and cash collateral for derivative transactions of 16,807 million yen.

12. Deposits

Deposits at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Current Deposits, Ordinary Deposits and Deposits at Notice	**¥ 1,836,096**	¥ 2,058,613	**$ 18,326**
Time Deposits	**9,729,318**	8,913,443	**97,109**
Others	**310,334**	389,212	**3,097**
Total	**¥ 11,875,749**	¥ 11,361,270	**$ 118,532**

13. Borrowed Money

Borrowed money at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	2008
Subordinated Debt	¥ 125,000	¥ 138,500	$ 1,248
Other Borrowed Money	758,039	789,431	7,566
Total	¥ 883,039	¥ 927,931	$ 8,814

Average interest rates of the borrowed money were 1.15% and 1.12% for the years ended March 31, 2008 and 2007, respectively.

Years to Maturity

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	2008
1 year or less	¥ 351,771	¥ 386,979	$ 3,511
More than 1 year but less than 2 years	110,659	122,599	1,104
More than 2 years but less than 3 years	101,151	94,969	1,010
More than 3 years but less than 4 years	58,560	86,323	584
More than 4 years but less than 5 years	90,634	41,543	905

14. Bonds Payable

Bonds Payable at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	2008
The Sumitomo Trust and Banking Company, Ltd. (The Bank)			
Unsecured Subordinated Bonds	¥ 289,864	¥ 229,890	$ 2,893
Euro Perpetual Subordinated Notes	6,000	6,000	60
Euro Medium-Term Subordinated Notes	20,100	24,700	201
Subtotal	315,964	260,590	3,154
STB Finance Cayman Limited			
Euro Perpetual Subordinated Notes	218,195	204,015	2,178
Euro Medium-Term Subordinated Notes	49,700	72,000	496
Subtotal	267,895	276,015	2,674
STB Leasing Co., Ltd.			
Unsecured Bonds	15,000	12,850	150
Subtotal	15,000	12,850	150
Total	¥ 598,859	¥ 549,455	$ 5,977

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

Years to Maturity

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
1 year or less	**¥ 2,000**	¥ 850	**$ 20**
More than 1 year but less than 2 years	**2,000**	2,000	**20**
More than 2 years but less than 3 years	**6,000**	2,000	**60**
More than 3 years but less than 4 years	**3,000**	6,000	**30**
More than 4 years but less than 5 years	**2,000**	2,000	**20**

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, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Domestic Exchange Settlement Account, Credit	**¥ 380**	¥ 370	**$ 4**
Income Taxes Payable	**42,527**	65,463	**424**
Accrued Expenses	**97,417**	92,529	**972**
Unearned Income	**21,861**	19,798	**218**
Derivatives Other than for Trading-Liabilities		567,599	
Payables for Securities Transactions	**825**	28,388	**8**
Others	**274,765**	104,804	**2,742**
Total	**¥ 437,776**	¥ 878,955	**$ 4,369**

Derivatives other than for trading-liabilities at March 31, 2008 is presented as separate items in the consolidated balance sheets as it exceeded 5% of the Total Assets.

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 696,894 million yen, 903,689 million yen for JOMTs 284,609 million yen, 694,587 million yen for Loan Trusts at March 31, 2008 and 2007, respectively.

The Bank guaranteed 118,207 million yen and 95,073 million yen of corporate bonds in “Securities” which were privately offered (subject to the Paragraph 3, Article 2 of the FIEL) at the end of March 31, 2008 and 2007, respectively.

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 8,241,981 million yen and 8,967,492 million yen, including 6,655,788 million yen and 7,876,673 million yen of those either maturing within 1 year or unconditionally cancelable at March 31, 2008 and 2007, 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, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Interest Income on Receivables under Securities Borrowing Transactions	**¥ 302**	¥ 180	**$ 3**
Interest Income on Deposits with Banks	**13,992**	16,409	**140**
Interest Income on Interest Rate Swaps	**—**	345	**—**
Other Interest Income	**11,395**	7,192	**114**
Total	**¥ 25,689**	¥ 24,127	**$ 256**

(b) Other interest expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Interest Expenses on Payables under Repurchase Agreements	**¥ 41,717**	¥ 36,257	**$ 416**
Interest Expenses on Payables under Securities Lending Transactions	**2,582**	3,324	**26**
Interest Expenses on Short-term Bonds Payable	**2,952**	1,311	**29**
Interest Expenses on Bonds Payable	**15,527**	9,014	**155**
Interest Expenses on Interest Rate Swaps	**19,495**	—	**195**
Other Interest Expenses	**12,883**	14,221	**129**
Total	**¥ 95,158**	¥ 64,129	**$ 950**

20. Trading Income and Expenses

(a) Trading income for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Income from Trading Securities and Derivatives	**¥ 108**	¥ 197	**$ 1**
Income from Trading-Related Financial Derivatives Transactions	**11,899**	6,735	**119**
Other Trading Income	**4,280**	1,377	**43**
Total	**¥ 16,288**	¥ 8,311	**$ 163**

(b) Trading expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Expenses on Securities and Derivatives Related to Trading Transactions	**¥ 2,885**	¥ 166	**$ 29**
Total	**¥ 2,885**	¥ 166	**$ 29**

21. Other Ordinary Income and Expenses

(a) Other ordinary income for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	2008
Net Gains on Foreign Exchange Transactions	¥ 6,768	¥ 11,735	$ 68
Gains on Sales of Bonds	62,108	14,863	620
Gains on Redemption of Bonds	2	0	0
Others	349,968	235,032	3,493
Total	¥ 418,847	¥ 261,632	$ 4,181

For the years ended March 2008 and 2007, Others mainly consisted of lease income and installments received from consolidated subsidiaries.

(b) Other ordinary expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	2008
Losses on Sales of Bonds	¥ 6,592	¥ 16,182	$ 66
Losses on Redemption of Bonds	6,005	0	60
Losses on Devaluation of Bonds	2,686	0	27
Expenses on Derivatives other than for Trading or Hedging	36,304	176	362
Others	312,636	206,380	3,120
Total	¥ 364,225	¥ 222,739	$ 3,635

For the years ended March 2008 and 2007, 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, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	2008
Gains on Sales of Stocks and Other Securities	¥ 31,403	¥ 12,350	$ 313
Gains on Money Held in Trust	103	680	1
Gains on Dispositions of Fixed Assets	614	2,273	6
Recoveries of Written-Off Claims	865	441	9
Others	27,561	20,873	275
Total	¥ 60,547	¥ 36,618	$ 604

For the year ended March 31, 2008, Others included 9,969 million yen of gains on return of retirement benefit trusts.

For the year ended March 31, 2007, Others included a settlement amount of 2,500 million yen 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).

(b) Other expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	2008
Allowance for Loan Losses	¥ 1,519	¥ 34,181	$ 15
Write-Offs of Loans	6,102	6,462	61
Losses on Sales of Stocks and Other Securities	3,111	2,962	31
Losses on Devaluation of Stocks and Other Securities	30,555	4,573	305
Losses on Dispositions of Fixed Assets	1,993	518	20
Losses on Impairment of Fixed Assets	170	7,088	2
Others	74,591	13,819	745
Total	¥ 118,044	¥ 69,606	$ 1,178

For the year ended March 31, 2008, Others included losses on devaluation of 40,748 million yen and losses on sales of 7,480 million yen with respect to securities incurred as a result of reexamination of overseas credit investment portfolio.

For the year ended March 31, 2007, Losses on impairment of fixed assets were impairment losses of 4,736 million yen 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 yen 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.

23. General and Administrative Expenses

General and administrative expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	2008
Taxes other than Income Taxes	¥ 7,718	¥ 6,923	$ 77
Personnel Expenses	89,957	76,560	898
Others	105,264	99,850	1,051
Total	¥ 202,939	¥ 183,334	$ 2,026

24. Shareholders' 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.

25. Statement of Changes in Net Assets

(a) Issued Share and Treasury Stock

Issued share and Treasury stock for the year ended March 31, 2008 consisted of the following:

	Thousands of Shares				
	Authorized	Number of Shares Outstanding at the End of Previous Period	Increase	Decrease	Number of Shares Outstanding at the End of Current Period
March 31, 2008					
Number of issued shares:					
Common Stock	3,000,000	1,675,034	94	—	1,675,128
Treasury Stock:					
Common Stock		429	80	32	477
March 31, 2007					
Number of issued shares:					
Common Stock	3,000,000	1,672,892	2,141	—	1,675,034
Treasury Stock:					
Common Stock		322	115	8	429

Issued share increased by 94 thousand due to exercise of stock option plans. Treasury stock increased by 80 thousand due to requests for redemption of odd-lot stocks. Treasury stock decreased by 32 thousand due to requests 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 decided by Board of Directors to shareholders as of September 30 of each year.

Dividends paid during fiscal year ended March 31, 2008 and 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 28, 2007 Ordinary General Meeting of Shareholders	Common Stock	¥ 14,234	¥ 8.50	March 31, 2007	June 29, 2007
November 15, 2007 Board of Directors' Meeting	Common Stock	¥ 14,234	¥ 8.50	September 30, 2007	December 7, 2007
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' Meeting	Common Stock	¥ 14,221	¥ 8.50	September 30, 2006	December 8, 2006

For the year ended March 31, 2008, 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 27, 2008 Ordinary General Meeting of Shareholders	Common Stock	¥ 14,234	Retained earnings	¥ 8.50	March 31, 2008	June 30, 2008

26. Statement of Cash Flows

(a) Reconciliation of Cash and Cash Equivalents

Following table shows the reconciliation between cash and cash equivalents in the statements of cash flows, and cash and due from banks in the balance sheets at March 31, 2008 and 2007.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	**2008**
Cash and Due from Banks	**¥ 891,560**	¥ 789,472	**$ 8,899**
Due from Banks (excluding due from Bank of Japan)	**(404,305)**	(346,231)	**(4,035)**
Cash and Cash Equivalents	**¥ 487,255**	¥ 443,240	**$ 4,863**

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

At the fiscal year ended March 31, 2008, reconciliation of assets, liabilities and cash flows related to the acquisition of Life Housing Loan Co., Ltd. as the newly consolidated subsidiary was as follows:

Life Housing Loan Co., Ltd.

	Millions of Yen	Millions of U.S. Dollars (Note 1)
	2008	**2008**
Assets	**¥ 109,203**	**$ 1,090**
Loans and Bills Discounted	**102,227**	**1,020**
Liabilities	**(102,887)**	**(1,027)**
Borrowed Money	**(100,900)**	**(1,007)**
Goodwill	**18,974**	**189**
Subtotal	**25,291**	**252**
Purchase Price of Life Housing Loan's Stock	**25,291**	**252**
Cash and Cash Equivalents (Life Housing Loan Co., Ltd.)	**(1,189)**	**(12)**
Expense for the Life Housing Loan's Stock Purchase	**¥ 24,101**	**$ 241**

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 STB Leasing's Stock	29,553	250
Cash and Cash Equivalents (STB Leasing Co.,Ltd.)	(6,091)	(52)
Expense for the STB Leasing's Stock Purchase	¥ 23,462	$ 199

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, 2008 and 2007 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Acquisition Costs			
Other Assets	**¥ —**		**$ —**
Tangible Fixed Assets	**36**		**0**
Intangible Fixed Assets	**3**		**0**
Equipment		¥ 65	
Others		—	
Total	**¥ 40**	¥ 65	**$ 0**
Accumulated Depreciation			
Other Assets	**—**		**—**
Tangible Fixed Assets	**31**		**0**
Intangible Fixed Assets	**2**		**0**
Equipment		52	
Others		—	
Total	**¥ 34**	¥ 52	**$ 0**
Accumulated Losses on Impairment			
Other Assets	**—**		**—**
Tangible Fixed Assets	**—**		**—**
Intangible Fixed Assets	**—**		**—**
Equipment		—	
Others		—	
Total	**¥ —**	¥ —	**$ —**
Net Book Value			
Other Assets	**—**		**—**
Tangible Fixed Assets	**5**		**0**
Intangible Fixed Assets	**0**		**0**
Equipment		13	
Others		—	
Total	**¥ 5**	¥ 13	**$ 0**

Total of future lease payments at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Due in 1 year or less	**¥ 307**	¥ 278	**$ 3**
Due more than 1 year	**493**	282	**5**
Total	**¥ 801**	¥ 561	**$ 8**

Annual lease payments and estimated annual depreciation expenses for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Lease Payments	**¥ 12**	¥ 94	**$ 0**
Estimated Annual Depreciation Expenses	**12**	94	**0**

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.

Acquisition costs, accumulated depreciation, accumulated losses on impairment and net book value, formerly included in "Equipment" or "Others," are reclassified into "Other Assets," "Tangible Fixed Assets" and "Intangible Fixed Assets" from the fiscal year ended March 31, 2008.

Estimated annual depreciation expenses are computed using the straight-line method over the lease term assuming no salvage value.

As lessor:

Acquisition costs, accumulated depreciation, accumulated losses on impairment and net book value for finance leases without transfer of ownership at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Acquisition Costs			
Other Assets	**¥ 1,817,083**		**$ 18,136**
Tangible Fixed Assets	**—**		**—**
Intangible Fixed Assets	**—**		**—**
Equipment		¥ —	
Others		1,832,291	
Total	**¥ 1,817,083**	¥ 1,832,291	**$ 18,136**
Accumulated Depreciation			
Other Assets	**1,182,933**		**11,807**
Tangible Fixed Assets	**—**		**—**
Intangible Fixed Assets	**—**		**—**
Equipment		—	
Others		1,180,692	
Total	**¥ 1,182,933**	¥ 1,180,692	**$ 11,807**
Accumulated Losses on Impairment			
Other Assets	**—**		**—**
Tangible Fixed Assets	**—**		**—**
Intangible Fixed Assets	**—**		**—**
Equipment		—	
Others		—	
Total	**¥ —**	¥ —	**$ —**
Net Book Value			
Other Assets	**634,150**		**6,329**
Tangible Fixed Assets	**—**		**—**
Intangible Fixed Assets	**—**		**—**
Equipment		—	
Others		651,598	
Total	**¥ 634,150**	¥ 651,598	**$ 6,329**

Total of future lease payments receivable at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Due in 1 year or less	**¥ 213,560**	¥ 225,659	**$ 2,132**
Due more than 1 year	**427,338**	435,215	**4,265**
Total	**¥ 640,899**	¥ 660,874	**$ 6,397**

Annual lease receipt, Annual depreciation expenses, and Estimated interest receipt for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Lease Receipt	**¥ 274,475**	¥ 174,633	**$ 2,740**
Annual Depreciation Expenses	**240,440**	152,472	**2,400**
Estimated Interest Receipt	**30,860**	18,820	**308**

Acquisition costs, accumulated depreciation, accumulated losses on impairment and net book value, formerly included in "Equipment" or "Others," are reclassified into "Other Assets," "Tangible Fixed Assets" and "Intangible Fixed Asset" from the fiscal year ended March 31, 2008.

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, 2008 and 2007 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Due in 1 year or less	**¥ 5,673**	¥ 83	**$ 57**
Due more than 1 year	**5,699**	192	**57**
Total	**¥ 11,373**	¥ 275	**$ 114**

As lessor:

Total of future lease payments receivable under non-cancelable operating leases at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Due in 1 year or less	**¥ 26,653**	¥ 20,330	**$ 266**
Due more than 1 year	**65,318**	64,415	**652**
Total	**¥ 91,972**	¥ 84,746	**$ 918**

28. Fair Value Information for Securities

The following information includes a part of "Trading Assets," "Cash and Due from Banks" and "Monetary Claims Bought" treated as securities in "Accounting Standard for Financial Instruments" in addition to Securities in the consolidated balance sheets.

(a) Trading Securities

	Millions of Yen	
March 31, 2008	Book Value	Valuation Difference Reflected on the Statements of Income
Trading Securities	**¥ 619,510**	**¥ 450**

	Millions of Yen	
March 31, 2007	Book Value	Valuation Difference Reflected on the Statements of Income
Trading Securities	¥ 534,464	¥ 218

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

March 31, 2008	Millions of Yen				
	Book Value	Fair Value	Difference	Unrealized Gain (Loss) Gain	(Loss)
Government Bonds	¥ 439,374	¥ 447,281	¥ 7,906	¥ 7,906	¥ (0)
Local Government Bonds	100	100	0	0	(0)
Short-term Corporate Bonds	—	—	—	—	—
Corporate Bonds	136,890	136,929	38	93	(54)
Other Securities	281	316	34	35	(0)
Foreign Bonds	281	316	34	35	(0)
Total	¥ 576,646	¥ 584,627	¥ 7,980	¥ 8,036	¥ (56)

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

Fair value is based on the closing market prices at the end of the fiscal years ended March 31, 2008 and 2007, respectively.

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

March 31, 2008	Millions of Yen				
	Cost	Book Value	Valuation Difference	Unrealized Gain (Loss) Gain	(Loss)
Stocks	¥ 478,667	¥ 669,831	¥ 191,163	¥ 217,008	¥ (25,844)
Bonds	829,653	829,100	(552)	5,021	(5,573)
Government Bonds	648,503	649,475	971	4,486	(3,515)
Local Government Bonds	25,441	25,623	182	210	(28)
Short-term Corporate Bonds	—	—	—	—	—
Corporate Bonds	155,708	154,001	(1,706)	323	(2,030)
Other Securities	2,603,717	2,523,932	(79,785)	17,814	(97,599)
Foreign Stocks	374	1,112	738	738	—
Foreign Bonds	1,979,586	1,910,582	(69,003)	12,700	(81,704)
Others	623,756	612,236	(11,519)	4,375	(15,895)
Total	¥ 3,912,038	¥ 4,022,864	¥ 110,826	¥ 239,843	¥ (129,017)

March 31, 2007	Millions of Yen				
	Cost	Book Value	Valuation Difference	Unrealized Gain (Loss) Gain	(Loss)
Stocks	¥ 481,914	¥ 989,188	¥ 507,273	¥ 514,775	¥ (7,501)
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)
Other Securities	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)

1) Book value of stocks in the consolidated balance sheets is calculated using the average market price during final month of the fiscal year, while that of securities other than stocks is mainly calculated using the market value at the end of the fiscal year.
2) "Unrealized Gain" and "Loss" are breakdowns of "Valuation Difference."
3) 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.

For the year ended March 31, 2008, 13,609 million yen of stocks with fair value and 3,994 million yen of other securities was written off. For the year ended March 31, 2007, 2,739 million yen of securities was written off.

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.

In light of the current turmoil in the international financial market, where the recovery trend of fair value is not yet materialized, the Bank and its subsidiary additionally wrote off foreign securities of 54,944 million yen, mainly whose fair value is 30% or more lower than cost for the year ended March 31, 2008.

(d) Held-to-Maturity Debt Securities Sold during the Years Ended March 31, 2008 and 2007

There were no corresponding items for the years ended March 31, 2008 and 2007.

(e) Available-for-Sale Securities Sold during the Years Ended March 31, 2008 and 2007

	Millions of Yen		
Year ended March 31, 2008	Amount Sold	Gain	(Loss)
Available-for-Sale Securities	**¥ 7,198,861**	**¥ 92,800**	**¥ (9,569)**

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

(f) Securities with No Available Fair Value

The following tables summarized main items of book value of securities with no available fair value at March 31, 2008 and 2007.

	Millions of Yen
March 31, 2008	Book Value
Held-to-Maturity Debt Securities	**¥ —**
Available-for-Sale Securities	
Unlisted Bonds	**242,287**

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

(g) Change of Classification by Holding Purpose of Securities

There were no corresponding items for the years ended March 31, 2008 and 2007.

(h) Redemption Schedule of Bonds Classified as Available-for-Sale Securities with Maturity and Held-to-Maturity Debt Securities

	Millions of Yen			
	Book Value			
March 31, 2008	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
Bonds	¥ 338,883	¥ 588,429	¥ 401,554	¥ 318,885
Government Bonds	172,210	294,614	304,549	317,474
Local Government Bonds	4,862	13,914	6,946	—
Short-term Corporate Bonds	—			
Corporate Bonds	161,810	279,900	90,057	1,411
Other Securities	61,187	616,935	1,015,865	747,942
Foreign Bonds	52,779	522,615	842,493	494,688
Others	8,407	94,319	173,372	253,253
Total	**¥ 400,070**	**¥ 1,205,365**	**¥ 1,417,419**	**¥ 1,066,828**

	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
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
Other Securities	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

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

There were no corresponding items at March 31, 2008 and 2007.

29. Valuation Difference on Available-for-Sale Securities

The following table shows component items of "Valuation Difference on Available-for-Sale Securities" in the consolidated balance sheets.

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Valuation Difference on Available-for-Sale Securities	¥ 111,382	¥ 497,074	$ 1,112
Valuation Difference on Other Money Held in Trust	—	—	—
Total Valuation Difference	111,382	497,074	1,112
Amount Equivalent to Deferred Tax Liabilities	(45,383)	(201,564)	(453)
Total (before adjustment for Minority Interests)	65,998	295,510	659
Minority Interests	(46)	(274)	(0)
Parent Company's portions in Available-for-Sale Securities owned by its affiliates	6	(22)	0
Valuation Difference on Available-for-Sale Securities	¥ 65,958	¥ 295,213	$ 658

1) Valuation difference does not include 243 million yen and 643 million, expensed as the result of the fair value hedging at March 31, 2008 and 2007, respectively.

2) Valuation difference includes foreign currency translation adjustments on foreign securities with no available fair value and investment associations.

30. Fair Value Information for Financial Derivatives

(a) Interest Related Transactions

Interest related transactions at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen							
	2008				2007			
	Contract Value		Fair Value	Valuation Difference	Contract Value		Fair Value	Valuation Difference
	Total	Over 1Year			Total	Over 1Year		
Listed								
Interest Futures								
Sold	**¥20,238,554**	**¥ 3,724,235**	**¥ (60,221)**	**¥ (60,221)**	¥19,454,224	¥ 2,556,984	¥ 1,635	¥ 1,635
Purchased	**22,116,851**	**5,113,610**	**60,244**	**60,244**	18,359,178	1,815,857	(2,537)	(2,537)
Interest Options								
Sold	**331,025**	**—**	**(84)**	**(5)**	2,165,560	—	(85)	196
Purchased	**459,345**	**—**	**49**	**(7)**	1,711,491	—	152	(180)
Over-the-Counter								
Forward Rate Agreements								
Sold	**—**	**—**	**—**	**—**	—	—	—	—
Purchased	**—**	**—**	**—**	**—**	—	—	—	—
Interest Rate Swaps								
Fix Rcv-Flt Pay	**64,485,897**	**55,174,216**	**1,696,864**	**1,696,864**	45,196,447	40,308,449	93,276	93,276
Flt Rcv-Fix Pay	**65,926,234**	**55,970,605**	**(1,631,984)**	**(1,631,984)**	45,193,109	39,820,712	(67,320)	(67,320)
Flt Rcv-Flt Pay	**2,492,429**	**1,840,429**	**1,022**	**1,022**	2,170,165	1,972,725	1,364	1,364
Interest Options								
Sold	**23,603,453**	**23,474,767**	**(261,514)**	**(181,419)**	21,087,970	21,036,136	(50,493)	39,215
Purchased	**18,365,956**	**18,157,553**	**425,079**	**195,310**	12,951,464	12,939,464	93,914	(38,989)
Others								
Sold	**—**	**—**	**—**	**—**	—	—	—	—
Purchased	**—**	**—**	**—**	**—**	—	—	—	—
Total			**¥ 229,455**	**¥ 79,802**			¥ 69,905	¥ 26,659

1) Transactions listed above are evaluated on mark-to-market basis and calculated valuation difference is reflected on the consolidated statements of income.

The schedule above does not include derivatives 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" (the JICPA Industry Auditing Committee Report No.24).

2) Fair values of listed transactions are calculated mainly using the closing prices on the Tokyo Financial Exchange and on the Tokyo International Financial Futures Exchange on March 31, 2008 and 2007, respectively. 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, 2008 and 2007 consisted of the following:

	Millions of Yen							
	2008				2007			
	Contract Value		Fair Value	Valuation Difference	Contract Value		Fair Value	Valuation Difference
	Total	Over 1Year			Total	Over 1Year		
Listed								
Currency Futures								
Sold	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased	—	—	—	—	—	—	—	—
Currency Options								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Over-the-Counter								
Currency Swaps	**907,893**	**814,184**	**29,733**	**29,733**	270,125	99,331	46	46
Forward								
Sold	**3,804,622**	**582,392**	**100,595**	**100,595**	2,810,313	265,427	(38,889)	(38,889)
Purchased	**4,519,754**	**709,474**	**(124,816)**	**(124,816)**	3,394,952	411,540	52,899	52,899
Currency Options								
Sold	**2,769,260**	**1,545,083**	**(118,900)**	**(20,113)**	2,517,170	932,301	(58,089)	(1,427)
Purchased	**2,592,346**	**1,390,913**	**111,629**	**35,171**	2,170,678	676,941	41,473	(2,808)
Others								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total			**¥ (1,759)**	**¥ 20,570**			¥ (2,558)	¥ 9,820

1) Transactions listed above are evaluated on a mark-to-market basis and calculated valuation difference is reflected on the consolidated statements 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" (the 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 sheets 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, 2008 and 2007 consisted of the following:

	Millions of Yen							
	2008				2007			
	Contract Value		Fair Value	Valuation Difference	Contract Value		Fair Value	Valuation Difference
	Total	Over 1Year			Total	Over 1Year		
Listed								
Stock Index Futures								
Sold	**¥ 41,651**	**¥ —**	**¥ (383)**	**¥ (383)**	¥ 100,111	¥ —	¥(1,274)	¥(1,274)
Purchased	**40,753**	**—**	**35**	**35**	66,261	—	575	575
Stock Index Options								
Sold	**7,475**	**—**	**(51)**	**14**	53,965	—	(334)	127
Purchased	**22,801**	**—**	**235**	**(100)**	78,457	—	320	(345)
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			**¥ (165)**	**¥ (434)**			¥ (712)	¥ (916)

1) Transactions listed above are evaluated on a mark-to-market basis and calculated valuation difference is reflected on the consolidated statements of income.

The schedule above does not include derivatives transactions 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, 2008 and 2007 consisted of the following:

	Millions of Yen							
	2008				2007			
	Contract Value		Fair Value	Valuation Difference	Contract Value		Fair Value	Valuation Difference
	Total	Over 1Year			Total	Over 1Year		
Listed								
Bond Futures								
Sold	¥ 1,032,127	¥ —	¥(3,958)	¥(3,958)	¥ 1,101,633	¥ —	¥ 3,526	¥ 3,526
Purchased	982,222	—	349	349	1,142,550	—	(3,769)	(3,769)
Bond Future Options								
Sold	150,930	—	(549)	230	340,376	—	(379)	287
Purchased	82,861	—	413	(275)	474,311	—	362	(533)
Over-the-Counter								
Bond Options								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Others								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total			¥(3,745)	¥(3,653)			¥ (260)	¥ (489)

1) Transactions listed above are evaluated on a mark-to-market basis and calculated valuation difference is reflected on the consolidated statements of income.

