

2009

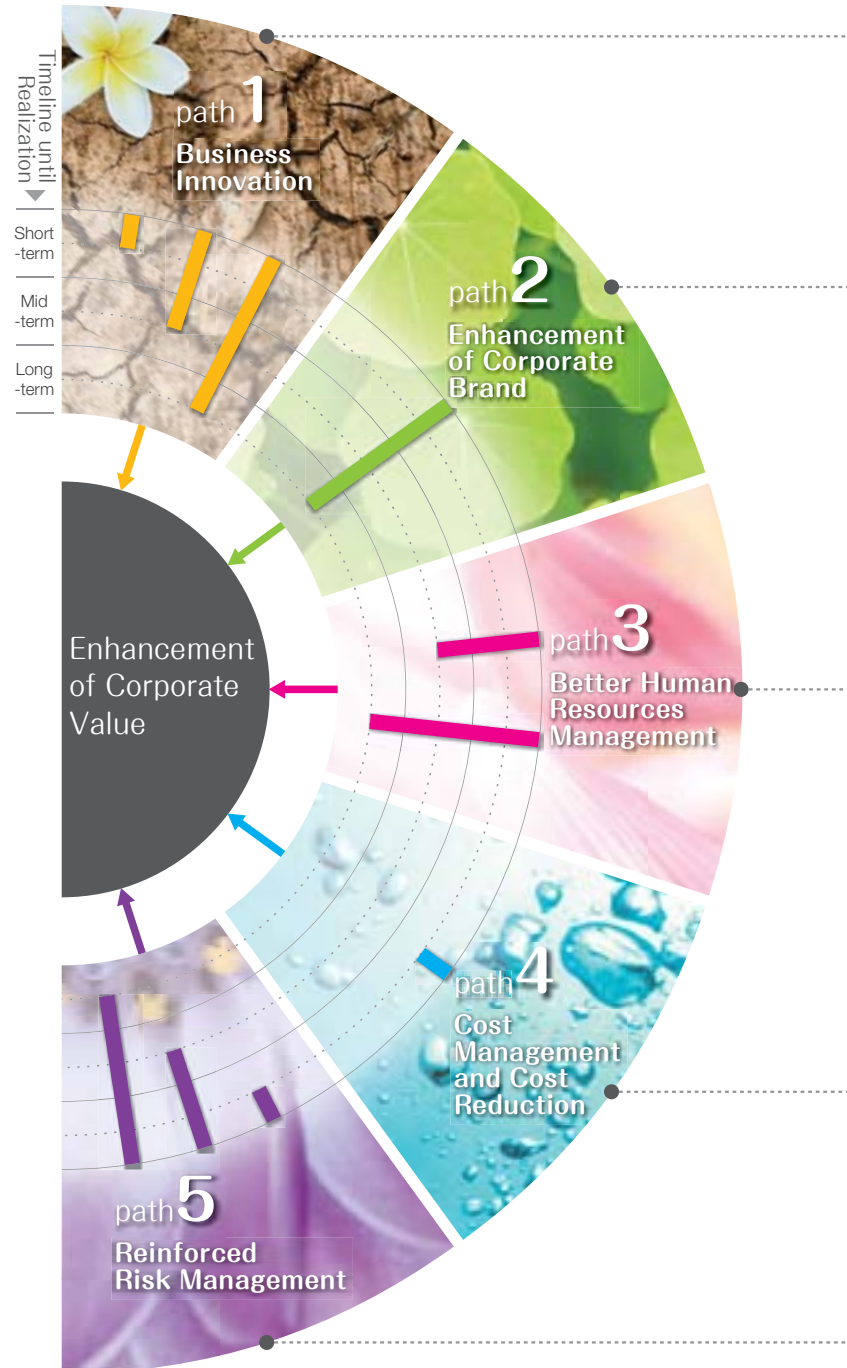
CORPORATE
SOCIAL
RESPONSIBILITY
REPORT



The 5 Paths

■ Concept of Sumitomo Trust's "Five Paths"