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

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

(e) Commodity Related Transactions

There were no commodity related transactions at March 31, 2008 and 2007.

(f) Credit Derivatives Transactions

Credit derivatives transactions at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen							
	2008				2007			
	Contract Value		Fair Value	Valuation Difference	Contract Value		Fair Value	Valuation Difference
	Total	Over 1Year			Total	Over 1Year		
Over-the-Counter								
Credit Derivatives								
Sold	¥ 80,000	¥ 80,000	¥(1,870)	¥(1,870)	¥ 81,000	¥ 81,000	¥ 153	¥ 153
Purchased	70,057	70,057	2,455	2,455	264,209	264,209	(679)	(679)
Total			¥ 584	¥ 584			¥(525)	¥(525)

1) Transactions listed above are evaluated on a mark-to-market basis and calculated valuation difference is reflected on the consolidated statements of income.

The schedule above does not include derivative transactions 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. Provision for Retirement Benefits

The liabilities from the retirement benefits which are included in the consolidated balance sheets as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Projected Benefit Obligation	**¥ (235,645)**	¥ (230,848)	**$ (2,352)**
Plan Assets (fair value)	**237,143**	310,612	**2,367**
Unfunded Projected Benefit Obligation	**1,498**	79,764	**15**
Unrecognized Net Actuarial Gain (Loss)	**66,683**	(10,294)	**666**
Unrecognized Net Prior Service Cost	**1,354**	842	**14**
Net Amount Recognized in the Consolidated Balance Sheets	**69,535**	70,313	**694**
Prepaid Pension Cost (-) (Note 8)	**79,172**	80,391	**790**
Total	**¥ (9,636)**	¥ (10,078)	**$ (96)**

Retirement benefits expenses, which are included in the consolidated statements of income for the years ended March 31, 2008 and 2007, were consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Service Costs-Benefits Earned during the Fiscal Period	**¥ 6,153**	¥ 5,049	**$ 61**
Interest Cost on Projected Benefit Obligation	**4,566**	4,421	**46**
Expected Return on Plan Assets	**(12,408)**	(14,091)	**(124)**
Amortization of Prior Service Cost	**318**	320	**3**
Amortization of Net Actuarial Gain (Loss)	**2,517**	(1,779)	**25**
Others	**(205)**	974	**(2)**
Retirement Benefits Expenses	**¥ 942**	¥ (5,105)	**$ 9**
Gains on Return of Retirement Benefit Trusts (-)	**¥ (9,969)**	¥ —	**$ (100)**
Total	**¥ (9,026)**	¥ (5,105)	**$ (90)**

The discount rate used by the Bank was 2.0% for the years ended March 31, 2008 and 2007. The rates of expected return on plan assets used by the Bank were 2.0 – 4.7% and 2.0 – 4.8% for the years ended March 31, 2008 and 2007, 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, 2008 and 2007.

(a) Stock Option Plans

Year Ended March 31, 2008 Resolution Date	June 27, 2003	
Number of Eligible Persons by Positions	Directors	13
	Executive Officers	13
	Employees	415
Total Number and Type of Stock Granted	1,186,000 shares of Common Stock	
Grant Date	June 30, 2003	
Prerequisite to be Vested	None	
Required Service Period	None	
Exercise Period	from July 1, 2005 to June 30, 2007	

Year Ended March 31, 2007 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

	Shares		
	2008	2007	
Resolution Date	June 27, 2003	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	99,000	501,000	470,000
Vested	—	—	—
Exercised	94,000	401,000	458,000
Forfeited	5,000	1,000	12,000
At the End of Fiscal Year	—	99,000	—

2) Price Information

	Yen		
	2008	2007	
Resolution Date	June 27, 2003	June 27, 2003	June 27, 2002
Exercise Price	¥ 415	¥ 415	¥ 656
Weighted-Average Exercise Date Stock Price	1,217	1,285	1,171

33. Income Taxes

Income taxes which consist of corporation, inhabitant and enterprise taxes, are calculated based on taxable income.

For the year ended March 31, 2008, difference between approximate effective income tax rate and effective tax payout ratio was less than 5%.

For the year ended March 31, 2007, the approximate effective income tax rate was 40.60%, and the effective tax payout ratio after adopting deferred tax accounting was 35.01%.

Deferred tax assets and liabilities at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Deferred Tax Assets:			
Devaluation of Securities	¥ 52,474	¥ 33,053	$ 524
Allowance for Loan Losses (including Direct Write-offs of Loans with Guarantees or Collateral)	42,602	40,255	425
Provision for Retirement Benefits	15,874	15,896	158
Tax Losses Carried Forward	7,113	13,098	71
Unrealized Gains (Losses)	174	5,463	2
Others	31,550	41,860	315
Subtotal	¥ 149,789	¥ 149,627	$ 1,495
Valuation Allowance	(13,445)	(22,077)	(134)
Amount set off Against Deferred Tax Liabilities	(53,293)	(101,363)	(532)
Deferred Tax Assets	¥ 83,050	¥ 26,187	$ 829
Deferred Tax Liabilities:			
Valuation Difference on Available-for-Sale Securities	45,235	201,455	451
Others	8,256	7,242	82
Subtotal	¥ 53,491	¥ 208,698	$ 534
Amount set off Against Deferred Tax Assets	(53,293)	(101,363)	(532)
Deferred Tax Liabilities	¥ 198	¥ 107,334	$ 2

34. Segment Information

(a) Business Segment

The following tables present information attributable by business for the years ended March 31, 2008 and 2007, and identifiable assets of each business at March 31, 2008 and 2007.

	Millions of Yen					
Year Ended March 31, 2008	Trust Banking Business	Leasing Business	Financial-Related Business	Total	Elimination	Consolidated
Income:						
Unaffiliated Customers	¥ 699,290	¥ 355,418	¥ 52,389	¥ 1,107,099	¥ —	¥ 1,107,099
Intersegment	15,259	476	1,549	17,285	(17,285)	—
Total Income	714,550	355,894	53,939	1,124,384	(17,285)	1,107,099
Total Expenses	582,598	347,320	47,309	977,228	(16,400)	960,827
Income before Income Taxes	¥ 131,951	¥ 8,574	¥ 6,629	¥ 147,155	¥ (884)	¥ 146,271
Total Assets	¥ 21,389,944	¥ 1,140,201	¥ 372,591	¥ 22,902,737	¥ (722,002)	¥ 22,180,734
Depreciation	13,922	932	458	15,313	—	15,313
Impairment	82	63	23	170	—	170
Capital Expenditure	21,336	2,379	551	24,267	—	24,267

Year Ended March 31, 2007	Millions of Yen					
	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	¥ 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

Year Ended March 31, 2008	Millions of U.S. Dollars (Note 1)					
	Trust Banking Business	Leasing Business	Financial-Related Business	Total	Elimination	Consolidated
Income:						
Unaffiliated Customers	$ 6,980	$ 3,547	$ 523	$ 11,050	$ —	$ 11,050
Intersegment	152	5	15	173	(173)	—
Total Income	7,132	3,552	538	11,223	(173)	11,050
Total Expenses	5,815	3,467	472	9,754	(164)	9,590
Income before Income Taxes	$ 1,317	$ 86	$ 66	$ 1,469	$ (9)	$ 1,460
Total Assets	$ 213,494	$ 11,380	$ 3,719	$ 228,593	$ (7,206)	$ 221,387
Depreciation	139	9	5	153	—	153
Impairment	1	1	0	2	—	2
Capital Expenditure	213	24	6	242	—	242

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 list Total income and Income before income taxes, instead of Gross sales and Operating profit of companies in other industries.

4) Capital expenditures include IT related investments.

5) For the year ended March 31, 2008, Provision for reimbursement of deposits is provided for the deposits which are no longer accounted as deposit under certain conditions against the estimated future reimbursement requested by customers calculated based on the past reimbursement record. Deposits which had not been formerly recognized as liabilities were booked as expense when they were reimbursed. This provision was introduced by the new accounting treatment made possible by the JICPA Auditing and Assurance Practice Committee report No.42. As a result of this adoption, Income before Income Taxes for Trust Banking Business decreased by 819 million yen.

(b) Geographic Segment

The following tables present information attributable to domestic and overseas operations for the years ended March 31, 2008 and 2007, and identifiable assets of each operation at March 31, 2008 and 2007.

Year Ended March 31, 2008	Millions of Yen						
	Japan	Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
Income:							
Unaffiliated Customers	¥ 972,096	¥ 62,434	¥ 49,381	¥ 23,186	¥ 1,107,099	¥ —	¥ 1,107,099
Intersegment	23,703	17,289	3,681	5,356	50,029	(50,029)	—
Total Income	995,799	79,723	53,062	28,542	1,157,128	(50,029)	1,107,099
Total Expenses	794,965	89,068	97,968	26,209	1,008,211	(47,383)	960,827
Income before Income Taxes	¥ 200,834	¥ (9,345)	¥ (44,906)	¥ 2,333	¥ 148,916	¥ (2,645)	¥ 146,271
Total Assets	¥ 21,217,581	¥ 1,538,712	¥ 928,336	¥ 583,634	¥ 24,268,265	¥ (2,087,530)	¥ 22,180,734

Year Ended March 31, 2007	Millions of Yen						
	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	¥ 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

Year Ended March 31, 2008	Millions of U.S. Dollars (Note 1)						
	Japan	Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
Income:							
Unaffiliated Customers	**$ 9,703**	**$ 623**	**$ 493**	**$ 231**	**$ 11,050**	**$ —**	**$ 11,050**
Intersegment	**237**	**173**	**37**	**53**	**499**	**(499)**	**—**
Total Income	**9,939**	**796**	**530**	**285**	**11,549**	**(499)**	**11,050**
Total Expenses	**7,935**	**889**	**978**	**262**	**10,063**	**(473)**	**9,590**
Income before Income Taxes	**$ 2,005**	**$ (93)**	**$ (448)**	**$ 23**	**$ 1,486**	**$ (26)**	**$ 1,460**
Total Assets	**$ 211,773**	**$ 15,358**	**$ 9,266**	**$ 5,825**	**$ 242,222**	**$ (20,836)**	**$ 221,387**

1) The tables above list Total income and Income before income taxes, which are classified each regions into geographic proximity, similarity of economic activities and relationship of business activities, instead of Gross sales and Operating profit of companies in other industries.
2) Americas includes United States, Europe includes United Kingdom and Asia/Oceania includes Singapore.
3) For the year ended March 31, 2008, Provision for reimbursement of deposits is provided for the deposits which are no longer accounted as deposit under certain conditions against the estimated future reimbursement requested by customers calculated based on the past reimbursement record. Deposits which had not been formerly recognized as liabilities were booked as expense when they were reimbursed. This provision was introduced by the new accounting treatment made possible by the JICPA Auditing and Assurance Practice Committee report No.42. As a result of this adoption, Income before income taxes for Japan decreased by 819 million yen.

(c) Total Income from Overseas Operations

Total income from overseas operations for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

Year Ended March 31	Millions of Yen (except for percentage data)		Millions of U.S. Dollars (Note1)
	2008	2007	**2008**
Total Income from Overseas Operations (A)	**¥ 135,003**	¥ 116,101	**$ 1,347**
Consolidated Total Income (B)	**1,107,099**	858,580	**11,050**
(A)/(B)	**12.2%**	13.5%	

1) The table above shows Total income instead of Gross sales from overseas operations of companies in other industries.
2) Total income from overseas operations consists of income from transactions of overseas branches of the Bank and consolidated overseas 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, 2008 and 2007.

36. Amount per Share

Net income per share and Net income per share (fully-diluted) for the years ended March 31, 2008 and 2007 consisted of following:

Year Ended March 31, 2008	Net Income (Loss) [Millions of Yen] (Numerator)	Average Common Stock Outstanding [Thousands of Shares] (Denominator)	Per-Share Amount [Yen]
Net Income	¥ 82,344		
Basic Net Income per Share			
Net Income Available to Common Shareholders	82,344	1,674,645	¥ 49.17
Effect of Dilutive Securities			
Warrants		10	
Fully-Diluted Net Income per Share			
Net Income Available to Common Shareholders with Assumed Conversions	¥ 82,344	1,674,655	¥ 49.17

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

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, 2008 and 2007 consisted of following:

Year Ended March 31, 2008	Net Assets [Millions of Yen] (Numerator)	Common Stock Outstanding [Thousands of Shares] (Denominator)	Net Assets per Share [Yen]
Net Assets as Reported	¥ 1,280,954		
Less:Minority Interests	(209,586)		
Net Assets Available to Common Shareholders	¥ 1,071,368	1,674,651	¥ 639.75

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

37. Subsequent Event

For the fiscal year ended March 31, 2008, the Bank held a meeting of its Board of Directors on May 26, 2008 and resolved to establish a wholly owned subsidiary in the Cayman Islands named "STB Preferred Capital 4 (Cayman) Limited" (hereafter "Preferred Capital 4"). Preferred Capital 4 became a specified subsidiary of the Bank by the issuance of preferred securities on June 24, 2008.

(a) Company Information

1) Company Name

STB Preferred Capital 4 (Cayman) Limited

2) Purpose of the Establishment and Business Information

The purpose of the establishment of Preferred Capital 4 is to issue preferred securities and to make subordinated loans to the Bank. All amount of the issuance, which is used for the Bank's capital injection, is expected to increase the Bank's Tier I capital under BIS capital adequacy requirements after the necessary procedures based on related laws and ordinances.

Capital Stock

Common Shares: 1,600 million yen
Preferred Securities: 110,000 million yen

(b) Total Number of Outstanding Shares and Proportionate Interest

1) Common Shares: 1,600,000 Shares
100% owned by the Bank

2) Preferred Securities: 11,000 Shares
100% owned
by entities other than the Bank
Non-voting securities

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

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, 2008 and 2007, and the related consolidated statements of income for the years then ended, the consolidated statement of changes in net assets for the years then ended, and the consolidated statements of cash flows for the years then ended, 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, 2008 and 2007, 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.

Without qualifying our opinion, we draw attention to the following.
As discussed in Note 3(b) to the consolidated financial statements, the Bank has started to adopt Paragraph 30-2 of the "Practical Guidelines for Deferred Tax Accounting in Consolidated Financial Statements" (the JICPA Accounting System Committee Report No.6, March 29, 2007) from the fiscal year ended March 31, 2008.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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 27, 2008

Statements of Trust Account (Unaudited)

At March 31	Millions of Yen 2008	Millions of Yen 2007	Millions of U.S. Dollars (Note 1) 2008
Assets:			
Loans and Bills Discounted (Note 2)	**¥ 447,059**	¥ 591,989	**$ 4,462**
Securities (Note 3)	**11,508,943**	10,496,104	**114,871**
Money Held in Trust	**61,015,610**	50,601,325	**608,999**
Securities Held in Custody Accounts	**434,419**	399,129	**4,336**
Money Claims	**8,908,810**	7,058,417	**88,919**
Tangible Fixed Assets	**4,343,235**	3,854,098	**43,350**
Intangible Fixed Assets	**33,370**	23,865	**333**
Other Claims	**2,822,637**	2,524,875	**28,173**
Call Loans	**45,100**	3,800	**450**
Loans to Banking Account (Note 4)	**747,554**	1,319,548	**7,461**
Cash and Due from Banks	**227,355**	276,793	**2,269**
Total Assets	**¥ 90,534,098**	¥ 77,149,949	**$ 903,624**
Liabilities:			
Money Trusts (Note 5)	**25,545,526**	21,369,242	**254,971**
Pension Trusts	**7,100,851**	6,970,683	**70,874**
Property Formation Benefit Trusts	**7,203**	8,207	**72**
Loan Trusts (Note 6)	**278,182**	685,561	**2,777**
Securities Investment Trusts	**21,484,220**	16,912,419	**214,435**
Money Entrusted, other than Money Trusts	**3,042,883**	3,020,418	**30,371**
Securities Trusts	**15,885,157**	13,535,165	**158,550**
Money Claim Trusts	**8,638,407**	6,740,747	**86,220**
Equipment Trusts	**—**	1,147	**—**
Land and Fixtures Trusts	**149,581**	146,802	**1,493**
Composite Trusts	**8,402,083**	7,759,552	**83,861**
Other Trusts	**0**	0	**0**
Total Liabilities	**¥ 90,534,098**	¥ 77,149,949	**$ 903,624**

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 100.19 yen to 1.00 U.S. dollar, at March 31, 2008.

2. Loans and Bills Discounted

Loans and bills discounted at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	**2008**
Loans on Deeds	**¥ 282,204**	¥ 347,082	**$ 2,817**
Loans on Bills	**164,855**	244,907	**1,645**
Total	**¥ 447,059**	¥ 591,989	**$ 4,462**

The balances of Guaranteed trust account loans at March 31, 2008 and 2007 were 328,913 million yen and 428,943 million yen, respectively, which included the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	**2008**
Loans in Bankruptcy Proceedings	**¥ —**	¥ —	**$ —**
Other Delinquent Loans	**14,656**	2,688	**146**
Loans more than Three Months Past Due	**—**	—	**—**
Restructured Loans	**745**	16,829	**7**

Note: Refer to page 78 for the definition of each item.

3. Securities

Securities held at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	**2008**
Government Bonds	**¥ 4,935,952**	¥ 4,324,625	**$ 49,266**
Local Government Bonds	**381,452**	294,706	**3,807**
Corporate Bonds and Debentures	**1,402,317**	1,254,963	**13,997**
Stocks	**2,504,860**	2,469,301	**25,001**
Foreign Securities	**2,283,091**	2,151,716	**22,788**
Other Securities	**1,269**	791	**13**
Total	**¥ 11,508,943**	¥ 10,496,104	**$ 114,871**

4. Loans to Banking Account

Loans to banking account are 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 ("JOMTs"). JOMTs 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, 2008 and 2007 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)
	2008	2007	**2008**
Assets:			
Loans and Bills Discounted	**¥ 328,913**	¥ 428,943	**$ 3,283**
Securities	**9,796**	14,673	**98**
Others	**359,544**	461,846	**3,589**
Total	**¥ 698,254**	¥ 905,462	**$ 6,969**
Liabilities:			
Principal	**696,894**	903,689	**6,956**
Reserve for Possible Impairment of Principal	**924**	1,235	**9**
Others	**434**	537	**4**
Total	**¥ 698,254**	¥ 905,462	**$ 6,969**

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, 2008 and 2007 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)
	2008	2007	**2008**
Assets:			
Loans and Bills Discounted	**¥ —**	¥ —	**$ —**
Securities	**—**	—	**—**
Others	**288,201**	700,772	**2,877**
Total	**¥ 288,201**	¥ 700,772	**$ 2,877**
Liabilities:			
Principal	**284,609**	694,587	**2,841**
Reserve for Possible Impairment of Principal	**1,839**	4,136	**18**
Others	**1,752**	2,047	**17**
Total	**¥ 288,201**	¥ 700,772	**$ 2,877**

Non-consolidated Balance Sheets (Unaudited)

The Sumitomo Trust and Banking Company, Limited at March 31, 2008 and 2007

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	**2008**
Assets:			
Cash and Due from Banks	**¥ 860,067**	¥ 761,614	**$ 8,584**
Call Loans	**54,022**	244,125	**539**
Receivables under Securities Borrowing Transactions	**152,240**	—	**1,520**
Monetary Claims Bought	**465,918**	646,072	**4,650**
Trading Assets	**1,079,618**	610,925	**10,776**
Money Held in Trust	**17,533**	20,031	**175**
Securities	**4,891,135**	5,504,467	**48,819**
Loans and Bills Discounted	**11,033,244**	10,797,440	**110,123**
Foreign Exchanges	**7,946**	6,618	**79**
Other Assets	**2,164,785**	1,041,532	**21,607**
Tangible Fixed Assets	**116,167**	114,020	**1,159**
Intangible Fixed Assets	**21,472**	21,392	**214**
Deferred Tax Assets	**63,670**	—	**635**
Customers' Liabilities for Acceptances and Guarantees	**687,736**	741,588	**6,864**
Allowance for Loan Losses	**(96,799)**	(97,879)	**(966)**
Allowance for Investment Loss	**(5,514)**	(6,993)	**(55)**
Total Assets	**¥ 21,513,246**	¥ 20,404,956	**$ 214,724**
Liabilities:			
Deposits	**11,810,218**	11,317,081	**117,878**
Negotiable Certificates of Deposit	**2,466,695**	2,371,648	**24,620**
Call Money	**140,152**	153,620	**1,399**
Payables under Repurchase Agreements	**790,588**	683,686	**7,891**
Payables under Securities Lending Transactions	**131,957**	292,166	**1,317**
Trading Liabilities	**339,643**	55,720	**3,390**
Borrowed Money	**770,820**	826,578	**7,694**
Foreign Exchanges	**469**	183	**5**
Short-term Bonds Payable	**304,814**	293,490	**3,042**
Bonds Payable	**315,964**	260,590	**3,154**
Borrowed Money from Trust Account	**747,554**	1,319,548	**7,461**
Other Liabilities	**1,965,696**	776,518	**19,620**
Provision for Bonuses	**3,954**	3,620	**39**
Provision for Directors' Bonuses	**75**	85	**1**
Provision for Retirement Benefits	**212**	200	**2**
Provision for Reimbursement of Deposits	**819**		**8**
Provision for Contingent Loss	**7,806**		**78**
Provision for Relocation Expenses	**2,243**	—	**22**
Deferred Tax Liabilities	**—**	107,010	**—**
Deferred Tax Liabilities for Land Revaluation	**6,021**	6,113	**60**
Acceptances and Guarantees	**687,736**	741,588	**6,864**
Total Liabilities	**¥ 20,493,446**	¥ 19,209,450	**$ 204,546**
Net Assets:			
Shareholders' Equity	**956,540**	914,963	**9,547**
Capital Stock	**287,537**	287,517	**2,870**
Capital Surplus:	**242,555**	242,538	**2,421**
Legal Capital Surplus	**242,555**	242,536	**2,421**
Other Capital Surplus	**0**	2	**0**
Retained Earnings:	**426,888**	385,296	**4,261**
Legal Retained Earnings	**46,580**	46,580	**465**
Other Retained Earnings	**380,308**	338,715	**3,796**
Reserve for Overseas Investment Loss	**0**	0	**0**
Other Voluntary Reserve	**301,870**	251,870	**3,013**
Retained Earnings Brought Forward	**78,438**	86,845	**783**
Treasury Stock	**(441)**	(389)	**(4)**
Valuation and Translation Adjustments	**63,259**	280,542	**631**
Valuation Difference on Available-for-Sale Securities	**65,936**	294,424	**658**
Deferred Gains or Losses on Hedges	**1,629**	(9,713)	**16**
Revaluation Reserve for Land	**(4,306)**	(4,168)	**(43)**
Total Net Assets	**¥ 1,019,800**	¥ 1,195,505	**$ 10,179**
Total Liabilities and Net Assets	**¥ 21,513,246**	¥ 20,404,956	**$ 214,724**

	Yen		U.S. Dollars (Note 1)
Net Assets per Share	**¥ 608.96**	¥ 713.90	**$ 6.08**

See accompanying notes.

Non-consolidated Statements of Income (Unaudited)

The Sumitomo Trust and Banking Company, Limited for the years ended March 31, 2008 and 2007

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2008	2007	**2008**
Income:			
Trust Fees	**¥ 74,641**	¥ 73,226	**$ 745**
Interest Income:			
Interest on Loans and Discounts	**209,055**	181,363	**2,087**
Interest and Dividends on Securities	**155,491**	128,535	**1,552**
Other Interest Income	**23,005**	23,294	**230**
	387,552	333,194	**3,868**
Fees and Commissions	**92,936**	97,249	**928**
Trading Income	**16,288**	8,311	**163**
Other Ordinary Income	**69,736**	27,953	**696**
Other Income	**52,537**	23,745	**524**
Total Income	**¥ 693,693**	¥ 563,680	**$ 6,924**
Expenses:			
Interest Expenses:			
Interest on Deposits	**131,746**	109,869	**1,315**
Interest on Borrowings and Rediscounts	**24,554**	16,584	**245**
Other Interest Expenses	**85,858**	61,066	**857**
	242,158	187,521	**2,417**
Fees and Commissions Payments	**39,206**	39,500	**391**
Trading Expenses	**2,885**	166	**29**
Other Ordinary Expenses	**51,209**	16,392	**511**
General and Administrative Expenses	**135,182**	120,959	**1,349**
Other Expenses	**109,768**	66,643	**1,096**
Total Expenses	**¥ 580,410**	¥ 431,183	**$ 5,793**
Income before Income Taxes	**¥ 113,282**	¥ 132,497	**$ 1,131**
Income Taxes:			
Current	**65,661**	48,046	**655**
Deferred	**(22,303)**	2,636	**(223)**
Net Income	**¥ 69,924**	¥ 81,813	**$ 698**

	Yen		U.S. Dollars (Note 1)
Net Income per Share	**¥ 41.75**	¥ 48.89	**$ 0.42**
Net Income per Share (fully-diluted)	**41.75**	48.89	**0.42**
Annual Dividends per Share	**17.00**	17.00	**0.17**

See accompanying notes.

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

The Sumitomo Trust and Banking Company, Limited for the year ended March 31, 2008 and 2007

	Number of Shares	Millions of Yen			
		Shareholders' Equity			
			Capital Surplus		
	Common Stock (Thousands)	Capital Stock	Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus
Balance at March 31, 2006	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					
Decrease in Reserve for Overseas Investment Loss					
Net Changes of Items Other than Shareholders' Equity					
Total Changes of Items during the Period	2,141	¥ 233	¥ 1,832	¥ 2	¥ 1,832
Balance at March 31, 2007	**1,675,034**	**¥ 287,517**	**¥ 242,536**	**¥ 2**	**¥ 242,538**
Changes of Items during the Period:					
Issuance of New Shares	**94**	**19**	**19**		**19**
Dividends from Surplus			—	—	—
Net Income					
Purchase of Treasury Stock					
Disposal of Treasury Stock			—	(2)	(2)
Reversal of Revaluation Reserve for Land					
Increase in Reserve for Overseas Investment Loss					
Net Changes of Items Other than Shareholders' Equity					
Total Changes of Items during the Period	**94**	**¥ 19**	**¥ 19**	**¥ (2)**	**¥ 16**
Balance at March 31, 2008	**1,675,128**	**¥ 287,537**	**¥ 242,555**	**¥ 0**	**¥ 242,555**

	Millions of U.S. Dollars (Note 1)			
	Shareholders' Equity			
		Capital Surplus		
	Capital Stock	Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus
Balance at March 31, 2007	**$ 2,870**	**$ 2,421**	**$ 0**	**$ 2,421**
Changes of Items during the Period:				
Issuance of New Shares	**0**	**0**		**0**
Dividends from Surplus		—	—	—
Net Income				
Purchase of Treasury Stock				
Disposal of Treasury Stock		—	(0)	(0)
Reversal of Revaluation Reserve for Land				
Decrease in Reserve for Overseas Investment Loss				
Net Changes of Items Other than Shareholders' Equity				
Total Changes of Items during the Period	**$ 0**	**$ 0**	**$ (0)**	**$ 0**
Balance at March 31, 2008	**$ 2,870**	**$ 2,421**	**$ 0**	**$ 2,421**

See accompanying notes.

Millions of Yen									
Shareholders' Equity					Valuation and Translation Adjustments				Total Net Assets
Retained Earnings			Treasury Stock	Total Shareholders' Equity	Valuation Difference on Available-for-Sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Total Valuation and Translation Adjustments	
Legal Retained Earnings	Other Retained Earnings	Total Retained Earnings							
¥ 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
				39					39
—	(28,468)	(28,468)		(28,468)					(28,468)
	69,924	69,924		69,924					69,924
			(81)	(81)					(81)
	—	—	30	27					27
	136	136		136					136
	(0)	(0)		(0)					(0)
					(228,488)	11,343	(137)	(217,283)	(217,283)
¥ —	¥ 41,592	¥ 41,592	¥ (51)	¥ 41,577	¥ (228,488)	¥ 11,343	¥ (137)	¥ (217,283)	¥ (175,705)
¥ 46,580	¥ 380,308	¥ 426,888	¥ (441)	¥ 956,540	¥ 65,936	¥ 1,629	¥ (4,306)	¥ 63,259	¥ 1,019,800

Millions of U.S. Dollars (Note 1)									
Shareholders' Equity					Valuation and Translation Adjustments				Total Net Assets
Retained Earnings			Treasury Stock	Total Shareholders' Equity	Valuation Difference on Available-for-Sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Total Valuation and Translation Adjustments	
Legal Retained Earnings	Other Retained Earnings	Total Retained Earnings							
$ 465	$ 3,381	$ 3,846	$ (4)	$ 9,132	$ 2,939	$ (97)	$ (42)	$ 2,800	$ 11,932
				0					0
—	(284)	(284)		(284)					(284)
	698	698		698					698
			(1)	(1)					(1)
	—	—	0	0					0
	1	1		1					1
	(0)	(0)		(0)					(0)
					(2,281)	113	(1)	(2,169)	(2,169)
$ —	$ 415	$ 415	$ (1)	$ 415	$ (2,281)	$ 113	$ (1)	$ (2,169)	$ (1,754)
$ 465	$ 3,796	$ 4,261	$ (4)	$ 9,547	$ 658	$ 16	$ (43)	$ 631	$ 10,179

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 Financial Instruments and Exchange Law of Japan (the "FIEL"), the Banking Law of Japan and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). Certain Japanese GAAP 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 FIEL. 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 100.19 yen to 1.00 U.S. dollars, the exchange rate prevailing at March 31, 2008. 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 FIEL, 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
	2008	2007	2008
Domestic Offices (Excluding Offshore Loans):			
Manufacturing	¥ 1,274,624	¥ 1,223,520	$ 12,722
Agriculture, Forestry, Fishing, and Mining	19,302	26,429	193
Construction	128,755	144,876	1,285
Energy	160,516	159,790	1,602
Communication	143,738	136,607	1,435
Transportation	682,956	697,461	6,817
Wholesale and Retail	914,837	891,318	9,131
Finance and Insurance	1,563,721	1,773,192	15,608
Real Estate	1,697,833	1,501,184	16,946
Various Services	1,034,973	1,069,720	10,330
Local Governments	53,899	59,998	538
Individuals and Others	1,987,702	1,807,687	19,839
Subtotal	¥ 9,662,862	¥ 9,491,788	$ 96,445
Overseas Offices (Including Offshore Loans of Domestic Offices):			
Governments and Official Institutions	829	1,215	8
Banks and Other Financial Institutions	60,057	7,686	599
Others	1,022,479	986,547	10,205
Subtotal	¥ 1,083,366	¥ 995,449	$ 10,813
Total	¥ 10,746,228	¥ 10,487,237	$ 107,258

Note: U.S. dollar amounts are translated solely for convenience at the rate of 100.19 yen to U.S. 1.00 dollar, at March 31, 2008.

(ii) Trust Account

	Millions of Yen		Millions of U.S. Dollars
	2008	2007	2008
Domestic Offices (Excluding Offshore Loans):			
Manufacturing	¥ 25,150	¥ 24,877	$ 251
Agriculture, Forestry, Fishing, and Mining	—	—	—
Construction	787	1,575	8
Energy	2,047	2,679	20
Communication	307	1,315	3
Transportation	10,015	10,052	100
Wholesale and Retail	6,932	12,003	69
Finance and Insurance	51,015	50,961	509
Real Estate	8,471	10,330	85
Various Services	111,562	195,310	1,114
Local Governments	30,421	32,771	304
Individuals and Others	200,347	250,110	2,000
Total	¥ 447,059	¥ 591,989	$ 4,462

Note: U.S. dollar amounts are translated solely for convenience at the rate of 100.19 yen to U.S. 1.00 dollar, at March 31, 2008.

Financial Section

Five-Year Summary

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

Consolidated Statements of Banking Account	Millions of Yen				
	2008	2007	2006	2005	2004
At Year-End					
Assets:					
Cash and Due from Banks	¥ **891,560**	¥ 789,472	¥ 892,274	¥ 432,183	¥ 747,328
Securities	**4,602,451**	5,265,243	5,767,544	4,587,489	3,636,779
Loans and Bills Discounted	**10,746,228**	10,487,237	10,186,276	9,013,920	8,862,059
Premises and Equipment			109,653	106,826	108,861
Tangible Fixed Assets	**132,743**	131,120			
Intangible Fixed Assets	**148,241**	134,619			
Customers' Liabilities for Acceptances and Guarantees	**488,865**	516,865	533,760	399,099	340,283
Others	**5,277,327**	3,791,896	3,218,636	1,467,620	1,790,879
Allowance for Loan Losses	**(106,683)**	(106,671)	(76,206)	(80,806)	(111,785)
Allowance for Investment Loss	**—**	(6,718)	—	(17,958)	(3,027)
Total Assets	**¥ 22,180,734**	¥ 21,003,064	¥ 20,631,938	¥ 15,908,374	¥ 15,371,378
Liabilities:					
Deposits and Negotiable Certificates of Deposit	**14,332,444**	13,715,918	12,771,890	10,617,221	10,167,535
Acceptances and Guarantees	**488,865**	516,865	533,760	399,099	340,283
Others	**6,078,470**	5,322,373	6,049,210	3,897,076	3,971,173
Total Liabilities	**¥ 20,899,780**	¥ 19,555,157	¥ 19,354,861	¥ 14,913,397	¥ 14,478,992
Minority Interest	¥	¥	¥ 159,085	¥ 85,250	¥ 90,356
Total Stockholders' Equity	¥	¥	¥ 1,117,991	¥ 909,726	¥ 802,029
Total Liabilities, Minority Interest and Stockholders' Equity	¥	¥	¥ 20,631,938	¥ 15,908,374	¥ 15,371,378
Net Assets:					
Shareholders' Equity	¥ **1,013,338**	¥ 959,340	¥	¥	¥
Valuation and Translation Adjustments	**58,029**	277,817			
Minority Interests	**209,586**	210,749			
Total Net Assets	**¥ 1,280,954**	¥ 1,447,907	¥	¥	¥
Total Liabilities and Net Assets	**¥ 22,180,734**	¥ 21,003,064	¥	¥	¥
For The Year					
Income:					
Trust Fees	¥ **74,628**	¥ 73,226	¥ 68,900	¥ 71,316	¥ 76,401
Interest Income	**405,653**	344,541	271,359	238,698	213,292
Fees and Commissions	**131,132**	134,250	124,999	88,466	72,137
Trading Income	**16,288**	8,311	6,317	4,239	3,760
Other Ordinary Income	**418,847**	261,632	234,106	46,861	76,227
Other Income	**60,548**	36,618	85,929	79,930	64,455
Total Income	¥ **1,107,099**	¥ 858,580	¥ 791,613	¥ 529,513	¥ 506,274
Expenses:					
Interest Expenses	**243,903**	184,455	120,386	89,684	93,583
Fees and Commissions Payments	**28,829**	30,498	24,427	20,996	19,309
Trading Expenses	**2,885**	166	812	72	—
Other Ordinary Expenses	**364,225**	222,739	200,514	51,008	49,015
General and Administrative Expenses	**202,939**	183,334	174,527	138,239	132,716
Other Expenses	**118,044**	69,606	99,603	71,657	72,993
Total Expenses	¥ **960,827**	¥ 690,801	¥ 620,273	¥ 371,658	¥ 367,618
Income before Income Taxes	¥ **146,271**	¥ 167,778	¥ 171,340	¥ 157,854	¥ 138,656
Net Income	¥ **82,344**	¥ 103,820	¥ 100,069	¥ 96,865	¥ 79,629
Per Share (Common Stock)					
Net Income per Share (Yen)	¥ **49.17**	¥ 62.05	¥ 59.91	¥ 59.86	¥ 53.98
Net Income per Share (fully-diluted) (Yen)	**49.17**	62.04	59.87	58.07	48.32
Net Assets per Share (Yen)	**639.75**	738.77	668.38	545.98	481.03

Five-Year Summary

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

Non-consolidated Statements of Banking Account	Millions of Yen				
	2008	2007	2006	2005	2004
At Year-End					
Assets:					
Cash and Due from Banks	**¥ 860,067**	¥ 761,614	¥ 876,989	¥ 429,308	¥ 751,656
Securities	**4,891,135**	5,504,467	5,938,057	4,587,448	3,636,250
Loans and Bills Discounted	**11,033,244**	10,797,440	10,352,598	9,035,826	8,887,978
Premises and Equipment			93,237	96,126	97,932
Tangible Fixed Assets	**116,167**	114,020			
Intangible Fixed Assets	**21,472**	21,392			
Customers' Liabilities for Acceptances and Guarantees	**687,736**	741,588	648,335	561,253	474,756
Others	**4,005,736**	2,569,306	2,529,550	1,405,403	1,738,137
Allowance for Loan Losses	**(96,799)**	(97,879)	(66,501)	(77,076)	(109,091)
Allowance for Investment Loss	**(5,514)**	(6,993)	(535)	(19,704)	(4,774)
Total Assets	**¥ 21,513,246**	¥ 20,404,956	¥ 20,371,732	¥ 16,018,584	¥ 15,472,846
Liabilities:					
Deposits and Negotiable Certificates of Deposit	**14,276,913**	13,688,729	12,737,818	10,591,348	10,145,980
Acceptances and Guarantees	**687,736**	741,588	648,335	561,253	474,756
Others	**5,528,795**	4,779,131	5,889,529	3,962,969	4,043,677
Total Liabilities	**¥ 20,493,446**	¥ 19,209,450	¥ 19,275,682	¥ 15,115,571	¥ 14,664,414
Stockholders' Equity:					
Capital Stock			287,283	287,053	287,018
Reserves and Surplus			808,765	615,960	521,414
Total Stockholders' Equity	¥	¥	¥ 1,096,049	¥ 903,013	¥ 808,432
Total Liabilities and Stockholders' Equity	¥	¥	¥ 20,371,732	¥ 16,018,584	¥ 15,472,846
Net Assets:					
Shareholders' Equity	**¥ 956,540**	¥ 914,963	¥	¥	¥
Valuation and Translation Adjustments	**63,259**	280,542			
Total Net Assets	**¥ 1,019,800**	¥ 1,195,505	¥	¥	¥
Total Liabilities and Net Assets	**¥ 21,513,246**	¥ 20,404,956	¥	¥	¥
For The Year					
Income:					
Trust Fees	**¥ 74,641**	¥ 73,226	¥ 68,900	¥ 71,316	¥ 76,401
Interest Income	**387,552**	333,194	265,252	238,477	212,429
Fees and Commissions	**92,936**	97,249	98,583	72,405	57,984
Trading Income	**16,288**	8,311	6,317	4,239	3,760
Other Ordinary Income	**69,736**	27,953	40,545	46,858	76,201
Other Income	**52,537**	23,745	80,263	69,389	60,799
Total Income	**¥ 693,693**	¥ 563,680	¥ 559,864	¥ 502,687	¥ 487,577
Expenses:					
Interest Expenses	**242,158**	187,521	122,323	91,547	94,981
Fees and Commissions Payments	**39,206**	39,500	37,278	34,236	30,453
Trading Expenses	**2,885**	166	812	72	—
Other Ordinary Expenses	**51,209**	16,392	33,747	50,972	49,015
General and Administrative Expenses	**135,182**	120,959	125,840	115,260	113,467
Other Expenses	**109,768**	66,643	91,281	70,597	73,660
Total Expenses	**¥ 580,410**	¥ 431,183	¥ 411,284	¥ 362,686	¥ 361,578
Income before Income Taxes	**¥ 113,282**	¥ 132,497	¥ 148,580	¥ 140,000	¥ 125,998
Net Income	**¥ 69,924**	¥ 81,813	¥ 88,497	¥ 84,700	¥ 73,928
Annual Dividends	**28,469**	28,455	20,057	19,992	9,631
Per Share (Common Stock)					
Net Income per Share (Yen)	**¥ 41.75**	¥ 48.89	¥ 52.98	¥ 52.34	¥ 50.09
Net Income per Share (fully-diluted) (Yen)	**41.75**	48.89	52.94	50.77	44.86
Annual Dividends per Share (Yen)	**17.00**	17.00	12.00	12.00	6.00
Interim	**8.50**	8.50	6.00	—	—
Year-end	**8.50**	8.50	6.00	12.00	6.00
Net Assets per Share (Yen)	**608.96**	713.90	655.26	541.95	485.27

Five-Year Summary

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

Statements of Trust Account	Millions of Yen				
	2008	2007	2006	2005	2004
At Year-End					
Assets:					
Loans and Bills Discounted	**¥ 447,059**	¥ 591,989	¥ 755,381	¥ 912,294	¥ 1,132,607
Securities	**11,508,943**	10,496,104	7,725,066	6,717,120	5,796,846
Other Assets	**78,578,095**	66,061,854	53,189,419	45,016,095	44,959,710
Total Assets	**¥ 90,534,098**	¥ 77,149,949	¥ 61,669,866	¥ 52,645,509	¥ 51,889,165
Liabilities:					
Money Trusts	**25,545,526**	21,369,242	18,070,043	17,256,145	18,475,916
Pension Trusts	**7,100,851**	6,970,683	5,811,884	4,980,875	6,017,425
Property Formation Benefit Trusts	**7,203**	8,207	9,214	10,806	11,256
Loan Trusts	**278,182**	685,561	885,962	1,043,955	1,362,069
Other Trusts	**57,602,333**	48,116,254	36,892,761	29,353,727	26,022,497
Total Liabilities	**¥ 90,534,098**	¥ 77,149,949	¥ 61,669,866	¥ 52,645,509	¥ 51,889,165

Total Employable Funds	Millions of Yen				
	2008	2007	2006	2005	2004
At Year-End					
Deposits	**¥ 14,276,913**	¥ 13,688,729	¥ 12,737,818	¥ 10,591,348	¥ 10,145,980
Money Trusts	**25,545,526**	21,369,242	18,070,043	17,256,145	18,475,916
Pension Trusts	**7,100,851**	6,970,683	5,811,884	4,980,875	6,017,425
Property Formation Benefit Trusts	**7,203**	8,207	9,214	10,806	11,256
Loan Trusts	**278,182**	685,561	885,962	1,043,955	1,362,069
Total Employable Funds*	**¥ 47,208,679**	¥ 42,722,424	¥ 37,514,923	¥ 33,883,131	¥ 36,012,648

* 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

Sumitomo Trust is engaging in active efforts to enhance its strength as an institution that combines banking, trust and real estate operations, and to strengthen its business strategies and management infrastructure, while seeking to achieve the right balance between its offensive and "defensive" capabilities. We recognize the importance of risk management as a key element of our defensive capability underlying the vigorous execution of business strategies and its place at the top of our management priorities.

In fiscal year 2007, the financial disruptions caused by the U.S. subprime mortgage problems spread through the financial markets in Japan as well as in other countries, affecting part of our assets holdings. We evaluated the affected assets at appropriate market value and booked losses related to the resultant write-downs within the fiscal year. In light of this situation, we are striving to further improve and advance our risk management framework.

We consider that the basis of risk management is to ensure the efficiency of PDCA (Plan, Do, Check, Action) cycles for each risk category across Sumitomo Trust according to the "Risk Management Policy" set by the Board of Directors. It is this Sumitomo Trust risk management framework, we recognize, that allows us to properly identify, assess, monitor, control and mitigate risk assets. Especially, under the recent circumstances where the business environment is undergoing significant change, and financial products have become increasingly complicated, it is essential to clarify authority and its delegation, organizational structure, and management processes, as well as to enhance human resources development in order to improve the effectiveness of the PDCA cycle. We consider that taking further steps to make the internal risk management framework more sophisticated is the key to strengthening our competitiveness in light of "defensive" capabilities.

(1) Types and Characteristics of Risks

Our "Risk Management Policy" classifies risk categories, by the cause of risk we face in business operations, into credit risk, market risk, operational risk, and liquidity risk.

Credit risk is the risk of reduction or impairment of the value of assets (including off-balance sheet assets) 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, share prices and exchange rates.

Operational risk refers to the risk of losses arising from inappropriate business processes, and the activities of officers/employees and computer systems as well as external incidents. In our case, business processing risk, information security risk, compliance risk, human resource risk, event risk and reputational risk are included.

Liquidity risk includes funding risk and market liquidity risk.

• 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	Operations 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 loss due to inability to secure necessary funds, or due to being forced to pay interest rates significantly above normal in fund procurement, and risk of loss due to inability to transact in a market, or due to being forced to accept disadvantageous prices in transactions.

(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.

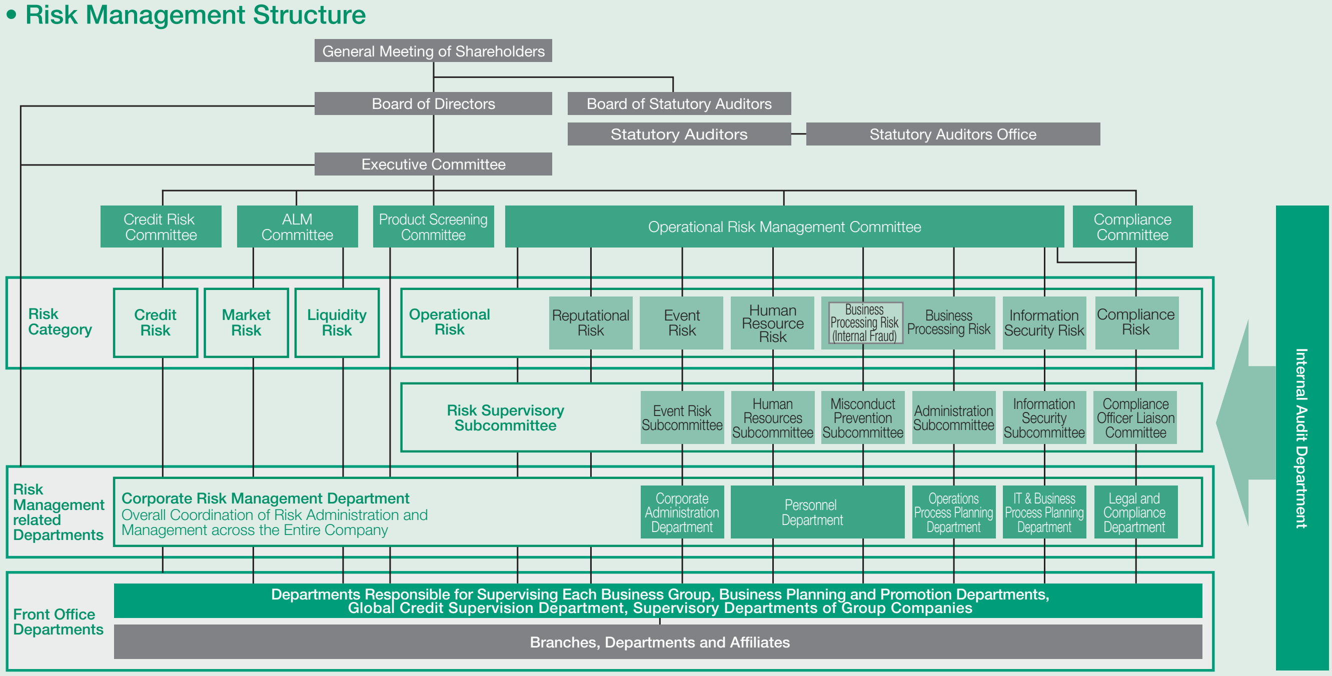
4) Front Office Departments

Execute transactions and operations with the purpose of increasing revenues, while also supervising the accompanying planning, examining, or 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 based on regulations, comprehensively measure them after individually assessing respective risk categories, and manage these risks by comparing them with our overall financial strength in terms of capital adequacy and efficiency (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 according to our business operations (the one-tailed confidence interval of 99.9%, the 1 year time horizon) (Integrated Risk Management).

* Value at Risk (VaR): Risk amount measurement indicator. 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. We are applying an adequately conservative level of measurement with a one-tailed confidence interval of 99.9%.

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. We evaluate our financial strength by comparing the amount of risk with capital adequacy, such as a "risk buffer" or "risk capital"; at the same time, we are pursuing capital efficiency by distributing the capital to each risk category or business unit, according to the business projects, to observe capital-based profit as an indicator.

We compare the "integrated risk amount" to "risk capital (Tier I + 60% of unrealized gains on securities)" to confirm the "securing of financial soundness." From the viewpoint of protecting depositors, we strictly evaluate financial soundness by comparing the "integrated risk amount (under stress scenarios)," which is calculated under the condition that the diversification effect assumed among various risk categories cannot be expected, with the "risk buffer (Tier I+unrealized gains on securities+perpetual subordinated bonds)."

The integrated risk amount at the end of March 2008, in either of the cases indicated above, was within the capital (risk capital/risk buffer), which was evaluated that financial soundness was maintained (capital adequacy).

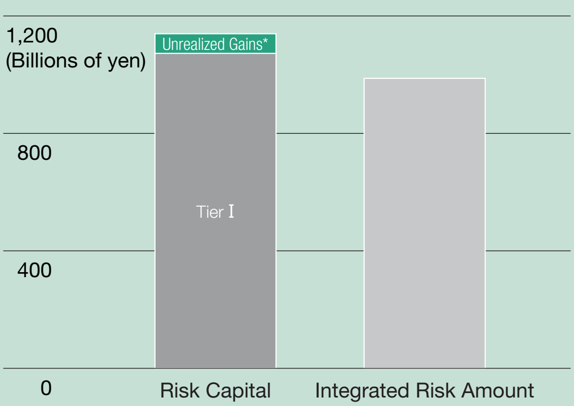
Regarding the "maximization of shareholders' value," "Risk capital" is allocated to business groups and divisions, and capital efficiency for each business group or division is assessed in terms of SVA (shareholder value added) and ROE (return on equity), using risk-adjusted return as an indicator (capital efficiency).

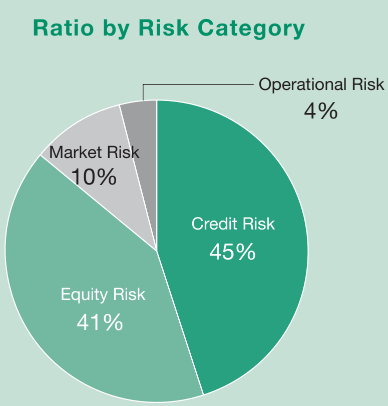
• Verification of Capital Adequacy

(1 Year Time Horizon, One-tailed 99.9% Confidence Interval)

(As of the end of March 2008, Billions of yen)

Tier I	1,073.3
Risk Capital (Tier I + 60% of unrealized gains on securities)	1,138.8
Integrated Risk Amount	982.0





*"Unrealized Gains" in risk capital represents 60% of unrealized gains on securities incorporated into risk capital.

(4) Coping with Basel II

The Basel II framework, designed to assure the bank's 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, in the context of past enterprise risk management, as follows:

1) "The First Pillar"

The first pillar is designed to manage the required capital calculated under the regulation-prescribed methods. An internationally active bank is required under the Basel II to have total capital of at least 8% of the aggregate of credit risk, market risk and operational risk, in addition to further elaborating the measurement of credit risk.

Under Basel II, banks are to choose risk methods according to their internal risk management frameworks, and we have adopted the following approaches.

2) "The Second Pillar"

The second pillar comprises the management of overall risks, including "interest rate risk in the banking account" and "credit concentration risk," which are particularly important among risks not covered by the first pillar, by the banks themselves, and the examination of the banks' capital adequacy by the banking supervisory authorities through the processes of evaluation and supervision. It is aimed at maintaining and improving the soundness of the management of banks. We are managing these risks within the internal risk management framework.