It is beginning to be widely recognized that active involvement in CSR activities helps to enhance corporate value. Sumitomo Trust positions (1) Business Innovation, (2) Enhancement of Corporate Brand, (3) Better Human Resources Management, (4) Cost Management and Cost Reduction and (5) Reinforced Risk Management as the "paths" toward the enhancement of our own corporate value, and is increasing efforts regarding each "path." Furthermore, we classify our CSR activities from two dimensions: from which path they enhance our corporate value (Path) and how long they take to do so (Timeline). For example, activities related to Path 4 "Cost Management and Cost Reduction," which bring about benefits relatively quickly due to cost cutting, contribute to the enhancement of corporate value in the short term. On the other hand, activities related to Path 2 "Enhancement of Corporate Brand" do so in the long term as they do not produce quick results. Thus, we set a timeline, whether it is short term, medium term, or long term, for each path and try to grasp the holistic picture of CSR activities. Sumitomo Trust also uses these five paths as the criteria for evaluating corporations as targets for SRI (Socially Responsible Investment), as we believe that CSR and SRI are two sides of the same coin.



Cover Photo: Calyptomena viridis

Calyptomena viridis is designated as an endangered species. Sumitomo Trust promotes activities to preserve biodiversity, including the protection of rare species.

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The key theme of our CSR policy is to contribute to the tackling and resolving a variety of social issues and challenges such as strains caused by the increasingly serious problem of global warming, the declining birthrate and the aging of society by taking advantage of our financial functions. We actively engage in efforts to create new financial businesses that would simultaneously support the sustainable development of the society and enhance our own corporate value.

▶ P.10

A company's corporate brand is developed through customers' experiential interactions with its employees and the use of its products and services. Sumitomo Trust will enhance its corporate brand and corporate value by conducting activities leading to CS (customer satisfaction) and social contribution that is visible to the public ("With You" activities).

▶ P.30

Human resources constitute the foundation of the sustainable development of the society. We hope to develop human resources capable of not only enhancing our own corporate value, but also making substantial contributions to the society through human resources management that develops the capabilities of our employees to the fullest. To this end, we strive to enhance our personnel management system and create a pleasant working environment.

▶ P.40

As part of its efforts to establish an environmentally friendly management system, Sumitomo Trust places emphasis on reducing the environmental impact of its daily operations, managing costs involved in these efforts and achieving cost reduction as a result. In addition, we seek to avoid the variety of risks involved in supply chains* and curb our costs by selecting our suppliers from the perspective of CSR.

▶ P.46

Preventing unforeseen incidents and protecting corporate value by complying with laws and regulations and safeguarding personal information is the minimum responsibility that companies owe to their stakeholders. In addition to fulfilling this responsibility, we strive to reinforce our risk management by establishing internal control and corporate governance systems that can deal with a variety of risks involved in our increasingly diverse and complex business operations.

▶ P.50

* A supply chain refers to a series of business processes involved in supplying customers with products, services and information that deliver value to them.

Message from the Management



Atsushi Takahashi
Executive Chairman

Hitoshi Tsunekage
President and CEO

Takaaki Hatabe
Executive Vice Chairman

The financial crisis that hit the world in 2008 caused the most serious global economic downturn since the Great Depression. With the immense impact it produced on the Japanese economy, prospects for full-scale recovery have yet to emerge. On the other hand, social problems such as poverty and environmental destruction are becoming more and more serious. Using the economic crisis as an excuse for postponing necessary responses only makes for a worsening of conditions and results in passing even heavier burdens on to the future generations. Even for companies, a decline in a society's sustainability could lead to the deterioration of their business foundations as an eventual rebound effect. We believe that the significance of promoting our corporate social responsibility lies in facing this reality and engaging in efforts to solve problems as our own.

In 2005, with an eye to contributing to the maintenance and formation of a sustainable society through CSR activities, Sumitomo Trust set the following five themes as top policy priorities: the environment, “successful aging,” security (crime and

disaster prevention), education and health. We promoted various types of CSR activities with regard to these themes, such as developing problem-solving financial instruments and services, providing information to customers during seminars and through promotional advertisements in the lobbies of Sumitomo Trust branches, and offering employees the opportunity to get involved in voluntary activities.