3) "The Third Pillar"

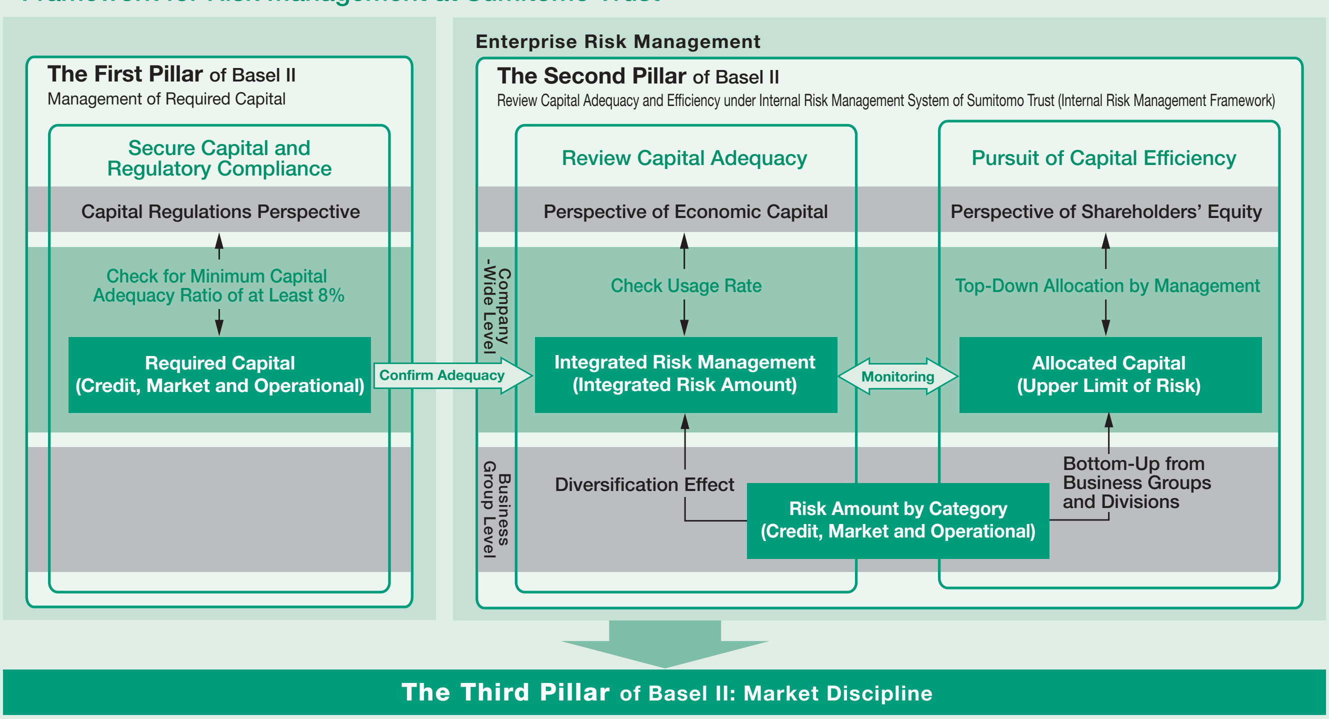
The third pillar is designed to aim at maintaining and improving the soundness of bank management by enhancing information disclosure regarding matters related to the first and second pillars, such as capital adequacy and risk management, thereby increasing the effectiveness of market discipline to be exerted on banks.

• Method and Calculation

$$\text{Capital Adequacy Ratio} = \frac{\text{Capital (Amount)}}{\text{Credit Risk} + \text{Market Risk} + \text{Operational Risk}}$$

Credit Risk	Foundation Internal Ratings-Based (IRB) Approach (see page 124)
Market Risk	Internal Models Approach (see page 131)
Operational Risk	Standardized Approach (see page 135)

• 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." For the former, we are making efforts to mitigate credit concentration risk by managing, on a sector-by-sector and country-by-country basis, the diversification of the overall credit portfolio, including large borrowers. For the latter, on the other hand, we are managing individual credits in a more elaborate manner through the operation of credit screening, self-assessment and internal credit ratings.

Furthermore, we have set a standard for 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 principal guaranteed trust account (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 and decides on the credit strategy and economic capital plan, and brings them to the Board of Directors. Also, the Committee develops and reviews 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 basic credit policies as well as 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, and verifies the appropriateness of the Internal Ratings System. Also, it designs and facilitates the management of credit risk in a proper manner as a risk management related department pertaining to credit risk.

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), and deals with problematic loans.

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

Based on the idea that keeping close tabs on credit exposure to each obligor as the basics of credit risk management, we manage loans, stocks, off-balance sheet and other transactions in a comprehensive and integrated manner. The credit amounts equivalent to derivatives transactions are calculated and managed on a current exposure basis (i.e., the reproduction cost of the transaction concerned). We place limits on credit exposures thus calculated, 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 Executive 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 126 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 credit risk 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 and the principal guaranteed trust account on a constant basis, and determine the classification of obligors 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. In Sumitomo Trust, we manage credit risk through self-assessment, and also write off bad loans and set aside loan loss reserves in an appropriate manner.

• 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			
3			
4			
5			
6			
7	Requiring careful monitoring	Ⅱ	
8	3-month delinquent/restructured		Default
9	At risk of bankruptcy	Ⅲ	
10	Legally bankrupt and virtually bankrupt	Ⅳ	

(Note) Individual credit ratings can be further adjusted, where necessary, through the addition of [+] or [-] symbols.

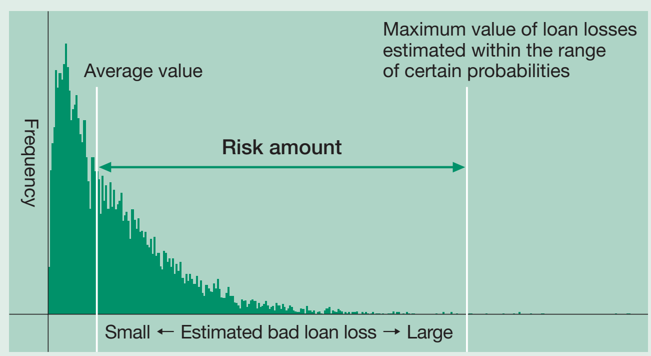
The credit rating systems and the self-assessment system share basic financial data of customers, and are administered in a mutually consistent manner, to enable Sumitomo Trust to evaluate the soundness of credit portfolios by property reflecting the creditworthiness of customers.

(5) Credit Risk Quantification

The measurement of credit risk amount we conduct is designed to quantitatively grasp the extent as to how far the company's assets are likely to incur losses from credit events over the coming year. In particular, based on estimates of default rates in each grade of credit rating and recovery rates, we measure the difference between the maximum value of bad loan losses estimated within the range of certain probabilities and the expected bad loan loss, which is the average value of estimated bad 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



In the actual measurement, as our method is designed to factor in the correlation between individual assets, the risk amount figured out reflects not only the quality of assets, but also the effects 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 these features of monitoring, we seek an operation of the credit portfolio that maximizes 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 adequacy ratio 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 calculated based on data on actual results. However, as a complementary measure, we also conduct "stress testing," intended to estimate the maximum possible losses that may arise from a situation that represents an aberration from historical data but could theoretically occur. 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.

Prompted by the U.S. subprime mortgage problems, we are striving to enhance the method for measuring the amount of price risk inherent in credit risk and our capability of formulating stress scenarios.

(II) Coping with Basel II

(1) Measurement of Required Capital by the IRB Approach

As a method for measuring the credit risk related to the calculation of the required capital under Basel II, Sumitomo Trust has adopted the "Internal Ratings-Based Approach," which uses credit ratings and other internal data for the management of obligors.

(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 (Credit Ratings and Credit Rating Pool Categories)

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" on page 126.

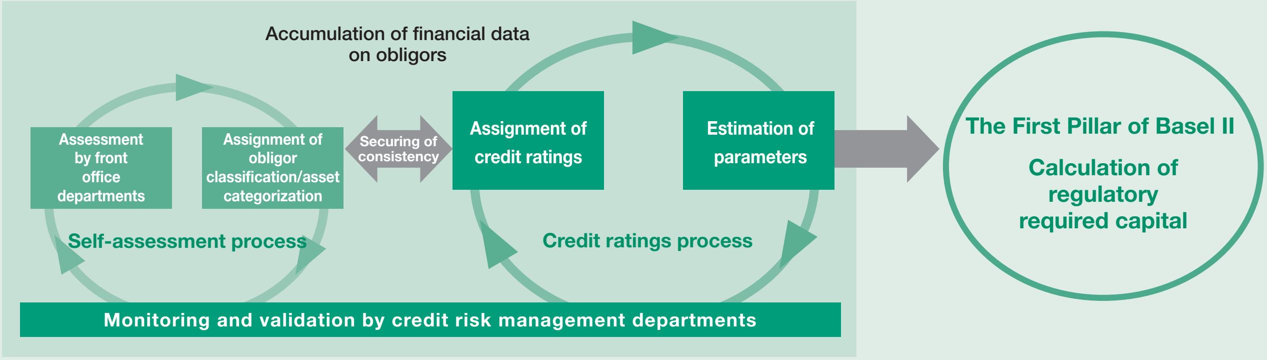
2) Estimation of Parameters

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 Credit Ratings Applied to Respective Exposures

Approach	Asset Classification		Sub-category	Applicable Calculation Approaches*	Applicable Credit 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) 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	Credit Pools
		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	—
	Retail Exposure	Retail Exposure	Residential mortgage exposures	Regulatory Formula	Credit Pools
			Qualifying revolving retail exposures	Regulatory Formula	Credit Pools
			Other retail exposures	Regulatory Formula	Credit Pools

* Supervisory Formula & PD/LGD Approach: Formulas prescribed in the Notification (by the Financial Services Agency) are used.
Supervisory Slotting Criteria Approach: An approach to calculate credit risk by mapping internal credit ratings to the five supervisory 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 supervisory formula. For details, please refer to page 135, “(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.

(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 ratings migration, 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.

(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 coping with 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 to assess risk-weighted assets: Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc. (Moody's); Standard & Poors Rating Services (S&P); and Fitch Ratings Ltd. (Fitch).

(a) The "Phased Roll-out" Exposures

We apply the Standardized Approach to our subsidiaries (business units) that are in the middle of preparatory work toward the application of the IRB Approach. Subject to our "phased roll-out" exposures are, among subsidiaries undertaking lending operations*, those exposures that require a certain period for developing systems to estimate the necessary parameters to be 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, Life Housing Loan Ltd., STB Leasing Co., Ltd. Group, 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.

Criteria 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

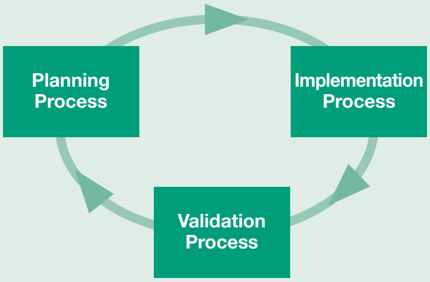
The internal ratings system ranks the PD (probability of default) of obligors and assigns a "typical PD" for each credit rating grade (credit rating and credit pool category) or for each credit pool. The typical PD is a single-year PD that typically represents the level of creditworthiness conservatively estimated to obtain the long-term and stable level by excluding the impact of economic cycles.

Our internal ratings system is intended to ensure an appropriate evaluation process for financial assets held by the Sumitomo Trust Group (excluding non-important consolidated companies), and contribute to profit management and credit risk management in accordance with the Risk Management Policy. Moreover 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 obligor 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 credit ratings and credit pools assignment criteria and methods, and the "Validation Process" for ensuring the effectiveness and objectivity of credit ratings.

• Administration Process of Credit Ratings



(a) Planning Process

The planning process is the procedure to establish credit rating criteria, credit pools categories and 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 and assignment of credit pools are undertaken in accordance with the criteria prescribed in the planning process. In Sumitomo Trust, each designated unit takes charge of credit ratings assignment in the credit pool management as the "Implementation Department." The procedure of credit 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.

In our company, throughout the implementation process, credit risk management related departments are monitoring the proper implementation of credit ratings in accordance with criteria set by the implementation department. Through the monitoring function of the implementation process, credit risk management related departments ensure the entire process, including the appropriateness of 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 credit rating grade
- Validation of the adequacy (back testing) for each credit rating grade by using actual default data
- Validation of the adequacy of the following items with respect to the credit 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 department, 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, future cash flow stability and other information that are not reflected in financial indicators as expert judgment.

For expert judgment, the margin of modification is limited, and qualitative assessment items are indicated in writing in order to contain the arbitrariness of those staff responsible for the assignment of credit ratings, and the monitoring procedure by credit risk management related departments 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), or ratings based on the “Credit Statistics” publicized by rating agencies, and determine the “quantitative assessment ratings,” as a prime factor for rating. 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.

(d) Procedures for Assignment of Credit Pool Categories

1) Transactions subject to credit pool categorization

A credit pool is a group of transactions with similar risk profiles with regard to risks relating to the obligors as well as the transactions. In principle, Sumitomo Trust applies the credit pool management approach to loans provided to individuals. However, business finance loans to individuals, the outstanding balance of which is 100 million yen or higher, are assigned obligor ratings and managed individually.

2) Assignment of credit pool categories

Sumitomo Trust divides loans to individuals into several categories according to product type, obligor status, transaction status, collateral coverage status and delinquency status. The loans are divided into three sub-categories: “residential mortgage exposure,” “qualifying revolving retail credit exposure” and “other retail exposures.”

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, commodity, credit spreads, 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 set a basic policy to manage it by setting an appropriate limit to avoid this risk by taking our own fund-raising capabilities into account.

Regarding liquidity risk (market liquidity risk), our basic policy is to manage it by limiting the amount of transactions involving market risk to an appropriate level.

(2) Risk Management Framework

1) Board of Directors

The Board of Directors approves and determines a basic ALM plan and a risk management plan as important matters related to market risk and liquidity risk under management plans on a semiannual basis.

2) Executive Committee

On a semiannual basis, the Executive Committee deliberates and decides a basic ALM plan and a risk management plan referred by the ALM Committee. In addition, based on reports on the status of market risk management, the Executive Committee implements measures to develop and improve the framework for facilitating control functions.

3) ALM Committee*

On a semiannual basis, the ALM Committee plans the ALM Basic Policy on the company-wide comprehensive risk operational management for assets/liabilities as well as a risk management plan related to market and liquidity risk. The ALM Committee is held on a monthly basis and controls market and liquidity 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 ALM basic policy, measuring of risk amount and profits/losses, and planning and promoting market and liquidity risk management measures. It monitors the status of observance of risk limits and loss limits. As a result, the department reports its findings to the members of the ALM Committee on a daily basis, and periodically and directly to the ALM Committee as well as the Board of Directors.

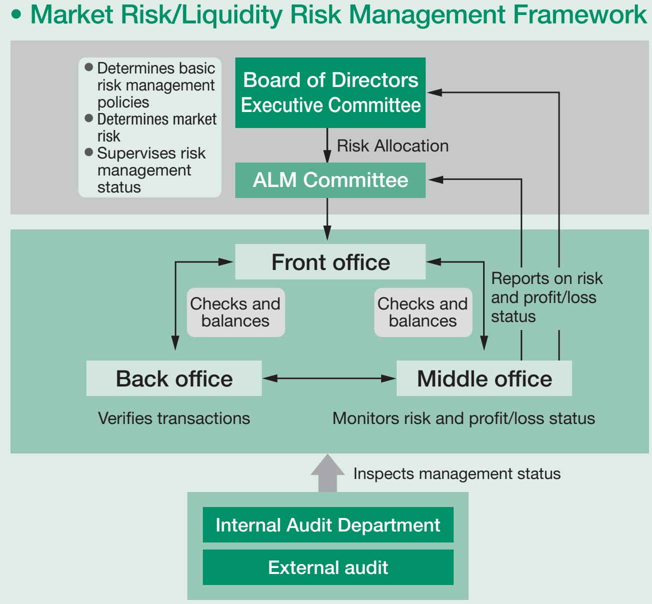
5) Internal Audit Department

Conducts internal auditing of the adequacy and effectiveness of the risk management framework.

6) External Audit

We have external audits conducted as necessary in order to ensure the appropriateness of the 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 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 assures the accuracy of the internal model. In addition, the quarterly results are reported to top management. The results of back testing regarding the banking account for fiscal year 2007 show that there was no instance of actual profit and loss in excess of VaR, while the results of back testing regarding the trading account show that there were two instances of actual profit and loss in excess of VaR. This indicates that our internal models mostly ensure good levels of preciseness.

(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 testings using multiple stress scenarios, including scenarios based on changes that occurred in the market on the occasion of past market events and scenarios that reflect the maximum change that occurred over a certain period of time according to the portfolio characteristics. Stress testing is conducted on a daily and monthly 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, in principle, 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 in principle:

VaR measurement standards

- Confidence interval: One-tailed 99%
- Time Horizon: 1 business day
- Observation period: 260 business days

The market risk amount (VaR) described above are managed to fall within the amount of risk 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 risk capital.

(4) Liquidity Risk Management Approach

Liquidity risks comprise funding risk and market liquidity risk. We manage funding risk on a daily basis by setting an upper limit on the daily financing gap (the amount of funds required) and check whether future financing gaps, including planned investment amounts, can be covered by assets easily convertible into cash and funds to be raised from the market, and conduct monitoring to ensure proper funding operations. Also, we take all possible measures to ensure appropriate liquidity risk management. For example, we have established three different settings for managing funding risk — normal times, times of concern and times of emergency — depending on the financing liquidity condition, and developed liquidity contingency plans for the times of concern and emergency.

Market liquidity risk is unavoidable risk that arises when we undertake market risk. We conduct risk management in ways to keep market liquidity risk involved in market risk within an appropriate range, for example by determining the amount of market risk we can undertake with due consideration as to whether the risk amount is at a level that enables transactions at reasonable prices in light of the market size.

The middle office monitors these liquidity risks and makes periodic reports to the ALM Committee and the Board of Directors.

Meanwhile, regarding foreign exchange settlement risk, which refers to the risk of failing to receive currencies purchased in foreign exchange trading in exchange for the payment of sold currencies (due to bankruptcy of the counterparty), we are moving to mitigate settlement risk through the participation in settlement members of Continuous Linked Settlement Bank (CLS Bank).

(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 by applying the current exposure method in principle for derivatives transactions. We also apply the same method to the calculation of credit equivalents regarding transactions with long settlement periods. 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. We validate the reliability and effectiveness of the internal model by conducting back 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 page 158, our outlier ratio (on a consolidated basis) was 8.4% at the end of March 2008, 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.

*1. 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 for the Japanese yen, U.S. dollar and Euro.
Regarding currencies which account for less than 5% of our overall assets or liabilities, we uniformly use a parallel shift of 200 basis points upward or downward as an interest rate fluctuation scenario.

*2. 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.

5. Operational Risk

(I) Internal Risk Management Framework

Operational risk is defined as the “risk of losses arising from inappropriate business processes, and the activities of officers/employees and computer systems as well as external incidents.” In our case, business processing risk, information security risk, compliance risk, human resource risk, event risk and reputational risk are included.

(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 risk management framework 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 operational 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 and regulations 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 operational 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 (Operational Risk Management Plan) 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, deliberates the Operational Risk Plan, establishes a committee (Operational Risk Management Committee) concerning operational risk management, units responsible for the management of respective risk subcategories and unit(s) responsible for comprehensive management of operational risk, and maintains the proper conditions for operational risk management.

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 appropriately in close coordination with each other.

Risk management related departments collect and assess various data related to risk management for the monitoring of risk profiles, and are also responsible for instructing units, 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	Operations 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) Flow of Operational Risk

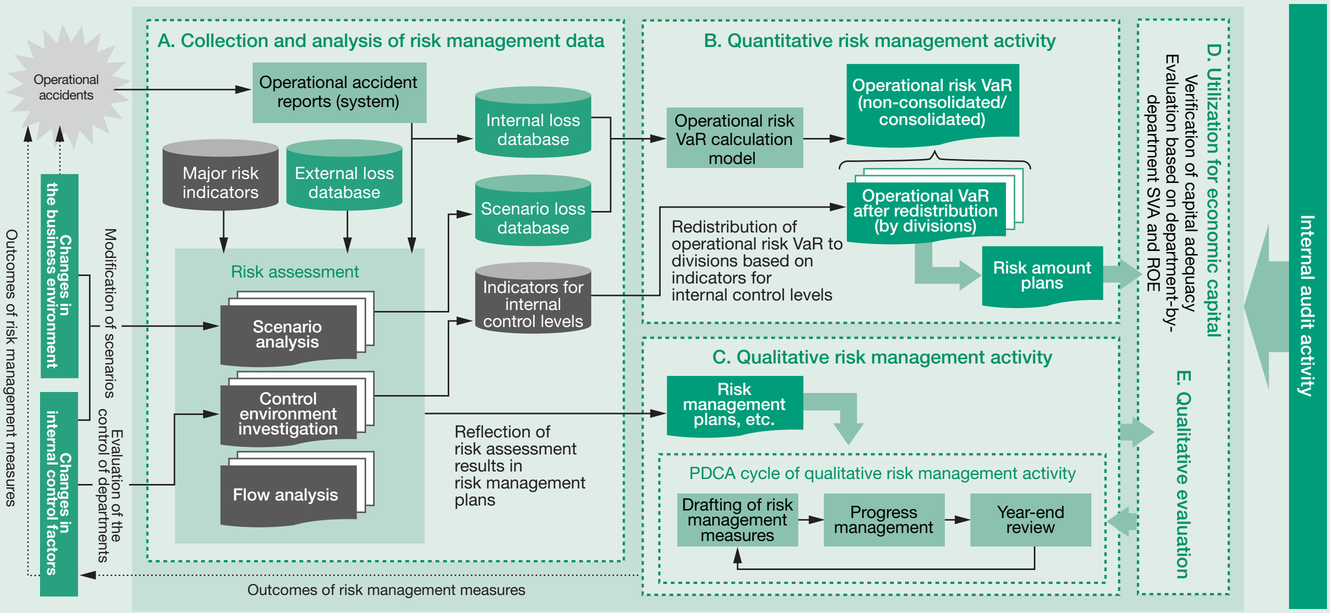
We have in place a framework to collect and analyze reports on operational accidents for our group as a whole and implement measures to prevent the recurrence of similar accidents, with the Corporate Risk Management Department, which is responsible for comprehensive management of operational risk, coordinating activities of other risk management related departments.

In addition, each department conducts risk assessment for itself both periodically and as necessary, identifies operational risks in daily operations in the form of scenarios and estimates the amount and frequency of losses that may arise in each scenario (a situation that could have an impact on the management of Sumitomo Trust) and evaluates the extent of the impact. Based on the results thereof, each department formulates risk management measures regarding scenarios whose impact is estimated to be large, and the Corporate Risk Management Department follows up on the implementation status of those measures.

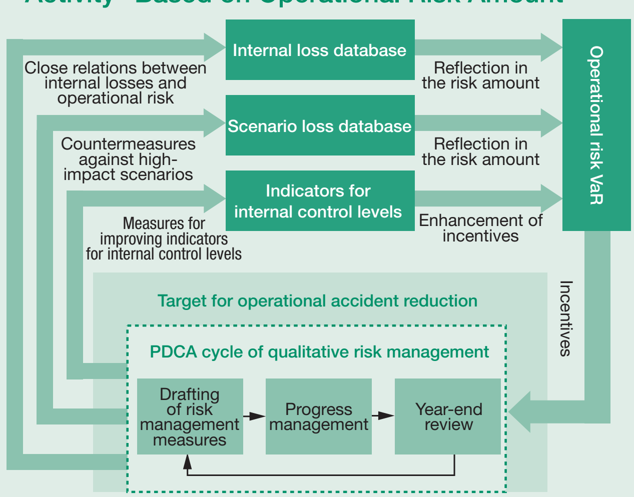
Additionally, on the basis of internal loss data collected through operational accident reports and self-assessment results, we have estimated statistically the loss distribution and the event probability distribution. The amount of operational risk is calculated every half year by the Monte Carlo simulation method, which estimates the maximum value of losses arising during a given period. The operational risk amount thus calculated is distributed to each group and division with due consideration of the status of their internal control as determined on the basis of the results of risk assessments, and is utilized for internal management, such as the operational risk improvement plan and corporate profits goal.

The status of the occurrence of operational risk, the results of risk assessments and the status of risk management, such as risk quantity measurement, are periodically reported to the Executive Committee and the Board of Directors, and reviews and revisions are made as necessary in order to ensure highly effective management.

• Overview of Operational Risk Management System



• Overview of "C. Qualitative Risk Management Activity" Based on Operational Risk Amount



(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 transfer agency. As these businesses require a high level of expertise and high quality clerical work, we have established a department 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. 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 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 ones arising from dissatisfaction with performance evaluation and unfair treatment, and sexual harassment and abuse of authority.

• 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 Services	Business operations undertaken as agents for customers	15%
Asset Management	Asset management operations for customers	12%

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 132.

(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 (as listed on the previous page), and then multiplying gross income for each category by different percentages commensurate with risk.

With an eye to the shift to the Advanced Measurement Approaches, we will tackle the further sophistication of operational risk management.

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, credit 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. (Moody’s); Standards & Poors Rating Services (S&P); and Fitch Ratings Ltd. (Fitch).

(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 one month, and the one-tailed 99% confidence interval, in the same way as other market risks in the banking account, such as interest-rate risk.

Regarding unlisted equities, for which market price fluctuations cannot be observed directly, the amount of risk with a 1 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 financial statement, capital on the consolidated financial statement 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 equity method affiliates 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 equities, 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 Standardized Approach 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

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 mitigation 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 mitigation 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 mitigation 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, which is not included in the past standard method, such as “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 bank transaction agreements 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 unrealized gains 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 deposits at notice
- 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 value 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 equating the creditworthiness of guaranteed debt with the creditworthiness of guarantors.

(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, and set the scope of the credit risk mitigation measures applicable to the calculation of our capital adequacy ratio at the end of March 2008 as follows, after scrutinizing their eligibility for the notified requirements:

<Qualifying Financial Asset Collateral>

- Netting of 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 regarding derivatives transactions and repo-type transactions
- Listed securities (Acceptable listed securities are shares. When accepting shares as qualifying financial assets collateral, we take into consideration the relationship between the obligor and the issuer of the shares.)

<Qualifying Assets Collateral>

- Qualifying real estate asset collateral (land only or land and accompanying buildings)
- Other qualifying asset collateral (ships)

<Guarantee and credit derivatives>

- We accept guarantees mainly from public-sector organizations and business enterprises (guarantors) and purchase credit derivatives mainly from financial institutions (protection providers). Qualifying guarantors and protection providers are entities with sufficient creditworthiness as represented by a credit rating higher than a prescribed level, etc. so that credit risk mitigation effects are ensured.

(3) Regarding the concentration of credit and market risks resulting from the use of credit risk mitigation measures

- Guarantees and credit derivatives are deemed to involve concentration risk.
- Guarantors tend to be the parent companies of obligors, and we are not relying on any particular guarantors. In our controls of the credit limits regarding an obligor, we monitor and control concentration risk through total management of the entire group to which the obligor belongs regardless of whether a guarantee is provided by the parent or not.
- The total notional principal amount of credit derivatives purchased by Sumitomo Trust is not significant as credit risk. We manage the notional principal amount as part of the credit limits for the protection provider.

Capital Adequacy Ratio

Consolidated

We calculate the BIS 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"). 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.