In fiscal year 2008, as part of our efforts relating both to the themes of security and education, for example, we launched a seminar at our Aobadai Consulting Office for individual customers to help them guard against financial fraud. Although we have already made efforts to prevent financial crimes, including bank transfer billing fraud, in our daily business activities, the latest seminar, held in partnership with a non-profit organization, offers customers an opportunity to analyze victims' psychology and understand how and why people are cheated. It is our hope that through such seminars, customers will find a fundamental counterapproach against financial fraud, in which new kinds of tactics are devised one after another.

Successful aging, which upholds the ideal of enjoying a comfortable post-retirement life in good mental and physical health, is the very notion we would like to support because we have many retired customers. With this thought, we annually invite couples across the country to compose love letters for their lifelong partners, and selected pieces are then compiled into a single book for publication, namely, "Love Letters at Sixty." It was a pleasant surprise when the book was adapted for the screen this year. We hold book readings at Sumitomo Trust branches nationwide where selected pieces are read out, and will continue such activities.

The most important theme in our business-based CSR is the environment. We have promoted environmental finance, or "Eco-Trustution," which seeks to find solutions for ecological problems through the utilization of the trust function. In fiscal year 2008, we focused our efforts on three medium- to long-term commitments for the creation of a market for evaluating environmental activities.

One of the three commitments concerns efforts regarding environmentally friendly property. We have deeply engaged in activities to promote environmentally friendly property, including hosting a study group of experts. In fiscal year 2008, we worked on a research project focusing on linking real estate appraisal and the assessment of the environmental performance of buildings. Furthermore, we continuously exchanged views with different sectors of construction, real estate appraisal and real estate securitization industries. In addition, as a member of the United Nations Environment Programme Finance Initiative (UNEP FI) Property Working Group, Sumitomo Trust was involved in the creation of a manual for sustainable real estate investment, and we strived to establish a foundation so that environmentally friendly Japanese property could be appropriately evaluated by overseas investors.

The second commitment involves activities relating to biodiversity problems—issues comparable to global warming. Every year, the earth is said to lose forest area equivalent to about half of the size of Japan. Behind this could be a lack of understanding of the fact that forests not only preserve functions to reduce global warming (carbon storage) and control soil erosion, but also serve as treasure troves of biological resources indispensable to the development of pharmaceutical products. Against this background, a report titled "The Economics of Ecosystems and Biodiversity (TEEB)" was issued in May 2008, attracting global-

wide attention. We acquired the translation rights thereof and published the Japanese version (joint translation) in order to raise awareness of biodiversity problems. Subsequently, study sessions and seminars on the report were held in various parts of the country. We are glad to hear that the Japanese TEEB has been useful.

The third commitment concerns activities in China, where interest in CSR and SRI is rapidly growing. With tighter environmental regulations now in place, Chinese industries changed their direction to energy conservation. Under these circumstances, it is of no small significance for Japanese companies to support China, given that Japan is the world leader in the field of environmental technology and that it started CSR activities much earlier.

We engaged in a wide range of activities in fiscal year 2008, beginning with lecture speeches on CSR at a major Chinese bank and the co-sponsoring of SRI-related symposiums hosted by the Shanghai Stock Exchange, as well as getting involved in energy conservation businesses using Japanese technology. For Japan and China, to establish a win-win relationship in this field will benefit the rest of the world as well. With this in mind, we will actively continue our efforts.

As mentioned in the beginning, what we seek through CSR is to seriously tackle social and environmental problems to contribute to the maintenance and formation of a sustainable society as much as possible. Our business climate is very severe with the continued aftereffects of the financial crisis. However, precisely because we are in such a period, we must pursue CSR activities in a more active manner.

September 2009

Atsushi Takahashi
Executive Chairman

Takaaki Hatabe
Executive Vice Chairman

Hitoshi Tsunekage
President and CEO

Environmentally Friendly Property

In recent years, concerns that global warming and other environmental problems could produce serious consequences in the future have prompted the real estate sector to implement development projects and equip buildings in an environmentally friendly way, for example, by ensuring energy conservation, extending the life of buildings, and introducing advanced afforestation. Such consideration for environmental protection is very important, as about a third of the greenhouse gas (CO₂) emissions in Japan are said to be attributable to the building construction field, and also in light of the impact of real estate development on ecosystems.

While our lives greatly benefit from the use of buildings as our residences and business offices, we must also make sure that future generations can enjoy similarly comfortable lives. To that end, it is essential to develop buildings that provide a high level of comfort and that have minimal impact on the environment at the same time. We believe that environmentally friendly property is the key to achieving that objective.

However, the concept of environmentally friendly property has not gathered momentum apparently because the extra costs associated with it tend to be emphasized.

Therefore, Sumitomo Trust is making active efforts to realize an environmentally friendly property business that is economically feasible. For example, we are studying how to accurately assess added value created by environmentally friendly property from the investment perspective and conducting a variety of activities to spread the concept of environmentally friendly property.

Photo: A technology center of Clarion Co., Ltd., which was constructed based on environmentally conscious construction consulting provided by Sumitomo Trust



Popularizing Environmentally Friendly Property by Establishing the Evaluation of Added Value from an Investment Perspective——

■ Interview

“Our goal is to enhance the long-term, sustainable value of real estate.”

Essentially, real estate should be viewed from the long-term, sustainable perspective, just like land registers can date back to the time prior to the Edo Period. However, to view real estate from the short-term, speculative perspective has become dominant around the world, and as a result, it has caused great turmoil. In the meantime, climate change has been steadily proceeding on a global scale, posing a threat to the foundation of economic activities. Environmentally friendly property is intended to enhance the long-term, sustainable value of real estate amid the deepening social, economic and environmental uncertainties. I respect Sumitomo Trust for its pioneering efforts to foster the new concept of environmentally friendly property.

TOMONARI YASHIRO

Professor at the Institute of Industrial Science, the University of Tokyo



Even a Thousand of Thank Yous Are Not Enough——



■ Interview

“I wanted to create a romantic story for people at a mature age.”

I decided to produce a movie based on the book *Love Letters at Sixty* because I was moved by the collection of love letters written in response to the project. Although people can fall in love at any age, there have been few Japanese movies featuring the love of mature couples. To fill this gap, I wanted to create a romantic story for people at a mature age. Since the launch of producing this movie three years ago, there were moments that I felt like giving up, but I managed to complete it with the support of many people. I hope this movie again engenders a sense of importance of the bond between a husband and a wife. Husbands and wives rarely write letters to each other, except upon some special occasion, and because it is a postcard, it could convey a compact but strong message. I hope this splendid project will continue for a long time.

KAZUSHI MIKI

Producer of the movie *Love Letters at Sixty*



Opening Feature Article 2

Love Letters at Sixty

Love Letters at Sixty is a project launched by Sumitomo Trust on November 22, 2000, (the date was chosen because the Japanese pronunciation of the date sounds like Good Couple.) which invites couples to compose love letters addressed to their spouses. This project was born out of our desire to help people who have devoted their working lives to supporting Japan's economic development fully enjoy their golden years. Over the nine years from 2000 to 2008, we received a total of 93,626 letters.

The theme of the love letter project is "Write a love letter on a postcard to your spouse of many years and convey a sense of gratitude that is difficult to be expressed through words in every day life." The bond that has been built over the years through mutual sharing between a husband and a wife is felt throughout the letters. We can clearly sense the deep affection and gratitude towards one's significant other.

Of the letters submitted, about 160 letters are selected each year for publication by NHK (Japan Broadcasting Corporation) Publishing, with all the royalties from sales donated to NHK's year-end charity campaign for domestic and overseas charities, and to the Japan Guide Dog Association.

On May 16, 2009, the movie *Love Letters at Sixty*, which was inspired by this project, was released nationwide. This movie, into which the essence of the more than 90,000 composed love letters is condensed, cleverly features the heart-warming, romantic tales of three couples.