BIS Capital Adequacy Ratio

	Millions of Yen	
At March 31	2008	2007
Tier I		
Capital Stock	¥ 287,537	¥ 287,517
Noncumulative Perpetual Preferred Stock	—	—
Deposit for Subscriptions to Shares	—	—
Capital Surplus	242,555	242,538
Retained Earnings	483,685	429,674
Treasury Stock (Deduction)	441	389
Deposit for Subscriptions to Treasury Stock	—	—
Expected Distributed Amount (Deduction)	14,234	14,319
Net Unrealized Loss on Available-for-Sale Securities (Deduction)	—	—
Foreign Currency Translation Adjustments	(4,729)	(3,517)
Share Warrants	—	—
Minority Interests	209,362	210,641
Noncumulative Preferred Securities Issued by Overseas Special Purpose Companies	183,000	183,000
Business Rights Equivalents (Deduction)	—	—
Goodwill Equivalents (Deduction)	115,508	104,877
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 Allowance (Deduction)	14,918	21,068
Total Tier I before Deduction of Deferred Tax Assets (Aggregate Sum of Items Above)	1,073,308	1,026,199
Deducted Amounts of Deferred Tax Assets (Deduction) *1	—	—
Total (A)	1,073,308	1,026,199
Noncumulative Preferred Securities Attached with Step-up Interest Rate Clause*2 (a)	100,000	100,000
Tier II		
45% of Net Unrealized Gain on Available-for-Sale Securities	48,096	223,049
45% of Revaluation Reserve for Land	771	875
General Allowance for Loan Losses	3,213	5,626
Excess of Qualifying Allowance over Expected Loss	—	—
Debt Capital	708,859	675,105
Perpetual Subordinated Debt *3	314,195	305,015
Subordinated Term Debt and Fixed-term Preferred Stock *4	394,664	370,090
Total	760,940	904,656
Included in Capital (B)	760,940	904,656
Tier III		
Subordinated Short-term Debt	—	—
Included in Capital (C)	—	—
Items for Deduction		
Items for Deduction*5 (D)	101,958	120,995
Total Qualifying Capital		
(A)+(B)+(C)-(D) (E)	1,732,290	1,809,860
Risk-Weighted Assets		
Asset (On-balance Sheet) Items	11,722,611	12,750,781
Off-balance Sheet Transaction Items	2,022,727	2,349,861
Amount of Credit Risk-Weighted Assets (F)	13,745,339	15,100,642
Amount of Market Risk Equivalents ((H)/8%) (G)	162,263	158,957
(Reference) Market Risk Equivalents (H)	12,981	12,716
Amount of Operational Risk Equivalents ((J)/8%) (I)	718,385	665,388
(Reference) Operational Risk Equivalents (J)	57,470	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)	¥ 14,625,988	¥ 15,924,988
BIS Capital Adequacy Ratio = E/L x 100 (%)	11.84	11.36
Tier I Capital Ratio = A/L x 100 (%)	7.33	6.44
Ratio of Noncumulative Preferred Securities with Step-up Interest Rate Clauses to Tier I Capital = a/A x 100 (%)	9.31	9.74

*1 As of March 31, 2008 deferred tax assets total ¥82,852 million in net terms. The upper limit on the inclusion of deferred tax assets in capital is ¥214,661 million.

*2 Listed in the Notification Article 5, 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 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. 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, 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.

*6 We received an external audit by KPMG AZSA & Co. on the calculation of the consolidated BIS capital adequacy ratio in line with 'Agreed Upon Methods for the Implementation of Capital Adequacy Ratio Audits' (Pronouncement 30 of the Japanese Institute of Certified Public Accountants, Bank Auditing Committee, June 12, 2007).

The external audit is not part of the accounting audit of the consolidated financial statements but was conducted on parts of the internal risk management framework concerning the calculation of the consolidated BIS capital adequacy ratio under agreed-upon examination procedures and is a report of the results. It thus does not represent an opinion by the external auditor regarding the consolidated BIS capital adequacy ratio itself or parts of the internal control which concern the ratio.

Outline of Capital Funding Means

An outline of capital funding means for the BIS capital adequacy ratio is as follows:

Capital	Capital Funding Means	Outline	
Tier I	Common Stock	Full Voting Stock	Shareholders' equity listed in the Notification Article 5, Paragraph 1, and our standard stock with no limitations on holders' rights.
	Preferred Securities	See Table below for Details	Preferred securities listed in the Notification Article 5, 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 business is continued
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 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 business is continued •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, 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		

Details of preferred securities issued by overseas special purpose companies included in the Tier I of capital for consolidated BIS capital adequacy ratio calculation are the following:

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. When the Bank's BIS capital adequacy ratio or Tier I capital ratio is to decline below the minimum percentages required by Japanese banking regulations.	Same as on the left	Same as on the left
9. Rights to the Remaining Assets	The Securities are intended to provide holders, through the perpetual subordinated loan to the Bank, with rights to remaining assets 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

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 36. The principal companies are the following.

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.	Investment Management and Advisory
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). The principal companies are the following.

Name	Principal Business Operations
Hummingbird Co., Ltd.	Rental Business through an Anonymous Partnership

Companies that are Subject to Deduction Items Listed in the Notification, Article 8, Paragraph 1, 2 (a) through (c).

	2008	2007
Companies that Failed to Meet the Regulatory Required Capital and Shortfall Amounts	**Not applicable**	Not applicable

(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.

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)

	Millions of Yen	
At March 31	2008	2007
Portfolios to which the Standardized Approach is Applied	¥ 139,101	¥ 216,549
Retail Exposures	—	83,567
Exposures to Business Units Set for Phased Roll-Out Application	111,819	97,435
Exposures Excluded from Application	27,282	35,546
Portfolios to which the IRB Approach is Applied and the Breakdown by Portfolio	919,489	875,527
Corporate Exposures	721,132	737,987
Sovereign Exposures	22,362	24,449
Bank Exposures	27,321	24,295
Residential Mortgage Exposures	47,427	—
Qualifying Revolving Retail Exposures	643	—
Other Retail Exposures	12,307	—
Purchased Receivables	70,469	77,524
Other Assets	17,825	11,270
Securitization Exposures	55,968	89,425
Exposures to which the Standardized Approach is Applied	—	24,713
Exposures to which the IRB Approach is applied	55,968	64,711

Note: From March 31, 2008, retail exposure (including that for securitization exposures securitized by retail exposures) for the parent company, along with retail exposure for Sumishin Guaranty Company Limited and Sumishin Card Company, Limited, is being presented using the IRB approach instead of the standardized approach.

(2) Amount of Required Capital against Credit Risk concerning Equity Exposures to which the IRB Approach is Applied

	Millions of Yen	
At March 31	2008	2007
Equity Exposures	¥ 87,999	¥ 107,182
PD/LGD Approach	13,973	18,533
Simple Risk Weight Method of the Market-Based Approach	18,937	11,796
Internal Models Method of the Market-Based Approach	—	—
Transitional Measures	55,087	76,852

(3) Amount of Required Capital against Credit Risk concerning Exposures Held in Funds

	Millions of Yen	
At March 31	2008	2007
	¥ 72,645	¥ 120,840

(4) Amount of Required Capital against Market Risk

	Millions of Yen	
At March 31	2008	2007
Market Risk	¥ 12,981	¥ 12,716
Amount of Required Capital by Category under the Standardized Approach	1,818	1,512
Interest Rate Risk	1,543	1,352
Equity Position Risk	—	—
Foreign Exchange Risk	275	160
Commodities Risk	—	—
Options Transactions	—	—
Internal Models Approach	11,162	11,204

(5) Amount of Required Capital against Operational Risk

	Millions of Yen	
At March 31	**2008**	2007
Standardized Approach	**¥ 57,470**	¥ 53,231

(6) Total Required Capital

	Millions of Yen	
At March 31	**2008**	2007
Total Required Capital	**¥ 1,170,079**	¥ 1,273,999

Credit Risk

Consolidated

(1) Balance of Exposures Related to Credit Risk (excluding exposures held in funds and securitization exposures)

	Millions of Yen				
	2008				
	Credit Risk Exposures				
At March 31		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	**¥ 16,942,522**	**¥ 14,357,996**	**¥ 2,353,612**	**¥ 230,912**	**¥ 92,950**
Outside Japan	**2,689,109**	**776,939**	**1,133,133**	**779,035**	**1,379**
Total for Regions	**¥ 19,631,631**	**¥ 15,134,936**	**¥ 3,486,746**	**¥ 1,009,948**	**¥ 94,330**
Manufacturing	**2,623,956**	**2,170,392**	**435,247**	**18,316**	**6,592**
Agriculture	**3,932**	**2,758**	**1,154**	**18**	**—**
Forestry	**212**	**212**	**—**	**—**	**—**
Fishing	**4,216**	**3,958**	**218**	**39**	**—**
Mining	**15,118**	**14,808**	**—**	**310**	**—**
Construction	**222,122**	**211,253**	**9,987**	**881**	**3,434**
Energy and Utilities	**239,380**	**189,373**	**48,515**	**1,491**	**—**
Communication	**230,299**	**215,398**	**14,710**	**191**	**3,730**
Transportation	**877,856**	**749,158**	**113,978**	**14,718**	**—**
Wholesale and Retail	**1,514,807**	**1,419,645**	**89,251**	**5,910**	**33,255**
Finance and Insurance	**2,127,583**	**1,804,697**	**148,072**	**174,813**	**—**
Real Estate	**2,144,606**	**1,957,590**	**177,679**	**9,335**	**14,374**
Various Services	**1,302,520**	**1,273,710**	**23,493**	**5,316**	**5,124**
Local Public Bodies	**131,640**	**106,017**	**25,623**	**—**	**—**
Individuals	**2,086,420**	**2,086,420**	**—**	**—**	**13,257**
Others	**6,106,956**	**2,929,540**	**2,398,812**	**778,603**	**14,561**
Total for Industry Sectors	**¥ 19,631,631**	**¥ 15,134,936**	**¥ 3,486,746**	**¥ 1,009,948**	**¥ 94,330**
One Year or Shorter	**4,893,325**	**4,421,063**	**384,518**	**87,744**	
Over One Year to less than Five Years	**6,765,890**	**5,443,675**	**932,214**	**390,000**	
Five Years or Longer	**7,972,414**	**5,270,198**	**2,170,013**	**532,203**	
Total for All Durations	**¥ 19,631,631**	**¥ 15,134,936**	**¥ 3,486,746**	**¥ 1,009,948**	
Average Balance during the Period	**¥ 20,155,995**	**¥ 15,063,307**	**¥ 4,155,166**	**¥ 937,521**	

Notes: 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 non-residents and state public services. Exposures for the duration of over five years include those with no fixed maturities.
3 Average balance during the period is the average figure of those as of March 31, 2007; September 30, 2007; and March 31, 2008.
4 Data for exposure as of March 31, 2007 represents amounts before credit risk offset effects of netting contracts allowed under the law and the netting against the company's cash balance, but subsequent data represents amounts after the effects of these items.
5 Data for exposure as of March 31, 2007 represents exposures to both original creditors and debtors in loan participations, but subsequent data represents only exposures to original debtors.
6 Data for exposure as of March 31, 2007 has been restated to conform to March 31, 2008 standards.

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	¥ 17,249,464	¥ 14,178,453	¥ 2,937,048	¥ 133,962	¥ 138,955
Outside Japan	2,381,377	861,531	896,637	623,208	—
Total for Regions	¥ 19,630,841	¥ 15,039,985	¥ 3,833,685	¥ 757,170	¥ 138,955
Manufacturing	2,795,885	2,135,035	650,972	9,877	5,298
Agriculture	3,673	2,758	900	15	—
Forestry	294	294	—	—	—
Fishing	6,912	6,434	474	4	—
Mining	19,762	19,708	—	54	—
Construction	246,715	227,980	18,335	400	1,849
Energy and Utilities	264,477	195,354	67,902	1,220	—
Communication	237,314	210,928	26,290	95	4,240
Transportation	908,160	757,770	146,121	4,268	48,543
Wholesale and Retail	1,508,824	1,365,116	137,832	5,875	37,497
Finance and Insurance	2,263,072	1,981,610	186,782	94,679	—
Real Estate	1,926,878	1,760,559	161,694	4,624	22,090
Various Services	1,429,439	1,396,038	30,094	3,306	8,107
Local Public Bodies	176,455	114,571	61,884	—	—
Individuals	1,843,399	1,843,399	—	—	2,842
Others	5,999,573	3,022,424	2,344,401	632,747	8,484
Total for Industry Sectors	¥ 19,630,841	¥ 15,039,985	¥ 3,833,685	¥ 757,170	¥ 138,955
One Year or Shorter	5,217,392	4,647,817	505,486	64,088	
Over One Year to less than Five Years	6,932,210	5,367,676	1,280,775	283,758	
Five Years or Longer	7,481,238	5,024,491	2,047,423	409,323	
Total for All Durations	¥ 19,630,841	¥ 15,039,985	¥ 3,833,685	¥ 757,170	

Notes: 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 non-residents and state public services. Exposures for the duration of over five years include those with no fixed maturities.

(2) General Allowance for Loan Losses

At March 31	Millions of Yen: 2008 Balance	2007 Balance	Change
General Allowance for Loan Losses	¥ **93,609**	¥ 76,383	¥ 17,226

(3) Specific Allowance for Loan Losses (breakdown by region, industry sector)

At March 31	Millions of Yen 2008 Balance	2007 Balance	Change
Japan	¥ 13,074	¥ 29,568	¥ (16,494)
Outside Japan	—	—	—
Total for Regions	¥ 13,074	¥ 29,568	¥ (16,494)
Manufacturing	1,202	761	441
Agriculture	—	—	—
Forestry	—	—	—
Fishing	—	—	—
Mining	—	—	—
Construction	153	304	(151)
Energy and Utilities	4	81	(76)
Communication	55	62	(7)
Transportation	3	13,787	(13,783)
Wholesale and Retail	1,415	626	788
Finance and Insurance	6	4	1
Real Estate	2,957	2,662	294
Various Services	885	2,387	(1,502)
Local Public Bodies	1,575	3,262	(1,686)
Individuals	3,025	2,525	499
Others	1,790	3,102	(1,312)
Total for Industry Sectors	¥ 13,074	¥ 29,568	¥ (16,494)

(4) Allowance for Loan Losses from Borrowers in Specified Foreign Countries (breakdown by industry sector)

At March 31	Millions of Yen 2008 Balance	2007 Balance	Change
Manufacturing	¥ —	¥ 64	¥ (64)
Agriculture	—	—	—
Forestry	—	—	—
Fishing	—	—	—
Mining	—	106	(106)
Construction	—	—	—
Energy and Utilities	—	0	(0)
Communication	—	—	—
Transportation	—	—	—
Wholesale and Retail	—	17	(17)
Finance and Insurance	—	513	(513)
Real Estate	—	—	—
Various Services	—	—	—
Local Public Bodies	—	—	—
Individuals	—	—	—
Others	—	17	(17)
Total for Industry Sectors	¥ —	¥ 720	¥ (720)

(5) Amount of Written-off Loans (breakdown by industry sector)

Year Ended March 31	Millions of Yen 2008	2007
Manufacturing	¥ 491	¥ 23
Agriculture	—	—
Forestry	—	—
Fishing	—	—
Mining	—	—
Construction	300	49
Energy and Utilities	—	—
Communication	(557)	4,141
Transportation	—	79
Wholesale and Retail	4,489	320
Finance and Insurance	11	—
Real Estate	42	(1,038)
Various Services	154	2,528
Local Public Bodies	—	—
Individuals	486	366
Others	683	(9)
Total for Industry Sectors	¥ 6,102	¥ 6,462

(6) Amount of Exposures by Risk-Weight Category (Standardized Approach)

	Millions of Yen			
	2008		2007	
At March 31		Subject to Rating		Subject to Rating
Balance of Exposures to which the Standardized Approach is Applied after Allowing for the Credit Risk Mitigation Effect by Risk-Weight Category	¥ 2,403,388	¥ 157,043	¥ 4,177,181	¥ 118,117
0%	310,012	—	345,124	—
10%	824	—	809	—
20%	381,767	26,778	480,432	26,075
35%	28,501	—	1,091,411	—
50%	72,577	64,634	51,730	43,140
100%	1,599,878	65,621	2,198,157	48,901
150%	9,825	8	9,515	—
Amounts Deducted from Capital under the Notification, Article 8, Paragraph 1, 3 and 6	—		—	

(7) Amount of Exposures by Risk-Weight Category (IRB Approach)

	Millions of Yen	
At March 31	2008	2007
Specialized Lending under the Slotting Criteria	¥ 1,288,935	¥ 1,122,054
High-Volatility Commercial Real Estate Exposures	287,595	131,826
Maturities of 2.5 years or Longer	164,574	63,243
Strong 95%	24,242	16,386
Good 120%	102,630	24,873
Satisfactory 140%	37,701	21,983
Weak 250%	—	—
Default 0%	—	—
Maturities of less than 2.5 Years	123,021	68,582
Strong 70%	25,109	34,705
Good 95%	58,922	26,386
Satisfactory 140%	38,989	7,490
Weak 250%	—	—
Default 0%	—	—
Other Exposures	¥ 1,001,340	¥ 990,228
Maturities of 2.5 years or Longer	767,626	647,589
Strong 70%	360,928	280,545
Good 90%	229,439	212,866
Satisfactory 115%	160,695	140,385
Weak 250%	16,563	1,139
Default 0%	—	12,651
Maturities of less than 2.5 Years	233,713	342,638
Strong 50%	65,827	140,816
Good 70%	93,315	146,824
Satisfactory 115%	71,836	54,739
Weak 250%	2,733	—
Default 0%	—	258
Equity Exposures to which the Simple Risk Weight Method of the Market-Based Approach is Applied	¥ 58,497	¥ 42,133
Listed Stocks 300%	10,668	29,423
Unlisted Stocks ... 400%	47,829	12,709

Application of the IRB Approach

(1) The Probability of Default (PD), Loss Given Default (LGD), 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 obligor category for Corporate Exposures

	Millions of Yen				
	2008				
At March 31	PD	LGD	RW	On_EAD	Off_EAD
Ratings 1 – 4	**0.06%**	**45.87%**	**23.81%**	**¥ 1,981,642**	**¥ 848,074**
Ratings 5 – 6	**0.94%**	**44.77%**	**73.70%**	**4,330,527**	**900,337**
Ratings 7 – 8	**18.59%**	**44.11%**	**210.26%**	**656,492**	**92,979**
Ratings 8- – 10	**100.00%**	**44.97%**	**—**	**63,789**	**7,832**
Total	**2.95%**	**45.07%**	**68.73%**	**¥ 7,032,451**	**¥ 1,849,221**

Note: Specialized lending and purchased receivables are excluded.

	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

Note: Specialized lending and purchased receivables are excluded.

(2) The Probability of Default (PD), Loss Given Default (LGD), 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 obligor category for Sovereign Exposures

	Millions of Yen				
	2008				
At March 31	PD	LGD	RW	On_EAD	Off_EAD
Ratings 1 – 4	**0.01%**	**45.00%**	**9.75%**	**¥ 2,654,913**	**¥ 53,913**
Ratings 5 – 6	**1.73%**	**45.00%**	**134.80%**	**12,411**	**384**
Ratings 7 – 8	**14.68%**	**45.00%**	**232.15%**	**3,076**	**—**
Ratings 8- – 10	**—**	**—**	**—**	**—**	**—**
Total	**0.04%**	**45.00%**	**10.59%**	**¥ 2,670,401**	**¥ 54,297**

Note: Specialized lending and purchased receivables are excluded.

	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

Note: Specialized lending and purchased receivables are excluded.

(3) The Probability of Default (PD), Loss Given Default (LGD), 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 obligor category for Bank Exposures

	Millions of Yen				
	2008				
At March 31	PD	LGD	RW	On_EAD	Off_EAD
Ratings 1 – 4	**0.04%**	**46.29%**	**17.77%**	**¥ 782,207**	**¥ 776,714**
Ratings 5 – 6	**0.73%**	**46.55%**	**70.69%**	**27,637**	**43,183**
Ratings 7 – 8	—	—	—	—	—
Ratings 8- – 10	—	—	—	—	—
Total	**0.07%**	**46.30%**	**20.07%**	**¥ 809,845**	**¥ 819,897**

Note: Specialized lending and purchased receivables are excluded.

	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

Note: 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		
	2008		
At March 31	PD	RW	Balance
Ratings 1 – 4	**0.06%**	**108.34%**	**¥ 30,134**
Ratings 5 – 6	**0.32%**	**162.24%**	**84,926**
Ratings 7 – 8	**9.40%**	**461.59%**	**136**
Ratings 8- – 10	**100.00%**	—	**19**
Total	**0.28%**	**148.47%**	**¥ 115,216**

	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

(5) The Probability of Default (PD), Loss Given Default (LGD), weighted average of Risk Weights (RW), Exposure At Default (EAD) of On-balance sheet asset items (On-EAD), EAD of Off-balance sheet asset items (Off-EAD), Undrawn Commitment, and weighted average of Credit Conversion Factor (CCF) applied to Undrawn Commitment for Retail Exposures by exposure pool

	Millions of Yen						
	2008						
At March 31	PD	LGD	RW	On_EAD	Off_EAD	Undrawn Commitment	CCF
Residential Mortgage							
Current	0.34%	53.65%	31.32%	¥ 1,438,443	¥ 108,771	¥ 130	75%
Overdue	37.46%	53.65%	323.23%	5,977	64	—	—
Default	100.00%	49.04%	—	6,077	92	—	—
Qualifying Revolving Retail							
Current	1.46%	100.00%	53.88%	7,465	3,697	72,777	5%
Overdue	—	—	—	—	—	—	—
Default	—	—	—	—	—	—	—
Other Retail (consumer)							
Current	1.09%	53.15%	54.63%	120,900	8,259	124,720	5%
Overdue	27.59%	53.56%	141.92%	3,317	173	352	17%
Default	100.00%	48.18%	—	1,200	770	152	23%
Other Retail (commercial)							
Current	0.36%	54.39%	34.28%	89,197	8,898	95	75%
Overdue	15.54%	54.39%	115.27%	783	89	—	—
Default	100.00%	50.09%	—	1,434	577	—	—
Total	1.15%	53.92%	34.34%	¥ 1,674,797	¥ 131,396	¥ 198,228	69%

Notes: 1 LGD estimates include EL default amounts for exposures in default.
2 "Overdue" denotes credits less than 3 months overdue.

(6) Losses in the Previous Period and Comparison of Losses in the Current Period with those in the Previous Period

	Millions of Yen				
	2008		2007		Change in Actual Credit Losses
Year Ended March 31	Actual Credit Losses	Writebacks	Actual Credit Losses	Writebacks	
Corporate Exposures	¥ (2,175)	¥ (46,387)	¥ 36,681	¥ (16,422)	¥ (38,857)
Sovereign Exposures	(31)	(32)	18	(353)	(49)
Bank Exposures	—	—	—	—	—
Equity Exposures under the PD / LGD Approach	—	—	—	—	—
Retail Exposures	812	(1,239)	—	—	—

Note: Of credit costs, only those that can be identified as stemming from specified asset classes are shown in the table.

Factor Analysis

Losses in fiscal year 2007 decreased ¥38.8 billion year on year, the main reason for which being the reversal of general allowances for loan losses made for special mention debtors.

(7) Estimated Credit Losses

	Millions of Yen	
	Estimated Credit Losses	Actual Credit Losses
Corporate Exposures	¥ 141,439	¥ (2,175)
Sovereign Exposures	686	(31)
Bank Exposures	501	—
Equity Exposures under the PD / LGD Approach	418	—
Retail Exposures	10,753	812

Notes: 1 Estimated credit losses are the average of estimates calculated as of March 31, 2007; September 30, 2007; and March 31, 2008. Estimated credit losses for retail exposures are estimates calculated as of March 31, 2008.
2 Actual credit losses are the sum of losses for one year beginning from April 1, 2007.

Credit Risk Mitigation Measures

Consolidated

Exposures to which Credit Risk Mitigation Measures are Applied

At March 31	Millions of Yen 2008 Eligible Financial Collateral	Other Eligible IRB Collateral	Guarantees	Credit Derivatives
Portfolios to which the Standardized Approach is Applied	¥ 38,217	¥ —	¥ —	¥ —
Portfolios to which the IRB Approach is Applied	1,149,722	140,097	135,242	40,000
Corporate Exposures	390,109	140,097	40,693	—
Sovereign Exposures	320	—	89,186	—
Bank Exposures	759,292	—	5,362	40,000
Residential Mortgage Exposures	—	—	—	—
Qualifying Revolving Retail Exposures	—	—	—	—
Other Retail Exposures	—	—	—	—

Note: From March 31, 2008, the scope of credit risk mitigation measures has been enlarged.

At March 31	Millions of Yen 2007 Eligible Financial 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 and Long Settlement Transactions

Consolidated

Derivative Products

At March 31	Millions of Yen 2008	2007
Aggregate Sum of Amounts of Gross Reconstruction Costs (limited only to those not below zero)	¥ 2,193,778	¥ 647,698
Aggregate Sum of Gross Add-On Amounts	1,156,872	789,606
Credit Equivalents (Gross)	¥ 3,350,650	¥ 1,437,305

Note: Credit equivalents are calculated with the current exposure approach.

At March 31	Millions of Yen 2008	2007
Foreign Exchange Related	¥ 629,347	¥ 238,448
Interest Rate Related	2,720,259	1,198,748
Gold Related	—	—
Equity Related	—	—
Precious Metals (Excluding Gold) Related	—	—
Other Commodities Related	—	—
Credit Derivatives	1,044	108
Total	¥ 3,350,650	¥ 1,437,305
Effect of Mitigating Credit Equivalents due to Close-out Netting Contracts (Deduction)	(2,339,813)	(680,134)
Total	¥ 1,010,837	¥ 757,170
Effect of Mitigation by Collateral under the Credit Risk Mitigation Measures (Deduction)	—	—
Total	¥ 1,010,837	¥ 757,170

	Millions of Yen			
	2008		2007	
At March 31	Providing of Protection	Purchase of Protection	Providing of Protection	Purchase of Protection
Notional Principal Amounts of Credit Derivatives Subject to the Calculation of Credit Equivalents				
Credit Default Swaps	¥ 80,000	¥ 40,000	¥ 81,000	¥ 40,000
Total Return Swaps	—	—	—	—
First-to-Default Credit Derivatives	—	—	—	—
Second-to-Default Credit Derivatives	—	—	—	—

At March 31	Millions of Yen 2008	2007
Notional Principal Amounts used to Allow for the Effect of Credit Risk Mitigation Measures	¥ 40,000	¥ 40,000

Long Settlement Transactions

Not applicable

Securitization Exposures (Originator) Consolidated

(1) Outline of Securitization during fiscal year 2007, Type and Status of Underlying Assets

We conducted the following single securitization transaction as an originator during fiscal year 2007.