Through people's continued support, we have entered the 10th year since the launch of the *Love Letters at Sixty* project, and the circle of inspiration has been growing. Furthermore, it is our hope to continue to share heart-warming love letters to a wide range of people.

* The DVD version of the movie *Love Letters at Sixty* is scheduled for release on November 22, 2009. Please enjoy the heart-warming story.

SRI (Socially Responsible Investment)

SRI is an investment approach that selects investment target companies on the basis of not only their growth potential and profit-generating capacity, but also their approach to environmental and social issues. In the United States and Europe, SRI has already become widespread as an investment approach that contributes to the realization of a better society, with the global balance of SRI funds exceeding 600 trillion yen as of the end of March 2009. In contrast, the balance in Japan stands at less than 400 billion yen, and its prevalence is only in a transitional stage.

From early on, Sumitomo Trust has paid attention to SRI as an approach that contributes to the development of a sustainable society and has devoted efforts to spreading SRI by taking advantage of its own trust function. Since becoming the first trust bank in Japan to undertake the management of an SRI fund on behalf of a corporate pension in July 2003, Sumitomo Trust has led the SRI market.

Specifically, Sumitomo Trust has strived to expand the market by introducing SRI funds for individual investors, defined contribution pensions, and public pension funds. In addition, we have supported NPOs promoting SRI, presenting SRI-related proposals at seminars and research workshops, and, providing education about SRI.

In the future, we will continue these activities and develop SRI funds which invest in Chinese stocks by taking advantage of our research capability and investment experience.

We are also developing SRI funds which invest in stocks of biodiversity-friendly companies as part of our efforts to explore the untapped potential of financial products that can contribute to the sustainable growth of the society.

Photo: Staff of Sumitomo Trust and the ESG Research Center of the Japan Research Institute holding a discussion at a regular meeting



Investment Approach that Contributes to the Realization of a Better Society

Exploring the Untapped Potential of Financial Products——



■ Interview

“Our corporate pension fund has been investing in SRI funds since 2004.”

We agree with the philosophy of SRI, an investment that reflects investors' values and that will produce social change and realize a better society. We decided to invest in SRI funds because we were convinced that it would provide us with just as a good return as conventional investment, not just because it was considered socially responsible.

Sumitomo Trust has jointly pioneered the development of SRI funds with the Japan Research Institute, and their consistent efforts were the decisive factor in choosing them as our trustee. I want them not to be satisfied only by sending questionnaires to investors, but to flexibly see the issue of the time such as securing stable employment opportunities at present. I am sure that their SRI funds will continue to evolve as long as Sumitomo Trust's pioneer spirit lives on.

HIROAKI ADACHI

Senior Investment Officer, Accounting & Finance Dept., Kyushu Electric Power Co., Inc.



Path 1 Business Innovation

2008

2009

Plans

- To expand the lineup of Eco-Trustution products and step up efforts to support the use of solar energy
- To start a study on biodiversity-friendly financial instruments and services
- To expand the lineup of products that help to solve social issues, including charitable trusts

Plans

- To incorporate the concept of Eco-Trustution into business strategies and put it into full-fledged practice in a variety of fields
- To expand CSR and environmental business in China
- To step up activities for the tenth Conference of the Parties to the Convention on Biological Diversity (COP10) to be held in Nagoya, including support for various initiatives related to biodiversity in Japan and abroad

Achievements

- Participated in domestic emission credit trading
- Expanded the lineup of preferential loans for environmentally friendly housing
- Developed loans exclusively for the installation of solar panels
- Started a basic study on biodiversity-related businesses
- Entrusted the management of a fund to stabilize the real estate market



■ Comment from the Officer in Charge of Promoting Path 1

“I will untap the potential of the trust function.”

—TAKASHI MATSUYAMA
Senior Manager, Business Research and Development Department

The Trust Development Department, which was established in April this year, strives to develop better products and services with a focus on our “Trustee-ness” and “STB-ness” spirit. Environmental protection can be achieved only through long-term, sustained efforts, not through tentative measures. We believe that the trust scheme can be used in a variety of ways because it is a mechanism whereby administrative functions are provided in a stable manner over a long period of time, and also because a recent legal revision has expanded the scope of assets that may be incorporated into trust products. We will support the promotion of Eco-Trustution by developing new products and providing new services.

“Eco-Trustution” refers to the concept of providing solutions to ecological issues, including global warming and biodiversity-related issues, by taking advantage of our trust function. Sumitomo Trust is promoting Eco-Trustution as the most important element of its CSR activity.

We believe that if a company contributes to the resolution of issues that impede the sustainable development of society, it will find business opportunities as a result in the mid- to long term, leading to the enhancement of its corporate value. Sumitomo Trust will achieve business innovation by continuing to create financial businesses that contribute to both the sustainable development of the society and to the enhancement of corporate value.

■ **Basic Policy on Global Warming (preamble omitted) (established on July 30, 2008)**

- 1. Reduction of Global Warming Gas Emissions**
Sumitomo Trust will strive to reduce the emissions of greenhouse gases from its own business activities.
- 2. Provision of Products and Services that Take Advantage of our Financial Functions**
Sumitomo Trust will strive to develop and provide products and services that take advantage of its financial functions, in order to promote efforts by companies and households to prevent global warming.
- 3. Cooperation with Stakeholders**
Sumitomo Trust will strive to promote the implementation of effective measures to tackle the problem of global warming by exchanging opinions and cooperating with stakeholders.
- 4. In-House Education and Training**
In order to achieve the objective of this basic policy, Sumitomo Trust will maintain and improve internal systems, and enhance the education and training of its officers and employees.
- 5. Information Disclosure**
Sumitomo Trust will make active public disclosure of information regarding its efforts to tackle the problem of global warming.

■ **Basic Policy on Biodiversity-Related Issues (preamble omitted) (established on July 30, 2008)**

- 1. Active Participation in Activities to Preserve Biodiversity**
Sumitomo Trust will strive to actively participate in and provide support for activities to protect endangered species and preserve biodiversity.
- 2. Appropriate Evaluation of Ecosystems**
Sumitomo Trust will support the creation and preservation of ecosystems by providing appropriate economic and social evaluation of ecosystems.
- 3. Provision of Products and Services that Take Advantage of our Financial Functions**
Sumitomo Trust will strive to develop and provide products and services that contribute to the preservation and sustainable utilization of biodiversity through cooperation with its stakeholders.
- 4. In-House Education and Training**
Sumitomo Trust will educate and train its officers and employees in ways that give them accurate knowledge about biodiversity and that enable them to engage in activities to preserve it.
- 5. Information Disclosure**
Sumitomo Trust will make active public disclosure of information regarding its efforts to preserve biodiversity.

Sumitomo Trust's “Eco-Trustution”



We have coined the word “Eco-Trustution” to describe our environmental finance business, as we aim to further develop this business by providing solutions to ecological issues through the use of our trust function. We will continue to develop and provide solution-based financial instruments and services. In July 2009, we created a corporate logo for Eco-Trustution to underscore our commitment to further promoting it.

1. Activities that Provide Solutions to Global Warming——

Global warming is the greatest environmental problem faced by humankind. Sumitomo Trust has been developing products that promote energy conservation through its environmental finance business. In July 2008, we established the basic principles (see page 11) for the fight against global warming in order to step up our efforts in this field.

(1) Support for Introduction of Solar Power Generation Systems

To tackle global warming, it is very important to promote a shift from crude oil and other fossil fuels to renewable energies. In the belief that solar power generation is especially promising since Japan possesses the technology of the highest standard, Sumitomo Trust has, from early on, engaged in a variety of activities in the field of finance to contribute to the expansion of the solar power market.

In 2004, Sumitomo Trust became the first major Japanese bank to offer preferential rate loans for houses equipped with solar power generation systems in partnership with Sekisui Chemical Co., Ltd., PanaHome Corporation, and Sanyo Homes Co., Ltd.