Date of Securitization:	July 2007		
Type of Underlying Assets:	Mortgage Loans		
Aggregate Sum of Underlying Assets:	¥30,202 million (at the time of securitization), ¥27,021 million (as of the end of March 2008)		
Type of Transaction:	Asset transfer-type securitization transaction		
Rating Agency:	Moody's Investors Service, Inc.		
	Standard & Poors Rating Services (S&P)		
Initial Issue Amount:	Class A	¥ 3,000 million	(Aaa/Moody's, AAA/S&P)
	Class B	¥ 23,570 million	(A2/Moody's, A/S&P)
	Class C	¥ 3,330 million	(no rating)
	Subordinate Earnings Right	¥ 302 million	(no rating)
Date of Redemption:	December 2036		

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			
	2008			
		Aggregate Sum of Underlying Assets		
At March 31	Exposure Amounts		Asset Transfer-Type Securitization Transaction	Synthetic Securitization Transaction
Housing Loans	¥ 302	¥ 27,021	¥ 27,021	¥ —
Credit Card Loans, Consumer Loans	—	—	—	—
Auto Loans, Other Loans to Individuals	—	—	—	—
Commercial Real Estate-Secured Loans	—	—	—	—
Loans and Bonds to Corporates	—	—	—	—
Claims on Lease Payments	—	—	—	—
Accounts Receivable, Other Claims on Corporates	—	—	—	—
Total	¥ 302	¥ 27,021	¥ 27,021	¥ —

(3) Cumulative Total for Fiscal Year 2007 of Underlying Assets Overdue for Three Months or Longer or in Default Related to Securitization Exposures Held, Cumulative Total of Losses for Fiscal Year 2007, and their Breakdowns by Type of Underlying Assets

	Millions of Yen	
	2008	
Year Ended March 31	Cumulative Total of Underlying Assets Overdue for Three Months or Longer or in Default	Cumulative Total Losses for Fiscal Year 2007
Housing Loans	¥ 82	¥ 49
Credit Card Loans, Consumer Loans	—	—
Auto Loans, Other Loans to Individuals	—	—
Commercial Real Estate-Secured Loans	—	—
Loans and Bonds to Corporates	—	—
Claims on Lease Payments	—	—
Accounts Receivable, Other Claims on Corporates	—	—
Total	¥ 82	¥ 49

(4) Balance and Amounts of Required Capital of Securitization Exposures Held by Risk-Weight Category

At March 31	Millions of Yen	
	2008	
	Balance	Required Capital
Risk-Weight Category (IRB Approach)	¥ 302	¥ 302
20% or less	—	—
over 20% and 100% or less	—	—
over 100% and less than 1,250%	—	—
Capital Deduction	302	302
Risk-Weight Category (Standardized Approach)	—	—
20% or less	—	—
over 20% and 100% or less	—	—
over 100% and less than 1,250%	—	—
Capital Deduction	—	—
Total	¥ 302	¥ 302

(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 Article 247

At March 31	Millions of Yen
	2008
Housing Loans	¥ 302
Credit Card Loans, Consumer Loans	—
Auto Loans, Other Loans to Individuals	—
Commercial Real Estate-Secured Loans	—
Loans and Bonds to Corporates	—
Claims on Lease Payments	—
Accounts Receivable, Other Claims on Corporates	—
Total	¥ 302

(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 2007 and Breakdown by Type of Principal Underlying Assets

Year Ended March 31	Millions of Yen
	2008
Housing Loans	¥ (30)
Credit Card Loans, Consumer Loans	—
Auto Loans, Other Loans to Individuals	—
Commercial Real Estate-Secured Loans	—
Loans and Bonds to Corporates	—
Claims on Lease Payments	—
Accounts Receivable, Other Claims on Corporates	—
Total	¥ (30)

(9) Amounts of Credit Risk-Weighted Assets Calculated with the Application of Transitional Measures with respect to Securitization Exposures

Not applicable

Securitization Exposures (Originator)

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 Transaction	Synthetic Securitization Transaction
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 1,250%	8,866	788
Capital Deduction	—	—
Risk-Weight Category (Standardized Approach)	—	—
20% or less	—	—
over 20% and 100% or less	—	—
over 100% and less than 1,250%	—	—
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 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 of Underlying Assets by Type

	Millions of Yen	
	2008	2007
At March 31	Exposure	Exposure
Housing Loans	¥ 572,423	¥ 609,005
Credit Card Loans, Consumer Loans	195,014	276,624
Auto Loans, Other Loans to Individuals	24,347	44,875
Commercial Real Estate-Secured Loans	100,294	109,384
Loans and Bonds to Corporates	458,670	543,016
Claims on Lease Payments	129,706	162,799
Accounts Receivable, Other Claims on Corporates	6,512	6,205
Total	¥ 1,486,969	¥ 1,751,911

(2) Balance and Amounts of Required Capital of Securitization Exposures Held by Risk-Weight Category

	Millions of Yen			
	2008		2007	
At March 31	Balance	Required Capital	Balance	Required Capital
Risk-Weight Category (IRB Approach)	¥ 1,486,969	¥ 55,666	¥ 821,406	¥ 63,900
20% or less	1,268,110	9,782	650,917	5,441
over 20% and 100% or less	163,426	8,734	105,025	5,527
over 100% and less than 1,250%	30,693	12,411	24,230	11,698
Capital Deduction	24,739	24,739	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 1,250%	—	—	—	—
Capital Deduction	—	—	—	—
Total	¥ 1,486,969	¥ 55,666	¥ 1,751,911	¥ 88,614

Note: From March 31, 2008, exposure for securitization exposures securitized by retail exposures is being presented using the IRB approach instead of the Standardized Approach.

(3) Amount of Securitization Exposures by Type of Underlying Assets Deducted from Capital under Provisions of the Notification Article 247

	Millions of Yen	
At March 31	2008	2007
Housing Loans	¥ —	¥ —
Credit Card Loans, Consumer Loans	711	—
Auto Loans, Other Loans to Individuals	—	—
Commercial Real Estate-Secured Loans	—	—
Loans and Bonds to Corporates	24,027	41,233
Claims on Lease Payments	—	—
Accounts Receivable, Other Claims on Corporates	—	—
Total	¥ 24,739	¥ 41,233

(4) Amounts of Credit Risk-Weighted Assets Calculated with the Application of Transitional Measures with respect to Securitization Exposures

Not applicable

Market Risk

Consolidated

(1) End of Period Value at Risk (VaR) and Maximum, Minimum and Mean VaR for the Period

• Market Risk in FY2007

	Banking Account	Trading Account
As of Mar. 31, 2008	¥ **83.2 billion**	¥ **0.5 billion**
Maximum	**106.2 billion**	**1.5 billion**
Minimum	**78.8 billion**	**0.3 billion**
Mean	**94.1 billion**	**0.7 billion**

(For the April, 2007 - March, 2008 Period)

• Market Risk in FY2006

	Banking Account	Trading Account
As of Mar. 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

(For the April, 2006 - March, 2007 Period)

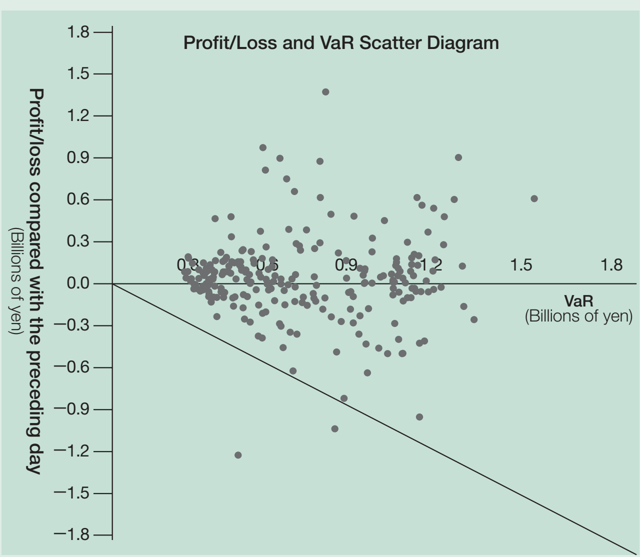
VaR Measurement Standards

Banking Account	Confidence Interval: One-tailed 99%	Time Horizon: 21 business days	Observation Period: One Year
Trading Account	Confidence Interval: One-tailed 99%	Time Horizon: 1 business day	Observation Period: One Year

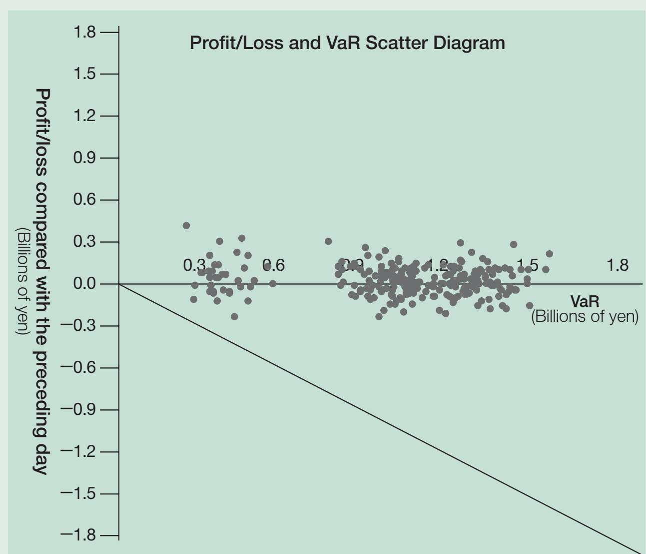
(2) Results of Back Testing and Reasons for Large Deviations between Actual Losses and VaR

• Back Testing of the Trading Account

FY 2007



FY 2006



Note: As shown above, for fiscal year 2007 back testing of the trading account shows two instances of losses in excess of VaR.

Capital Subscriptions or Equity Exposures in the Banking Account

Consolidated

At March 31	Millions of Yen							
	2008				2007			
	Book Value		Market Value		Book Value		Market Value	
Consolidated Book and Market Values *1								
Listed Equity Exposures	¥ 670,944		¥ 670,944		¥ 989,188		¥ 989,188	
Capital Subscriptions or Equity Exposures not included in "Listed Equity Exposures" *2	75,509		75,509		83,483		83,483	
	Gains/Losses	Gains	Losses	Written-off	Gains/Losses	Gains	Losses	Written-off
Amounts of Gains/Losses on Sale and Written-off of Capital Subscriptions or Equity Exposures *1,3	(2,263)	31,403	3,111	30,555	4,814	12,350	2,962	4,573
Amounts of Unrealized Gains/Losses Recognized in the Consolidated Balance Sheets and not Recognized in the Consolidated Statements of Income	191,902				507,273			
Amounts of Unrealized Gains/Losses not Reported in the Consolidated Balance Sheets and Statements of Income	Not applicable				Not applicable			

*1 Figures for Available-for-Sale Securities include only Japanese and foreign stocks. Figures for Mar. 31, 2007 however include only Japanese stocks.
*2 Foreign stocks listed on the Consolidated Balance Sheets totaled ¥4,049 million as of Mar. 31, 2007.
*3 Consolidated Statements of Income figures for gains/losses on stock holdings and related written-off.

At March 31	Millions of Yen	
	2008	2007
Amounts by Portfolio Category*	¥ 823,335	¥ 1,077,285
Outstanding Shares Held	649,621	906,275
Portfolios Adopting the Market-Based Approach	58,497	42,133
Portfolios Adopting the PD/LGD Approach	115,216	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	
	2008	2007
Aggregate Sum of Exposures Held in Funds	¥ 271,693	¥ 503,842
Look-through Approach	132,076	242,418
Simple Majority Formula	56,861	66,780
Investment Criteria Formula	14,185	103,826
Internal Models Approach	—	0
Probability Approach	63,601	78,152
Others	4,969	12,665

Note: Exposures subject to the calculation of credit risk-weighted assets are shown.

Interest Rate Risk in the Banking Account

Consolidated

Gains/Losses and Changes in Economic Value due to Interest Rate Shocks under the Internal Control System used by the Consolidated Group

• Outlier Ratio

At March 31	2008	2007
Overall Amount of Interest Rate Risk	¥ 154.8 billion	¥ 120.9 billion
Outlier Ratio	8.4%	6.3%

Notes: 1 Our interest rate fluctuation scenario assumes an interest rate shock consisting of the 1st and 99th percentile of the fluctuation range measured for a one year time horizon and a minimum observation period of five years.
2 Our risk measurement method uses the interest rate sensitivity approach. Core deposits are defined as the lowest of the following three items, as an upper limit, for the five-year maturity (an 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.

Capital Adequacy Ratio

Non-consolidated

BIS Capital Adequacy Ratio

	Millions of Yen	
At March 31	2008	2007
Tier I		
Capital Stock	¥ 287,537	¥ 287,517
Noncumulative Perpetual Preferred Stock	—	—
Deposit for Subscriptions to Shares	—	—
Legal Capital Surplus	242,555	242,536
Other Capital Surplus	0	2
Legal Retained Earnings	46,580	46,580
Other Retained Earnings	380,726	339,220
Others	182,999	182,999
Treasury Stock	441	389
Deposit for Subscriptions to Treasury Stock	—	—
Expected Distributed Amount (Deduction)	14,234	14,319
Net Unrealized Loss on Available-for-Sale Securities (Deduction)	—	—
Subscription Rights to Shares	—	—
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 Allowance (Deduction)	16,467	20,949
Total Tier I before Deduction of Deferred Tax Assets (Aggregate Sum of Items Above)	1,109,255	1,063,198
Deducted Amount of Deferred Tax Assets (Deduction)*1	—	—
Total (A)	1,109,255	1,063,198
Noncumulative Preferred Securities Attached with Step-up Interest Rate Clause*2 (a)	100,000	100,000
Tier II		
45% of Net Unrealized Gain on Available-for-Sale Securities	47,378	222,403
45% of Revaluation Reserve for Land	771	875
General Allowance for Loan Losses	—	2,004
Excess of Qualifying Allowance over Expected Loss	—	—
Debt Capital	708,859	675,105
Perpetual Subordinated Debt*3	314,195	305,015
Subordinated Term Debt and Fixed-term Preferred Stock*4	394,664	370,090
Total	757,009	900,387
Included in Capital (B)	757,009	900,387
Tier III		
Subordinated Short-term Debt	—	—
Included in Capital (C)	—	—
Items for Deduction		
Items for Deduction*5 (D)	100,377	91,179
Total Qualifying Capital		
((A) + (B) + (C) - (D)) (E)	1,765,887	1,872,406
Risk-Weighted Assets		
Asset (On-balance Sheet) Items	11,133,407	12,247,083
Off-balance Sheet Transaction Items	2,063,356	2,329,227
Amount of Credit Risk-Weighted Assets (F)	13,196,764	14,576,310
Amount of Market Risk Equivalents ((H)/8%) (G)	158,819	156,954
(Reference) Market Risk Equivalents (H)	12,705	12,556
Amount of Operational Risk Equivalents ((J)/8%) (I)	552,025	546,154
(Reference) Operational Risk Equivalents (J)	44,162	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)	¥ 13,907,609	¥ 15,279,419
BIS Capital Adequacy Ratio = E/L x 100 (%)	12.69	12.25
Tier I Capital Ratio = A/L x 100 (%)	7.97	6.95
Ratio of Noncumulative Preferred Securities with Step-up Interest Rate Clauses to Tier I Capital= a/A x 100 (%)	9.01	9.40

*1 As of March 31, 2008 deferred tax assets total ¥63,561 million in net terms. The upper limit on the inclusion of deferred tax assets in capital is ¥221,851 million.
*2 Listed in the Notification Article 17, 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 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. 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, 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 BIS capital adequacy ratio in line with 'Agreed Upon Methods for the Implementation of Capital Adequacy Ratio Audits' (Pronouncement 30 of the Japanese Institute of Certified Public Accountants, Bank Auditing Committee, June 12, 2007).
The external audit is not part of the accounting audit of the non-consolidated financial statements but was conducted on part of the internal risk management framework concerning the calculation of the non-consolidated BIS capital adequacy ratio under agreed-upon examination procedures and is a report of the results. It thus does not represent the opinion of the external auditor regarding the non-consolidated BIS capital adequacy ratio itself or parts of the internal control which concern the ratio.

Outline of Capital Funding Means

An outline of capital funding means for the BIS capital adequacy ratio is as follows:

Capital	Capital Funding Means	Outline	
Tier I	Common Stock	Full Voting Stock	Shareholders' equity listed in the Notification Article 17, Paragraph 1, and our standard stock with no limitations on holders' rights.
	Preferred Securities	See Table below for Details	Preferred securities listed in the Notification Article 17, 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 business is continued
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 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 business is continued •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, 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		

Details of preferred securities issued by overseas special purpose companies included in "Others" of the Tier I of capital for non-consolidated BIS capital adequacy ratio calculation are the following:

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. When the Bank's BIS capital adequacy ratio or Tier I capital ratio is to decline below the minimum percentages required by Japanese banking regulations.	Same as on the left	Same as on the left
9. Rights to the Remaining Assets	The Securities are intended to provide holders, through the perpetual subordinated loan to the Bank, with rights to remaining assets 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

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)

	Millions of Yen	
At March 31	2008	2007
Portfolios to which the Standardized Approach is Applied	¥ 17,543	¥ 101,014
Retail Exposures	—	83,567
Exposures to Business Units Set for Phased Roll-Out Application	—	—
Exposures Excluded from Application	17,543	17,446
Portfolios to which the IRB Approach is Applied and the Breakdown by Portfolio	999,282	773,030
Corporate Exposures	721,014	639,708
Sovereign Exposures	22,362	23,617
Bank Exposures	27,304	25,792
Residential Mortgage Exposures	46,774	—
Qualifying Revolving Retail Exposures	643	—
Other Retail Exposures	11,961	—
Purchased Receivables	65,543	71,186
Other Assets	103,678	12,725
Securitization Exposures	50,864	70,429
Exposures to which the Standardized Approach is Applied	—	26,149
Exposures to which the IRB Approach is Applied	50,864	44,279

Note: From March 31, 2008, retail exposure (including that for securitization exposures securitized by retail exposures) for the parent company is being presented using the IRB approach instead of the Standardized Approach.

(2) Amount of Required Capital against Credit Risk concerning Equity Exposures to which the IRB Approach is Applied

	Millions of Yen	
At March 31	2008	2007
Equity Exposures	¥ 85,234	¥ 130,814
PD/LGD Approach	13,973	18,533
Simple Risk Weight Method of the Market-Based Approach	16,583	11,796
Internal Models Method of the Market-Based Approach	—	—
Transitional Measures	54,677	100,484

(3) Amount of Required Capital against Credit Risk concerning Exposures Held in Funds

	Millions of Yen	
At March 31	2008	2007
	¥ 72,645	¥ 120,840

(4) Amount of Required Capital against Market Risk

	Millions of Yen	
At March 31	2008	2007
Market Risk	¥ 12,705	¥ 12,556
Amount of Required Capital by Category under the Standardized Approach	1,543	1,352
Interest Rate Risk	1,543	1,352
Equity Position Risk	—	—
Foreign Exchange Risk	—	0
Commodities Risk	—	—
Options Transactions	—	—
Internal Models Approach	11,162	11,204

(5) Amount of Required Capital against Operational Risk

At March 31	Millions of Yen 2008	2007
Standardized Approach	¥ 44,162	¥ 43,692

(6) Total Required Capital

At March 31	Millions of Yen 2008	2007
Total Required Capital	¥ 1,112,608	¥ 1,222,353

Credit Risk

Non-consolidated

(1) Balance of Exposures Related to Credit Risk (excluding exposures held in funds and securitization exposures)

	Millions of Yen				
	2008				
	Credit Risk Exposures				
At March 31		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	¥ 15,374,125	¥ 12,798,537	¥ 2,344,842	¥ 230,744	¥ 82,338
Outside Japan	2,643,932	734,779	1,130,127	779,025	1,379
Total for Regions	¥ 18,018,058	¥ 13,533,317	¥ 3,474,969	¥ 1,009,770	¥ 83,717
Manufacturing	2,583,470	2,130,410	434,742	18,316	6,592
Agriculture	3,932	2,758	1,154	18	—
Forestry	212	212	—	—	—
Fishing	4,216	3,958	218	39	—
Mining	15,118	14,808	—	310	—
Construction	213,618	202,749	9,987	881	3,434
Energy and Utilities	239,320	189,313	48,515	1,491	—
Communication	209,075	194,194	14,689	191	3,730
Transportation	851,728	724,039	112,969	14,718	—
Wholesale and Retail	1,496,830	1,401,741	89,178	5,910	33,255
Finance and Insurance	2,114,267	1,797,754	141,877	174,636	—
Real Estate	2,012,795	1,826,643	176,816	9,335	14,374
Various Services	1,285,105	1,256,406	23,382	5,316	5,124
Local Public Bodies	131,640	106,017	25,623	—	—
Individuals	1,894,689	1,894,689	—	—	12,470
Others	4,962,035	1,787,619	2,395,813	778,603	4,735
Total for Industry Sectors	¥ 18,018,058	¥ 13,533,317	¥ 3,474,969	¥ 1,009,770	¥ 83,717
One Year or Shorter	4,692,278	4,220,095	384,518	87,663	
Over One Year to less than Five Years	6,724,333	5,402,215	932,214	389,903	
Five Years or Longer	6,601,445	3,911,005	2,158,236	532,203	
Total for All Durations	¥ 18,018,058	¥ 13,533,317	¥ 3,474,969	¥ 1,009,770	
Average Balance during the Period	¥ 18,616,983	¥ 13,535,637	¥ 4,144,086	¥ 937,259	

Notes: 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 non-residents and state public services. Exposures for the duration of over five years include those with no fixed maturities.
3 Average balance during the period is the average figure of those as of March 31, 2007; September 30, 2007; and March 31, 2008.
4 Data for exposure as of March 31, 2007 represents amounts before credit risk offset effects of netting contracts allowed under the law and the netting against the company´s cash balance, but subsequent data represents amounts after the effects of these items.
5 Data for exposure as of March 31, 2007 represents exposures to both original creditors and debtors in loan participations, but subsequent data represents only exposures to original debtors.
6 Data for exposure as of March 31, 2007 has been restated to conform to March 31, 2008 standards.

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	¥ 15,909,301	¥ 12,841,314	¥ 2,934,264	¥ 133,722	¥ 132,282
Outside Japan	2,355,731	835,944	896,637	623,149	—
Total for Regions	¥ 18,265,032	¥ 13,677,259	¥ 3,830,901	¥ 756,871	¥ 132,282
Manufacturing	2,757,256	2,096,406	650,972	9,877	5,298
Agriculture	3,673	2,758	900	15	—
Forestry	294	294	—	—	—
Fishing	6,912	6,434	474	4	—
Mining	19,762	19,708	—	54	—
Construction	245,268	226,533	18,335	400	1,849
Energy and Utilities	264,371	195,247	67,902	1,220	—
Communication	235,810	209,425	26,290	95	4,240
Transportation	882,521	732,130	146,121	4,268	48,543
Wholesale and Retail	1,493,071	1,349,363	137,832	5,875	37,497
Finance and Insurance	2,256,118	1,974,956	186,782	94,380	—
Real Estate	1,822,339	1,656,020	161,694	4,624	22,090
Various Services	1,415,526	1,382,125	30,094	3,306	8,107
Local Public Bodies	176,452	114,568	61,884	—	—
Individuals	1,843,399	1,843,399	—	—	2,842
Others	4,842,251	1,867,886	2,341,617	632,747	1,811
Total for Industry Sectors	¥ 18,265,032	¥ 13,677,259	¥ 3,830,901	¥ 756,871	¥ 132,282
One Year or Shorter	5,067,393	4,500,627	502,702	64,063	
Over One Year to less than Five Years	6,874,113	5,309,839	1,280,775	283,498	
Five Years or Longer	6,323,525	3,866,792	2,047,423	409,309	
Total for All Durations	¥ 18,265,032	¥ 13,677,259	¥ 3,830,901	¥ 756,871	

Notes: 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) General Allowance for Loan Losses

At March 31	Millions of Yen 2008 Balance	2007 Balance	Change
General Allowance for Loan Losses	¥ **88,437**	¥ 72,760	¥ 15,677

(3) Specific Allowance for Loan Losses (breakdown by region, industry sector)

	Millions of Yen		
	2008	2007	Change
At March 31	Balance	Balance	
Japan	¥ 8,361	¥ 24,398	¥ (16,037)
Outside Japan	—	—	—
Total for Regions	¥ 8,361	¥ 24,398	¥ (16,037)
Manufacturing	1,154	526	627
Agriculture	—	—	—
Forestry	—	—	—
Fishing	—	—	—
Mining	—	—	—
Construction	119	136	(17)
Energy and Utilities	—	—	—
Communication	36	60	(24)
Transportation	—	13,728	(13,728)
Wholesale and Retail	1,344	485	859
Finance and Insurance	—	—	—
Real Estate	1,438	1,343	94
Various Services	544	1,516	(971)
Local Public Bodies	1,575	3,262	(1,686)
Individuals	745	1,122	(377)
Others	1,402	2,214	(812)
Total for Industry Sectors	¥ 8,361	¥ 24,398	¥ (16,037)

(4) Allowance for Loan Losses from Borrowers in Specified Foreign Countries (breakdown by industry sector)

	Millions of Yen		
	2008	2007	Change
At March 31	Balance	Balance	
Manufacturing	¥ —	¥ 64	¥ (64)
Agriculture	—	—	—
Forestry	—	—	—
Fishing	—	—	—
Mining	—	106	(106)
Construction	—	—	—
Energy and Utilities	—	0	(0)
Communication	—	—	—
Transportation	—	—	—
Wholesale and Retail	—	17	(17)
Finance and Insurance	—	513	(513)
Real Estate	—	—	—
Various Services	—	—	—
Local Public Bodies	—	—	—
Individuals	—	—	—
Others	—	17	(17)
Total for Industry Sectors	¥ —	¥ 720	¥ (720)

(5) Amount of Written-off Loans (breakdown by industry sector)

	Millions of Yen	
Year Ended March 31	2008	2007
Manufacturing	¥ 491	¥ —
Agriculture	—	—
Forestry	—	—
Fishing	—	—
Mining	—	—
Construction	300	—
Energy and Utilities	—	—
Communication	(557)	4,141
Transportation	—	41
Wholesale and Retail	4,478	466
Finance and Insurance	11	—
Real Estate	8	(2,612)
Various Services	139	2,258
Local Public Bodies	—	—
Individuals	411	525
Others	(1)	—
Total for Industry Sectors	¥ 5,282	¥ 4,820

(6) Amount of Exposures by Risk-Weight Category (Standardized Approach)

	Millions of Yen			
	2008		2007	
At March 31		Subject to Rating		Subject to Rating
Balance of Exposures to which the Standardized Approach is Applied after Allowing for the Credit Risk Mitigation Effect by Risk-Weight Category	¥ 235,110	¥ —	¥ 2,148,850	¥ —
0%	5,076	—	156,542	—
10%	—	—	—	—
20%	13,428	—	27,044	—
35%	—	—	1,091,411	—
50%	—	—	—	—
100%	216,605	—	871,008	—
150%	—	—	2,842	—
Amounts Deducted from Capital under the Notification, Article 20, Paragraph 1, 2 and 5	—		—	

(7) Amount of Exposures by Risk-Weight Category (IRB Approach)

	Millions of Yen	
At March 31	**2008**	2007
Specialized Lending under the Slotting Criteria	**¥ 1,288,935**	¥ 1,122,054
High-Volatility Commercial Real Estate Exposures	**287,595**	131,826
Maturities of 2.5 years or Longer	**164,574**	63,243
Strong 95%	**24,242**	16,386
Good 120%	**102,630**	24,873
Satisfactory 140%	**37,701**	21,983
Weak 250%	**—**	—
Default 0%	**—**	—
Maturities of less than 2.5 Years	**123,021**	68,582
Strong 70%	**25,109**	34,705
Good 95%	**58,922**	26,386
Satisfactory 140%	**38,989**	7,490
Weak 250%	**—**	—
Default 0%	**—**	—
Other Exposures	**¥ 1,001,340**	¥ 990,228
Maturities of 2.5 years or Longer	**767,626**	647,589
Strong 70%	**360,928**	280,545
Good 90%	**229,439**	212,866
Satisfactory 115%	**160,695**	140,385
Weak 250%	**16,563**	1,139
Default 0%	**—**	12,651
Maturities of less than 2.5 Years	**233,713**	342,638
Strong 50%	**65,827**	140,816
Good 70%	**93,315**	146,824
Satisfactory 115%	**71,836**	54,739
Weak 250%	**2,733**	—
Default 0%	**—**	258
Equity Exposures to which the Simple Risk Weight Method of the Market-Based Approach is Applied	**¥ 51,556**	¥ 42,133
Listed Stocks 300%	**10,668**	29,423
Unlisted Stocks ... 400%	**40,887**	12,709

Application of the IRB Approach

(1) The Probability of Default (PD), Loss Given Default (LGD), 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 obligor category for Corporate Exposures

	Millions of Yen				
	2008				
At March 31	PD	LGD	RW	On_EAD	Off_EAD
Ratings 1 – 4	**0.06%**	**45.87%**	**23.81%**	**¥ 1,981,641**	**¥ 848,073**
Ratings 5 – 6	**0.94%**	**44.77%**	**73.68%**	**4,329,532**	**900,336**
Ratings 7 – 8	**18.59%**	**44.11%**	**210.26%**	**656,492**	**92,978**
Ratings 8- – 10	**100.00%**	**44.97%**	**—**	**63,789**	**7,831**
Total	**2.95%**	**45.07%**	**68.72%**	**¥ 7,031,456**	**¥ 1,849,221**

Notes: 1 Specialized lending and purchased receivables are excluded.
2 As of Mar. 31, 2007 credits provided to affiliated companies are presented as part of "others," but for this presentation the receivables have been reclassified under "other assets" and thus are not presented here.