In July 2008, Sumitomo Trust established a solar finance project team comprised of members from various business divisions. Thereby, we put in place a framework for providing financial instruments and services that encourage the introduction of a wide range of solar power generation systems, from household-use systems to large solar power systems for industrial use, through cross-divisional collaboration.

In August 2008, Sumitomo Trust participated in the Tokyo Metropolitan Government's project to increase the use of solar energy as a partner company. On August 14, we made a presentation at the project launch as the representative of the financial institutions.

In order to popularize solar power generation systems for household-use, it is essential to install them not only in new houses but also in existing ones. To that end, Sumitomo Trust, together with affiliate Sumishin Matsushita Financial Services Co., Ltd., has developed a loan product exclusively for the installation of solar panels and started providing the loan in partnership with Kyocera Solar Corporation.

We can also meet customers' various needs through environmentally friendly construction consulting (see page 17), for example, by giving advice on the installation of solar power generation systems in condominiums.



The project launch held at the Tokyo Metropolitan Government building for the initiative to increase the use of solar energy

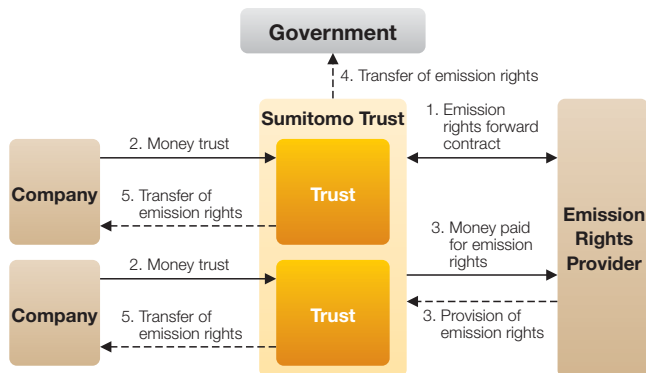
(2) Activities Related to Emission Rights

Sumitomo Trust is developing financial instruments related to emission rights, which we regard as a supplementary element for the fight against global warming.

Trust Schemes for Small-Lot Sales of Overseas Emission Rights (Kyoto Credits)

Sumitomo Trust realized small-lot sales (the minimum trading unit was reduced to 1,000 tons) of overseas emission rights based on the Kyoto Protocol (Kyoto credits), which are usually traded in large lots, by converting the rights into trust beneficiary rights, and started sales in June 2008. We are steadily increasing customers who bought emission rights, including regional banks' local client companies that had concluded trust agency agreements with us, as well as major financial institutions. For example, we sold emission rights obtained from a South Korean operator of wind power generation facilities through an arrangement made by Marubeni Corporation to companies engaging in the disposal of industrial waste via Hiroshima Bank, Ltd., Ashikaga Bank, Ltd., and Iyo Bank, Ltd.

Mechanism for Sumitomo Trust's Emission Rights Trust Scheme*



* The necessary amount is transferred to the government every year. In the final year of the trust scheme, transfer to a company is available as an option.

Participation in the Domestic Credit Trading System

In April 2009, three energy conservation projects were approved by the domestic credit recognition committee. These projects had been undertaken by Sumishin Matsushita Financial Services Co., Ltd., together with Panasonic Electric Works Co., Ltd., and they had filed an application for recognition as emission reduction projects. Under these projects, the reduced

amount of CO₂ emissions as a result of energy conservation by the upgrading of lighting equipment in buildings of Koyou Logi-X Co., Ltd., Open University of Japan, and Yokohama National University, are recognized as emission rights called domestic credits.

Sumishin Matsushita Financial Services Co., Ltd., will hold domestic credits obtained from these projects and use them to provide services to reduce the environmental load for customers.