	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

Note: Specialized lending and purchased receivables are excluded. Others are credits provided to affiliated companies.

(2) The Probability of Default (PD), Loss Given Default (LGD), 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 obligor category for Sovereign Exposures

	Millions of Yen				
	2008				
At March 31	PD	LGD	RW	On_EAD	Off_EAD
Ratings 1 – 4	**0.01%**	**45.00%**	**9.75%**	**¥ 2,654,913**	**¥ 53,913**
Ratings 5 – 6	**1.73%**	**45.00%**	**134.80%**	**12,411**	**384**
Ratings 7 – 8	**14.68%**	**45.00%**	**232.15%**	**3,076**	**—**
Ratings 8- – 10	**—**	**—**	**—**	**—**	**—**
Total	**0.04%**	**45.00%**	**10.59%**	**¥ 2,670,401**	**¥ 54,297**

Note: Specialized lending and purchased receivables are excluded.

	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

Note: Specialized lending and purchased receivables are excluded.

(3) The Probability of Default (PD), Loss Given Default (LGD), 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 obligor category for Bank Exposures

	Millions of Yen				
	2008				
At March 31	PD	LGD	RW	On_EAD	Off_EAD
Ratings 1 – 4	**0.04%**	**46.29%**	**17.79%**	**¥ 779,672**	**¥ 776,714**
Ratings 5 – 6	**0.73%**	**46.55%**	**70.69%**	**27,637**	**43,183**
Ratings 7 – 8	**—**	**—**	**—**	**—**	**—**
Ratings 8- – 10	**—**	**—**	**—**	**—**	**—**
Total	**0.07%**	**46.31%**	**20.09%**	**¥ 807,310**	**¥ 819,897**

Notes: 1 Specialized lending and purchased receivables are excluded.
2 As of Mar. 31, 2007 credits provided to affiliated companies are presented as part of "others," but for this presentation the receivables have been reclassified under "other assets" and thus are not presented here.

	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

Note: 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		
	2008		
At March 31	PD	RW	Balance
Ratings 1 – 4	**0.06%**	**108.34%**	**¥ 30,134**
Ratings 5 – 6	**0.32%**	**162.24%**	**84,926**
Ratings 7 – 8	**9.40%**	**461.59%**	**136**
Ratings 8- – 10	**100.00%**	**—**	**19**
Total	**0.28%**	**148.47%**	**¥ 115,216**

	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

(5) The Probability of Default (PD), Loss Given Default (LGD), weighted average of Risk Weights (RW), Exposure At Default (EAD) of On-balance sheet asset items (On-EAD), EAD of Off-balance sheet asset items (Off-EAD), Undrawn Commitment, and weighted average of Credit Conversion Factor (CCF) applied to Undrawn Commitment for Retail Exposures by exposure pool

	Millions of Yen						
	2008						
At March 31	PD	LGD	RW	On_EAD	Off_EAD	Undrawn Commitment	CCF
Residential Mortgage							
Current	0.34%	53.65%	31.13%	¥ 1,438,443	¥ 101,906	¥ 130	75%
Overdue	37.46%	53.65%	323.23%	5,977	64	—	—
Default	100.00%	48.74%	—	5,702	92	—	—
Qualifying Revolving Retail							
Current	1.46%	100.00%	53.88%	7,465	3,697	72,777	5%
Overdue	—	—	—	—	—	—	—
Default	—	—	—	—	—	—	—
Other Retail (consumer)							
Current	1.21%	53.20%	59.51%	113,761	2,690	11,059	7%
Overdue	27.59%	53.56%	141.92%	3,317	173	349	17%
Default	100.00%	46.06%	—	893	770	152	23%
Other Retail (commercial)							
Current	0.36%	54.39%	34.28%	89,197	8,898	95	75%
Overdue	15.54%	54.39%	115.27%	783	89	—	—
Default	100.00%	49.85%	—	1,328	577	—	—
Total	1.11%	53.92%	34.38%	¥ 1,666,870	¥ 118,961	¥ 84,564	69%

Notes: 1 LGD estimates include EL default amounts for exposures in default.
2 “Overdue” denotes credits less than 3 months overdue.

(6) Losses in the Previous Period and Comparison of Losses in the Current Period with those in the Previous Period

	Millions of Yen				
	2008		2007		Change in Actual Credit Losses
Year Ended March 31	Actual Credit Losses	Writebacks	Actual Credit Losses	Writebacks	
Corporate Exposures	¥ (2,175)	¥ (46,387)	¥ 36,681	¥ (16,422)	¥ (38,857)
Sovereign Exposures	(31)	(32)	18	(353)	(49)
Bank Exposures	—	—	—	—	—
Equity Exposures under the PD / LGD Approach	—	—	—	—	—
Retail Exposures	294	(733)	—	—	—

Note: Of credit costs, only those that can be identified as stemming from specified asset classes are shown in the table.

Factor Analysis

Losses in fiscal year 2007 decreased ¥38.8 billion year on year, the main reason for which being the reversal of general allowances for loan losses made for special mention debtors.

(7) Estimated Credit Losses

	Millions of Yen	
	Estimated Credit Losses	Actual Credit Losses
Corporate Exposures	¥ 141,375	¥ (2,175)
Sovereign Exposures	686	(31)
Bank Exposures	501	—
Equity Exposures under the PD / LGD Approach	418	—
Retail Exposures	10,267	294

Notes: 1 Estimated credit losses are the average of estimates calculated as of March 31, 2007; September 30, 2007; and March 31, 2008. Estimated credit losses for retail exposures are estimates calculated as of March 31, 2008.
2 Actual credit losses are the sum of losses for one year beginning from April 1, 2007.

Credit Risk Mitigation Measures

Non-consolidated

Exposures to which Credit Risk Mitigation Measures are Applied

At March 31	Millions of Yen 2008 Eligible Financial Collateral	Other Eligible IRB Collateral	Guarantees	Credit Derivatives
Portfolios to which the Standardized Approach is Applied	¥ —	¥ —	¥ —	¥ —
Portfolios to which the IRB Approach is Applied	**1,149,722**	**140,097**	**135,242**	**40,000**
Corporate Exposures	**390,109**	**140,097**	**40,693**	—
Sovereign Exposures	**320**	—	**89,186**	—
Bank Exposures	**759,292**	—	**5,362**	**40,000**
Residential Mortgage Exposures	—	—	—	—
Qualifying Revolving Retail Exposure	—	—	—	—
Other Retail Exposures	—	—	—	—

Note: From March 31, 2008, the scope of credit risk mitigation measures has been enlarged.

At March 31	Millions of Yen 2007 Eligible Financial 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 and Long Settlement Transactions

Non-consolidated

Derivative Products

At March 31	Millions of Yen 2008	2007
Aggregate Sum of Amounts of Gross Reconstruction Costs (limited only to those not below zero)	¥ 2,194,232	¥ 647,400
Aggregate Sum of Gross Add-On Amounts	1,161,422	789,606
Credit Equivalents (Gross)	¥ 3,354,679	¥ 1,437,006

Note: Credit equivalents are calculated with the current exposure approach.

At March 31	Millions of Yen 2008	2007
Foreign Exchange Related	¥ 633,232	¥ 238,448
Interest Rate Related	2,720,403	1,198,449
Gold Related	—	—
Equity Related	—	—
Precious Metals (Excluding Gold) Related	—	—
Other Commodities Related	—	—
Credit Derivatives	1,044	108
Total	¥ 3,354,679	¥ 1,437,006
Effect of Mitigating Credit Equivalents due to Close-out Netting Contracts (Deduction)	(2,339,813)	(680,134)
Total	¥ 1,014,866	¥ 756,871
Effect of Mitigation by Collateral under the Credit Risk Mitigation Measures (Deduction)	—	—
Total	¥ 1,014,866	¥ 756,871

	Millions of Yen			
	2008		2007	
At March 31	Providing of Protection	Purchase of Protection	Providing of Protection	Purchase of Protection
Notional Principal Amounts of Credit Derivatives				
Subject to the Calculation of Credit Equivalents				
Credit Default Swaps	¥ 80,000	¥ 40,000	¥ 81,000	¥ 40,000
Total Return Swaps	—	—	—	—
First-to-Default Credit Derivatives	—	—	—	—
Second-to-Default Credit Derivatives	—	—	—	—

At March 31	Millions of Yen 2008	2007
Notional Principal Amounts used to Allow for the Effect of Credit Risk Mitigation Measures	¥ 40,000	¥ 40,000

Long Settlement Transactions

Not applicable

Securitization Exposures (Originator)

(1) Outline of Securitization during fiscal year 2007, Type and Status of Underlying Assets

We conducted the following single securitization transaction as an originator during fiscal year 2007.

Date of Securitization:	July 2007
Type of Underlying Assets:	Mortgage Loans
Aggregate Sum of Underlying Assets:	¥30,202 million (at the time of securitization), ¥27,021 million (as of the end of March 2008)
Type of Transaction:	Asset transfer-type securitization transaction
Rating Agency:	Moody's Investors Service, Inc. Standards & Poors Rating Services (S&P)
Initial Issue Amount:	Class A ¥ 3,000 million (Aaa/Moody's, AAA/S&P) Class B ¥ 23,570 million (A2/Moody's, A/S&P) Class C ¥ 3,330 million (no rating) Subordinate Earnings Right ¥ 302 million (no rating)
Date of Redemption:	December 2036

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			
	2008			
		Aggregate Sum of Underlying Assets		
At March 31	Exposure Amounts		Asset Transfer-Type Securitization Transaction	Synthetic Securitization Transaction
Housing Loans	¥ 302	¥ 27,021	¥ 27,021	¥ —
Credit Card Loans, Consumer Loans	—	—	—	—
Auto Loans, Other Loans to Individuals	—	—	—	—
Commercial Real Estate-Secured Loans	—	—	—	—
Loans and Bonds to Corporates	—	—	—	—
Claims on Lease Payments	—	—	—	—
Accounts Receivable, Other Claims on Corporates	—	—	—	—
Total	¥ 302	¥ 27,021	¥ 27,021	¥ —

(3) Cumulative Total for Fiscal Year 2007 of Underlying Assets Overdue for Three Months or Longer or in Default Related to Securitization Exposures Held, Cumulative Total of Losses for Fiscal Year 2007, and their Breakdowns by Type of Underlying Assets

	Millions of Yen	
	2008	
Year Ended March 31	Cumulative Total of Underlying Assets Overdue for Three Months or Longer or in Default	Cumulative Total Losses for Fiscal Year 2007
Housing Loans	¥ 82	¥ 49
Credit Card Loans, Consumer Loans	—	—
Auto Loans, Other Loans to Individuals	—	—
Commercial Real Estate-Secured Loans	—	—
Loans and Bonds to Corporates	—	—
Claims on Lease Payments	—	—
Accounts Receivable, Other Claims on Corporates	—	—
Total	¥ 82	¥ 49

CEO Message / Status of Overseas Credit Investment
Business Report
Governance Report
A Report from the Front Lines
Financial Section
Risk Management
STB Basic Information

(4) Balance and Amounts of Required Capital of Securitization Exposures Held by Risk-Weight Category

	Millions of Yen	
	2008	
At March 31	Balance	Required Capital
Risk-Weight Category (IRB Approach)	¥ 302	¥ 302
20% or less	—	—
over 20% and 100% or less	—	—
over 100% and less than 1,250%	—	—
Capital Deduction	302	302
Risk-Weight Category (Standardized Approach)	—	—
20% or less	—	—
over 20% and 100% or less	—	—
over 100% and less than 1,250%	—	—
Capital Deduction	—	—
Total	¥ 302	¥ 302

(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 Article 247

	Millions of Yen
At March 31	2008
Housing Loans	¥ 302
Credit Card Loans, Consumer Loans	—
Auto Loans, Other Loans to Individuals	—
Commercial Real Estate-Secured Loans	—
Loans and Bonds to Corporates	—
Claims on Lease Payments	—
Accounts Receivable, Other Claims on Corporates	—
Total	¥ 302

(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 2007 and Breakdown by Type of Principal Underlying Assets

	Millions of Yen
Year Ended March 31	2008
Housing Loans	¥ (30)
Credit Card Loans, Consumer Loans	—
Auto Loans, Other Loans to Individuals	—
Commercial Real Estate-Secured Loans	—
Loans and Bonds to Corporates	—
Claims on Lease Payments	—
Accounts Receivable, Other Claims on Corporates	—
Total	¥ (30)

(9) Amounts of Credit Risk-Weighted Assets Calculated with the Application of Transitional Measures with respect to Securitization Exposures

Not applicable

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 Transaction	Synthetic Securitization Transaction
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 1,250%	8,866	788
Capital Deduction	—	—
Risk-Weight Category (Standardized Approach)	—	—
20% or less	—	—
over 20% and 100% or less	—	—
over 100% and less than 1,250%	—	—
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 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 of Underlying Assets by Type

	Millions of Yen	
	2008	2007
At March 31	Exposure	Exposure
Housing Loans	**¥ 572,423**	¥ 609,005
Credit Card Loans, Consumer Loans	**195,014**	276,624
Auto Loans, Other Loans to Individuals	**23,047**	44,884
Commercial Real Estate-Secured Loans	**100,294**	109,384
Loans and Bonds to Corporates	**453,609**	522,215
Claims on Lease Payments	**123,652**	162,801
Accounts Receivable, Other Claims on Corporates	**6,512**	6,205
Total	**¥ 1,474,554**	¥ 1,731,122

(2) Balance and Amounts of Required Capital of Securitization Exposures Held by Risk-Weight Category

	Millions of Yen			
	2008		2007	
At March 31	Balance	Required Capital	Balance	Required Capital
Risk-Weight Category (IRB Approach)	**¥ 1,474,554**	**¥ 50,562**	¥ 800,608	¥ 43,468
20% or less	**1,260,755**	**9,738**	646,245	5,413
over 20% and 100% or less	**163,426**	**8,734**	109,700	5,924
over 100% and less than 1,250%	**30,693**	**12,411**	24,230	11,698
Capital Deduction	**19,678**	**19,678**	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 1,250%	**—**	**—**	—	—
Capital Deduction	**—**	**—**	—	—
Total	**¥ 1,474,554**	**¥ 50,562**	¥ 1,731,122	¥ 69,618

Note: From March 31, 2008, exposure for securitization exposures securitized by retail exposures is being presented using the IRB approach instead of the Standardized Approach.

(3) Amount of Securitization Exposures by Type of Underlying Assets Deducted from Capital under Provisions of the Notification Article 247

	Millions of Yen	
At March 31	**2008**	2007
Housing Loans	**¥ —**	¥ —
Credit Card Loans, Consumer Loans	**711**	—
Auto Loans, Other Loans to Individuals	**—**	—
Commercial Real Estate-Secured Loans	**—**	—
Loans and Bonds to Corporates	**18,967**	20,431
Claims on Lease Payments	**—**	—
Accounts Receivable, Other Claims on Corporates	**—**	—
Total	**¥ 19,678**	¥ 20,431

(4) Amounts of Credit Risk-Weighted Assets Calculated with the Application of Transitional Measures with respect to Securitization Exposures

Not applicable

Market Risk

Non-consolidated

(1) End of Period Value at Risk (VaR) and Maximum, Minimum and Mean VaR for the Period

• Market Risk in FY2007

	Banking Account	Trading Account
As of Mar. 31, 2008	¥ 80.0 billion	¥ 0.5 billion
Maximum	102.9 billion	1.5 billion
Minimum	75.6 billion	0.3 billion
Mean	90.7 billion	0.7 billion

(For the April, 2007 - March, 2008 Period)

• Market Risk in FY2006

	Banking Account	Trading Account
As of Mar. 31, 2007	¥ 80.0 billion	¥ 0.4 billion
Maximum	109.5 billion	1.6 billion
Minimum	73.4 billion	0.3 billion
Mean	92.9 billion	1.1 billion

(For the April, 2006 - March, 2007 Period)

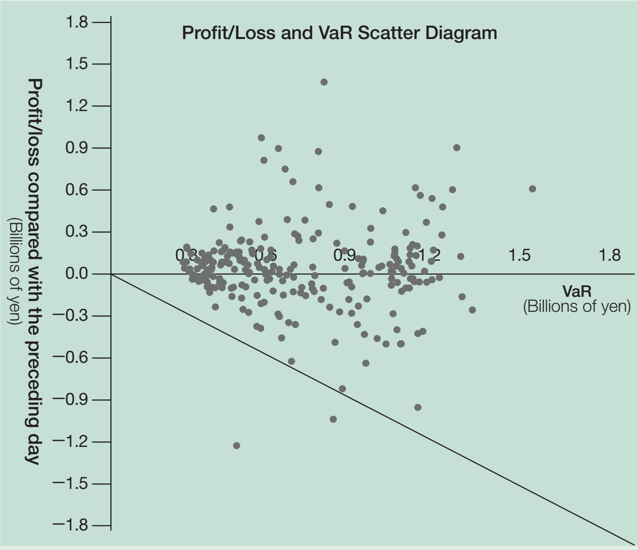
VaR Measurement Standards

Banking Account	Confidence Interval: One-tailed 99%	Time Horizon: 21 business days	Observation Period: One Year
Trading Account	Confidence Interval: One-tailed 99%	Time Horizon: 1 business day	Observation Period: One Year

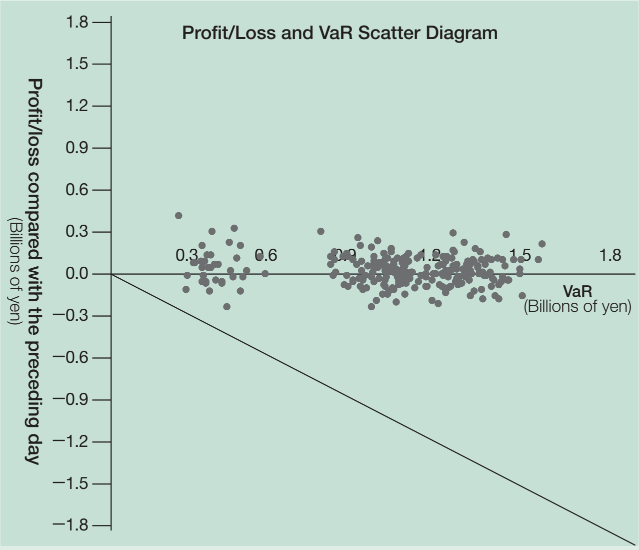
(2) Results of Back Testing and Reasons for Large Deviations between Actual Losses and VaR

• Back Testing of the Trading Account

FY 2007



FY 2006



Note: As shown above, for the fiscal year 2007 back testing of the trading account shows two instances of losses in excess of VaR.

Capital Subscriptions or Equity Exposures in the Banking Account

Non-consolidated

At March 31	Millions of Yen							
	2008				2007			
	Book Value		Market Value		Book Value		Market Value	
Non-consolidated Book and Market Values *1								
Listed Equity Exposures	**¥ 670,506**		**¥ 670,506**		¥ 988,215		¥ 988,215	
Capital Subscriptions or Equity Exposures not included in "Listed Equity Exposures" *2	**75,003**		**75,003**		82,843		82,843	
	Gains/Losses	Gains	Losses	Written-off	Gains/Losses	Gains	Losses	Written-off
Amounts of Gains/Losses on Sale and Written-off of Capital Subscriptions or Equity Exposures *1,3	**4,230**	**30,382**	**991**	**25,160**	5,088	12,564	2,931	4,544
Amounts of Unrealized Gains/Losses Recognized in the Non-consolidated Balance Sheets and not Recognized in the Non-consolidated Statements of Income	**191,568**				506,509			
Amounts of Unrealized Gains/Losses not Reported in the Non-consolidated Balance Sheets and Statements of Income	**Not applicable**				Not applicable			

*1 Figures for Available-for-Sale Securities include only Japanese and foreign stocks. Figures for Mar. 31, 2007 however include only Japanese stocks.
*2 Foreign stocks listed on the Non-consolidated Balance Sheets totaled ¥4,044 million as of Mar. 31, 2007.
*3 Non-consolidated Statements of Income figures for gains/losses on stock holdings and related written-off.

At March 31	Millions of Yen	
	2008	2007
Amounts by Portfolio Category	**¥ 811,559**	¥ 1,355,968
Outstanding Shares Held	**644,786**	1,184,958
Portfolios Adopting the Market-Based Approach	**51,556**	42,133
Portfolios Adopting the PD/LGD Approach	**115,216**	128,876

Notes: 1 Amounts by portfolio category show exposures subject to the calculation of credit risk-weighted assets.
2 As of Mar. 31, 2007 share holdings in affiliates of ¥278,682 million are included in "Outstanding Shares Held" but from Mar. 31, 2008 this information is no longer being included in the category.

Amounts Held in Funds

Non-consolidated

At March 31	Millions of Yen	
	2008	2007
Aggregate Sum of Exposures Held in Funds	**¥ 271,693**	¥ 503,841
Look-through Approach	**132,076**	242,418
Simple Majority Formula	**56,861**	66,780
Investment Criteria Formula	**14,185**	103,825
Internal Models Approach	**—**	—
Probability Approach	**63,601**	78,152
Others	**4,969**	12,665

Note: Exposures subject to the calculation of credit risk-weighted assets are shown.

Interest Rate Risk in the Banking Account

Non-consolidated

Gains/Losses and Changes in Economic Value due to Interest Rate Shocks Under the Internal Control System Used by the Parent Company

• Outlier Ratio

At March 31	**2008**	2007
Overall Amount of Interest Rate Risk	**¥ 139.5billion**	¥ 108.4 billion
Outlier Ratio	**7.5%**	5.5%

Notes: 1 Our interest rate fluctuation scenario assumes an interest rate shock consisting of the 1st and 99th percentile of the fluctuation range measured for a one year time horizon and a minimum observation period of five years.
2 Our risk measurement method uses the interest rate sensitivity approach. Core deposits are defined as the lowest of the following three items, as an upper limit, for the five-year maturity (an 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.

STB Basic Information

1. Business Outline

Sumitomo Trust's Retail Financial Services Business 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 direct channels via the internet and telephone 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 funds management company within the Sumitomo Trust Group, the Retail Financial Services Business has developed a rich variety of mutual funds 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, including the "Sumishin World Five Income Fund" (nickname: Five Income), which was launched in July 2007, the "Sumishin Property Quadruple Fund" (nickname: Quadruple) in monthly dividend payout package and the "Sumishin Monthly Dividend Package Fund" (nickname: Dividend Family).

In June 2008 we launched the "Sumishin New Generation Growth Fund" (both in monthly and annual dividend payout packages; nickname: Future Fruit), which targets profit from global economic growth taking risk into consideration. The fund focuses on opportunities created by global population growth; dynamic global companies; future economic powers that continue to achieve remarkable economic growth and commodities (energy and grain), for which demand will grow in the future.

• 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 April 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: Foreign Currency Revolution), 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.

Wakuwaku Select received the Award of Distinction for the Financial Services Division of the 2007 Nikkei Distinguished Products and Services Awards for its superior product concept.

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 asset 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 19 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 also offer customers the TV telephone consulting service "TV de Sodan" 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.

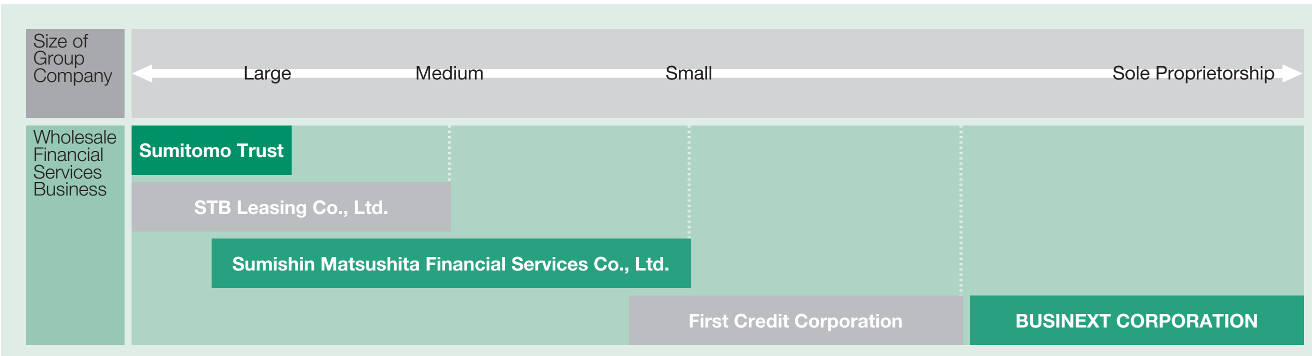
Moreover, we launched the asset succession planning product "Estate Planning," in February 2008, and we will further expand our lineup of products going forward.

Further information about main product, please see page 189

Description of Businesses

Wholesale and Retail Client Services Group/ Wholesale Financial Services Business

• Transactions Diagram for Group Businesses



1. Business Outline

Wholesale Financial Services Business covers a wide range of customers from large to small and mid-size companies, to financial institutions, to non-profit organizations, and to overseas financial markets in a consolidated business structure. Based on the rich functions and expertise gained through banking and trust operations, Sumitomo Trust provides solutions to each customer to aid in raising corporate and asset value. In addition to providing standard corporate loans, making the most of trust and financial intermediary functions, Sumitomo Trust is placing efforts in asset management-type financial intermediary business by providing customers with asset management products.

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 to meet clients' needs, such as selling 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 alliances, 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 these advisory activities.

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.

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 2008, we perform stock transfer agency tasks for 1,191 companies (including 6 foreign companies), and handling related clerical work for 8.28 million 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 a succession of revisions to the Commercial Code, 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.

Description of Businesses

Wholesale and Retail Client Services Group/ Real Estate Division

• 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 Business.

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 alliance contracts with several other financial organizations.

2. Product and Service Outline

Real Estate Transaction Services

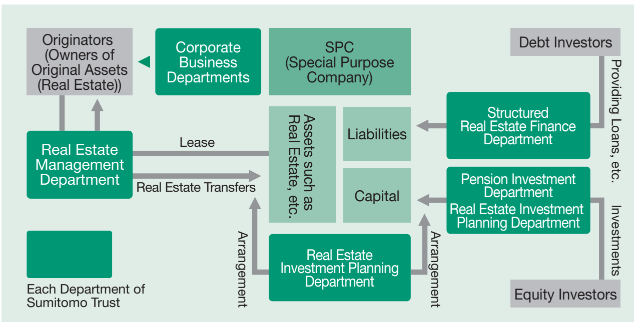
1. Real Estate Brokerage

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-

• Real Estate Securitization Scheme and the Role of Sumitomo Trust



tranche (adjustment of terms of financing, 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. The volume of entrusted assets has increased steadily and the volume of outstanding assets under management of this company is 206.9 billion yen as of March 2008. It also 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 made steady progress.

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.

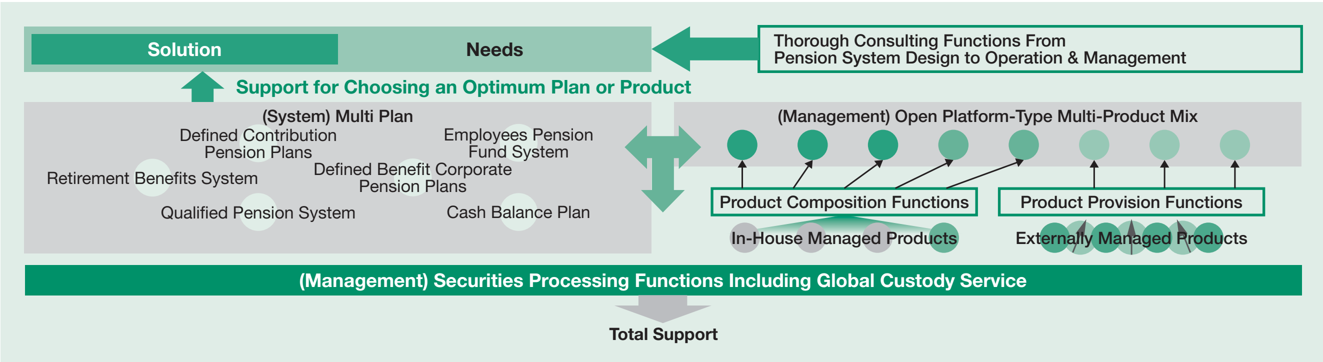
In addition, we are promoting measures in consideration of customer demand based on a customer service questionnaire concerning business service content and clerical work quality. As such a measure we improved the real estate total management system ("SMART") and started offering services that enable corporate customers to have access to accounting information on the internet since January 2008.

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 business 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 2008, the Fiduciary Services Group had approximately 27 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 Designging

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, customers are steadily adopting defined contribution pension plans. In introducing defined contribution pension plans, both support and thorough investment education for beneficiaries is essential. To further strengthen our services in response to this trend, we have improved our services to meet the needs of corporate customers and pension beneficiaries. We have improved information provision service levels through an exclusive call center and the internet. We also offer integrated life planning and money planning seminars to beneficiaries, with a view not only of investment education when they subscribe to a defined contribution pension plan, but also for planning their lives after retirement.

2. Asset Management

The pension asset management services provided by Sumitomo Trust begin with consulting, in which we discuss with the customer their objectives and 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 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, managed futures, private equity, 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, managed by our fund managers, have obtained high evaluations from customers and even specialized agencies such as asset management consulting companies. This rich lineup supports the strength of our pension trust business together with 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, such as real estate funds or hedge funds, and provide them in combination with our own products. This is another distinctive feature of Sumitomo Trust.

Securities Processing Services Business

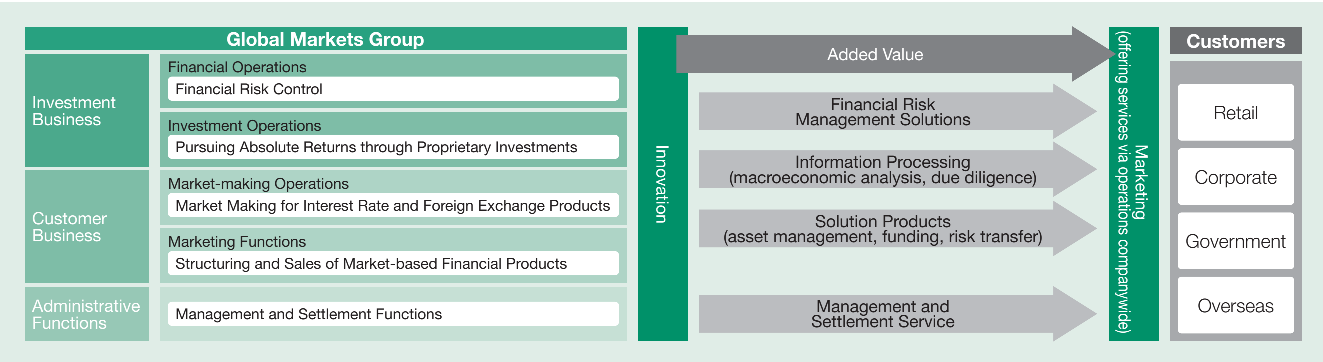
The securities processing services business safely stores securities in which our customers have invested, and also provides a wide range of services related to securities processing, such as trading settlement, interest and dividend collection, producing customer-use reports on the custody and storage 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, Resona Bank, Ltd., and Chuo 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 300 trillion yen as of the end of March 2008.

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.

Description of Businesses

Global Markets Group

• Global Markets Group Business Model



1. Business Outline

The business operations of Global Markets Group are broadly divided into the investment business, customer business, and administrative functions.

The investment business consists of (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.

Administrative Functions

Global Markets Group serves a role providing management and settlement functions for not only in-house business but also for through its investment business and customer business.

Names of Products and Services

Sumishin*1 World Five income Fund (Nickname: Five Income)

Through investments in investment trusts, Five Income invests in five appealing global asset classes. The basic asset allocation policy is 30% in high-rated, high-interest rate bonds from developed countries; 20% in local currency sovereign bonds from emerging countries; 20% in high dividend yield stocks from developed countries; 20% in high dividend yield stocks from Japan; and 10% in overseas REITs.

*1 Sumishin: short for Sumitomo Shintaku, or Sumitomo Trust in English.

Sumishin 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.

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 Next Generation Growth Fund (Nickname: Future Fruit)

Future Fruit aims to reap the fruits of global economic growth by spreading investments in equities, bonds and products that track the commodities markets globally. This focus is on further increasing growth in the future value of entrusted assets.

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.

Good Select

Good Select is a 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 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.

Foreign Currency Revolution ("Gaika kakumei")

Foreign Currency Revolution 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.

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*4. We offer two plan types of these packages: periodic plan and portfolio plan.

*4 Upper limit of 30 million yen.

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*5 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.

*5 TV de Sodan: "consultation via TV" in English.

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.

Estate Planning

Through detailed analysis of customers' assets to assess current conditions and for asset succession, this service offers support in approaches to asset succession and in forming specific asset succession plans.

Overseas Credit Investment related Terms

Securities backed by securitized assets

Structured product backed by other securitized assets; referred to as "securities backed by securitized assets."

Equity type security

Most subordinated tranche (i.e. "equity") in terms of interest and principal payments in a securitized asset scheme.

CDO Mezzanine

Portion of securitized portfolio of corporate loans and bonds rated A or BBB at time of issuance.

Synthetic CDO

Structured product backed by credit derivatives on a company's credit risk.

ABS-CDO

A category of resecuritization product, backed by other asset-backed securities.

CLO Equity

Most subordinated tranche in a securitized asset product backed by corporate loans.

SIV Capital note

Equity portion of a structured product issued by a special investment vehicle (SIV) that mainly invests in securitized assets and bonds.

CLO Warehousing loan

A short-term bridge loan to a CLO issuing body for the purchase of assets needed to complete a pool for securitization.

Notes on Mutual Funds and Other Products

The following note is required by the FIEL that was enforced in September 2007.

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 funds 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 April 1, 2008)

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. Other charges may also apply.

(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.

Principal Subsidiaries and Affiliates

The Sumitomo Trust Group consists of Sumitomo Trust, 38 consolidated subsidiaries and 7 equity method affiliates (As of June 30, 2008). The Sumitomo Trust Group provides a wide spectrum of financial services with trust banking at its core.

RETAIL FINANCIAL SERVICES BUSINESS

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 150,000 cardholders (as of March 2008). 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, and the Sumishin VISA Platinum Card introduced in October 2007. 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 Business 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 1,438.4 billion yen as of the end of March 2008.

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 BUSINESS

STB Leasing Co., Ltd. (Leasing — Consolidated subsidiary)

[Scope of Business]

In addition to general finance leasing, STB Leasing Co., Ltd. offers products tailored to the needs of customers including the liquidation of lease charge securities and operating leasing.

STB Leasing & Financial Group Co., Ltd., a whole subsidiary of Sumitomo Trust, was established in March 2008 as a holding company of STB Leasing Co., Ltd. and Sumishin Matsushita Financial Services Co., Ltd. This company provides new financial services as a leasing company of the Sumitomo Trust Group.

[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 and the leasing know-how of STB Leasing to provide its customers with comprehensive 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 provide various solutions 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 alliance 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 using its unique quantitative scoring method. It provides mainly unsecured loans as well as real-estate-backed loans and medical-treatment-receivables-backed loans.

[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 2008). 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. In addition, the company is making steady preparations for the introduction of a system of electronic stock certificates in January 2009.

[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 70 offices in Japan (as of May 2008), 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 Business 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 34 such branches as of May 2008). 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 specializing in cities and real estate. It now operates as a research & consulting institution focused on real estate market and real estate financial area, taking advantage of compiled research studies over 20 years. In addition to real estate market services, this company also provides unique consulting services as a third-party evaluator of real estate investment.

[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 such as office buildings and commercial facilities, this company provides wide-ranging investment opportunities including operating logistics facilities and development funds.

[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 2008, 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, Limited) as a trust bank specializing in securities processing services, and the Mitsui Trust Holdings Group (currently Chuo Mitsui Trust Holdings, Inc.) 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 funds 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 investment 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 Business 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.

Subsidiaries and Affiliated Companies
as of June 30, 2008

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 & Financial Group Co., Ltd.	¥ 50	100.0	0.0	March 2008
STB Leasing Co., Ltd.	¥ 5,064	0.0	100.0	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	0.0	66.0	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
SBI Sumishin Net Bank, Ltd.	¥ 22,500	50.0	0.0	June 1986
Japan Pension Operation Service, Ltd.	¥ 1,500	50.0	0.0	December 2004
BUSINEXT CORPORATION	¥ 9,000	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
STB Preferred Capital 4 (Cayman) Limited	¥ 111,600	100.0	0.0	May 2008
Fresco Asset Funding Corporation	$ 0.001	0.0	0.0	January 2000

* As defined by the accounting principles accepted in Japan.

STB Basic Information

Board of Directors, Executive Officers and Auditors
as of June 27, 2008


Chairman of the Board
Atsushi Takahashi*1


Vice Chairman
Takaaki Hatabe*1


President and CEO
Hitoshi Tsunekage*1


Senior Executive Officer
Akio Otsuka*1


Senior Executive Officer
Kiyoshi Mukohara*1


Senior Executive Officer
Teruhiko Sugita*1


Senior Executive Officer
Tomoaki Ando*1


Managing Executive Officer
Shuichi Kusakawa*1


Managing Executive Officer
Rikiya Hattori*1


Managing Executive Officer
Hidehiko Asai


Managing Executive Officer
Mitsuru Nawata
General Manager, Global Credit Supervision Department


Managing Executive Officer
Hideo Amemiya


Managing Executive Officer
Sumikazu Tsutsui*1


Managing Executive Officer
Tetsuo Ohkubo*1


Managing Executive Officer
Fuminari Suzuki


Managing Executive Officer
Koichi Hozumi


Managing Executive Officer
Junichi Sayato*1


Managing Executive Officer
Yasuyuki Yagi

Executive Officer
Takeshi Kataoka
General Manager, Corporate Business Dept. I, Osaka

Executive Officer
Shigemasa Shibata

Executive Officer
Masayuki Imanaka
General Manager, Tokyo Corporate Business Dept. II

Executive Officer
Yukihiro Kitano

Executive Officer
Ibuki Mori

Executive Officer
Kazunori Hino
General Manager, Stock Transfer Agency Department

Executive Officer
Tatsuya Tsuboi
General Manager, Internal Audit Department

Executive Officer
Kouji Nohara
Regional Executive, Nagoya General Manager, Nagoya Branch

Executive Officer
Koji Inagaki
General Manager, Tokyo Corporate Business Dept. I

Executive Officer
Seiichiro Nemoto
General Manager, Asset Management Department

Executive Officer
Koji Yosomiya
President and CEO, First Credit Corporation (Subsidiary of Sumitomo Trust)

Executive Officer
Takashi Imai
General Manager, Kyoto Branch

Executive Officer
Keiji Tanaka
Regional Executive, Americas General Manager, New York Branch

Standing Statutory Auditor
Masaru Suzuki

Statutory Auditor
Koichi Takamura*2

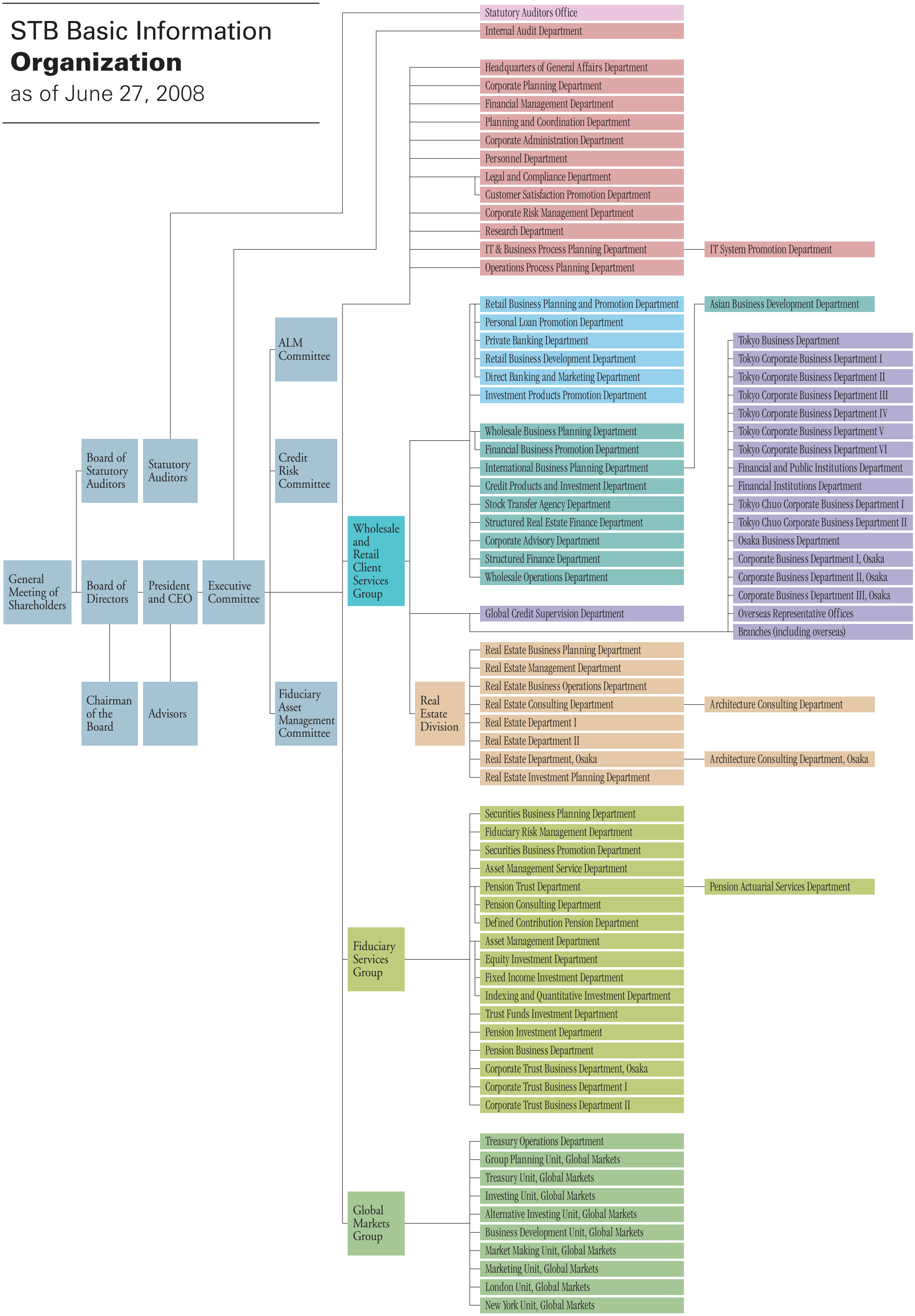
Statutory Auditor
Hiroshi Noguchi

Statutory Auditor
Hitoshi Maeda*2

Statutory Auditor
Koji Hirao*2

*1 Directors
*2 External Auditors

STB Basic Information
Organization
as of June 27, 2008



International Network
as of June 30, 2008

THE AMERICAS

UNITED STATES

New York Branch
527 Madison Avenue,
New York, NY 10022, U.S.A.
Telephone: 1-212-326-0600
Facsimile: 1-212-644-3025

Sumitomo Trust and Banking Co. (U.S.A.)
111 River Street,
Hoboken, NJ 07030, U.S.A.
Telephone: 1-201-420-9470
Facsimile: 1-201-420-7853

EUROPE

UNITED KINGDOM

London Branch
155 Bishopsgate,
London EC2M 3XU, U.K.
Telephone: 44-20-7945-7000
Facsimile: 44-20-7945-7177

LUXEMBOURG

Sumitomo Trust and Banking (Luxembourg) S.A.
18, Boulevard Royal,
L-2449, Luxembourg,
Grand Duchy of Luxembourg
Telephone: 352-4779851
Facsimile: 352-474608

ASIA

SINGAPORE

Singapore Branch
8 Shenton Way, #45-01,
Singapore 068811
Telephone: 65-6224-9055
Facsimile: 65-6224-2873
Telex: 20717

INDONESIA

Jakarta Representative Office
11th Floor, Summitmas I,
Jl. Jenderal Sudirman,
Kaveling 61-62,
Jakarta 12190, Indonesia
Telephone: 62-21-520-0057
Facsimile: 62-21-520-0058

THAILAND

Bangkok Representative Office
15th Floor, GPF Witthayu Tower A,
Suite 1502, 93/1 Wireless Road,
Pathumwan,
Bangkok 10330, Thailand
Telephone: 66-2-252-2302
Facsimile: 66-2-256-7799

PEOPLE'S REPUBLIC OF CHINA

Shanghai Branch
50F Jin Mao Tower,
88 Shiji Dadao Pudong New Area,
Shanghai 200121,
People's Republic of China
Telephone: 86-21-5047-6661
Facsimile: 86-21-5047-8298

Beijing Representative Office
7th Floor, Chang Fu Gong
Office Building,
A-26, Jianguomenwai Dajie,
Chaoyang District,
Beijing 100022,
People's Republic of China
Telephone: 86-10-6513-9020
Facsimile: 86-10-6513-9243

The Sumitomo Trust Finance (H.K.) Limited
Suites 704-706, 7th Floor,
Three Exchange Square,
8 Connaught Place, Central,
Hong Kong
Telephone: 852-2801-8800
Facsimile: 852-2840-0496/0502

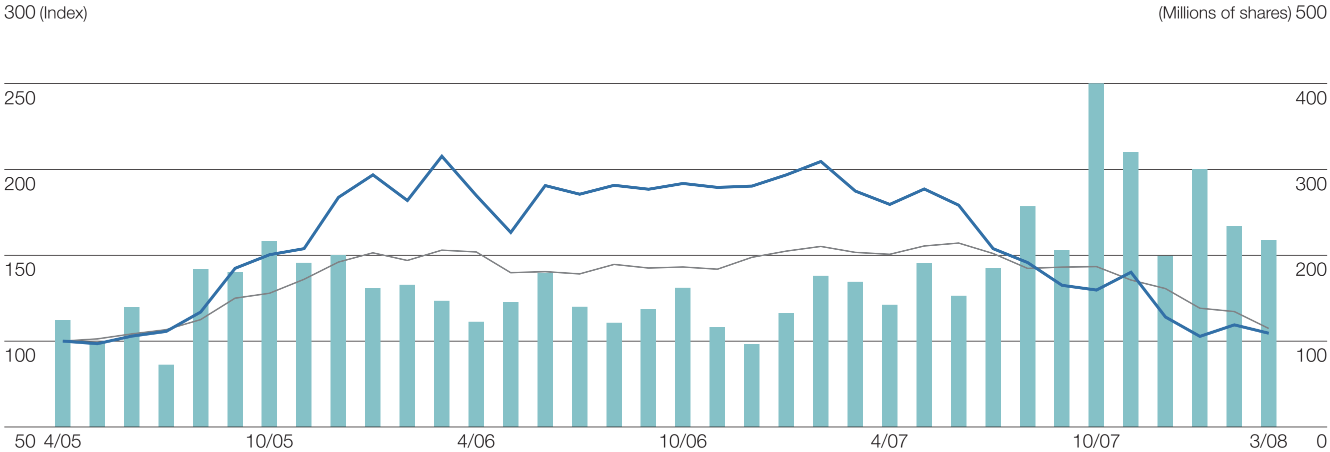
STB Consulting (China) Co., Ltd.
7th Floor, Chang Fu Gong
Office Building,
A-26, Jianguomenwai Dajie,
Chaoyang District,
Beijing 100022,
People's Republic of China
Telephone: 86-10-6525-6990
Facsimile: 86-10-6525-7992

REPUBLIC OF KOREA

Seoul Representative Office
100-716, 20th Floor,
Samsung Life Building,
#150, 2-Ka, Taepyung-Ro, Chung-Ku,
Seoul, Korea
Telephone: 82-2-757-8725/7
Facsimile: 82-2-757-8721

Stock Information
as of March 31, 2008

Stock Index and Trading Volume



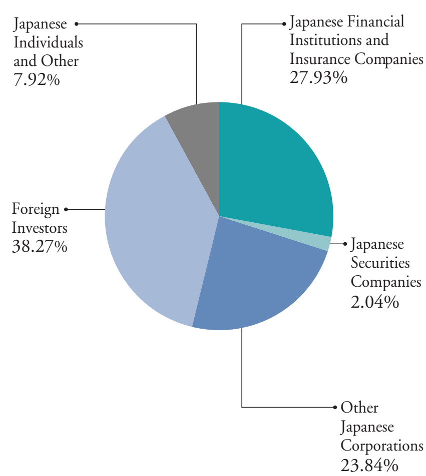
Sumitomo Trust Stock Price (Left) — TOPIX (Left) Sumitomo Trust Trading Volume per Month (Right)

Note: 4/05 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)	95,430	5.69
Japan Trustee Services Bank, Ltd. (Trust Account)	92,881	5.54
STATE STREET BANK AND TRUST COMPANY (Standing Agent: Mizuho Corporate Bank, Ltd.)	60,622	3.61
Northern Trust Company (AVFC) Sub Account American Clients	34,740	2.07
The Bank of New York International Nominees	33,321	1.98
STATE STREET BANK AND TRUST COMPANY 505103 (Standing Agent: Mizuho Corporate Bank, Ltd.)	26,521	1.58
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	22,018	1.31
KUBOTA Corporation	21,984	1.31
The Chase Manhattan Bank 385036	20,027	1.19
Japan Trustee Services Bank, Ltd. (Trust Account 4)	16,702	0.99

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 (201) 680-6825
U.S.toll free: 888-269-2377 (888-BNY-ADRS)
Facsimile: +1 (212) 571-3050/3051/3052

Other Data

Authorized Stock (Thousands): 3,000,000

Issued Stock (Thousands): 1,675,128

Number of Stockholders: 44,977

Corporate Data
as of March 31, 2008

Company Name:
The Sumitomo Trust and Banking Company, Limited

Address:
Head Office:
5-33, Kitahama 4-chome,
Chuo-ku, Osaka 540-8639, Japan
Telephone: +81 (6) 6220-2121

Tokyo Office:
GranTokyo South Tower,
9-2, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-6611, Japan
Telephone: +81 (3) 3286-1111

Date of Establishment:
July 1925

Paid-in Capital:
¥287.5 billion

Number of Employees:
5,869

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

It is my honor and pleasure to present our 2008 AR to you. Renewing and building investor confidence is my biggest responsibility as CFO of Sumitomo Trust. 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. I hope this report serves you as a guide to better understanding our company.

We place a high priority on maintaining highly transparent disclosure in IR activities. This is illustrated by the fact that six out of seven times from 2001 to 2007 the Security Analysts Association of Japan awarded us the "No.1 Fair Disclosure Company" position among Japanese banks. We are determined to stay the No.1 Fair Disclosure Bank and for that purpose 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 communication with you.

Junichi Sayato

Sumitomo Trust & Banking Co., Ltd.

For further information, please contact:
Investor Relations Office
Financial Management Department
The Sumitomo Trust & Banking Co., Ltd.
GranTokyo South Tower, 9-2, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-6611, 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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FSC

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