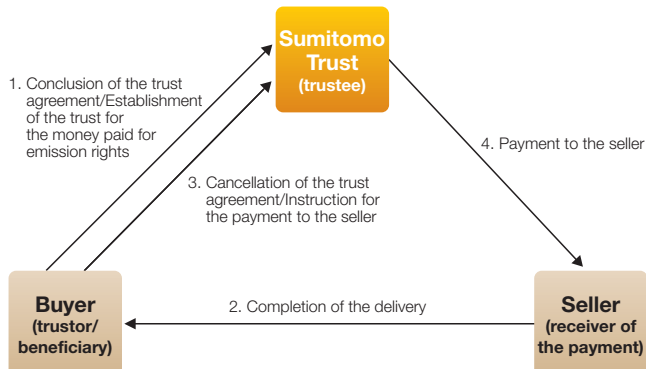


Yokohama National University

Trusts for Emission Rights Settlement Funds

When a Japanese company purchases emission rights from a foreign company, there is a settlement risk due to the time gap between the payment for and the delivery of the rights, since the approval process for the application for the transfer of the rights is time-consuming. To eliminate this settlement risk, Sumitomo Trust offers a trust function-based service that (1) ensures safe and secure custody of the money paid by the buyer in a trust account (2) after ensuring the transfer of the emission rights to the buyer (3) upon the buyer's instruction, and (4) transfer of the money to the seller.

Mechanism for Sumitomo Trust's Trusts for Emission Rights Settlement Funds



(3) Promotion of Energy Conservation in Office Buildings

Top priority is placed on energy conservation in efforts to reduce CO₂ emissions. Sumitomo Trust has poured its effort into the development of finance businesses that promote energy conservation in the commercial sector, including business offices, where energy conservation has been lagging.

For example, in April 2006, Sumitomo Trust affiliate STB Leasing Co., Ltd., together with Yamatake Corporation and Osaka Chikagai Corporation, launched the first shared saving-type*¹ ESCO project*² for an underground shopping area (Whity Umeda ESCO project).

In addition, Sumitomo Trust makes energy conservation proposals through environmentally friendly development and construction consulting, based on our belief that energy conservation is an important element of the environmentally friendly property (buildings) (see page 16). One example is an energy conservation proposal made to a foreign company in fiscal year 2008 in light of the differences between the energy conservation regulations in Japan and the company's home country.

Among office buildings, tenant buildings have especially lagged in energy conservation. This is because building owners stand to enjoy few of the benefits brought about by any energy conservation investment that they may make, since most of the benefits go to tenants. To resolve this problem, Sumitomo Trust developed a finance scheme that encourages building owners and tenants to cooperate in energy conservation efforts through limited liability partnerships (LLP). This has laid the foundation for Sumitomo Trust to make energy conservation proposals from tangible and intangible aspects in cooperation with major ESCOs.

*¹ ESCO projects are categorized into shared-saving type and guaranteed-saving type.

*² ESCO stands for Energy Service Company. An ESCO provides a comprehensive set of services related to energy conservation, including the submission of energy conservation proposals and the provision, maintenance, and management of energy-efficient facilities.

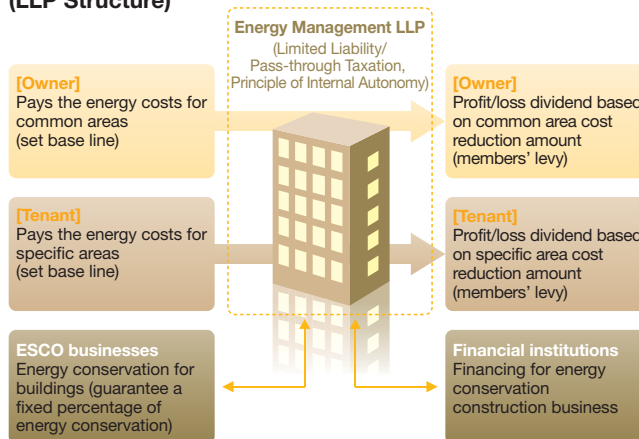
(4) Project Finance for Renewable Energy Projects

From early on, Sumitomo Trust has committed itself to project finance not only for solar power generation, but also for other renewable energy projects, including wind power generation and bio-ethanol production. For example, in fiscal year 2006, Sumitomo Trust provided finance for Nakasode Clean Power, which operates a gas combined-cycle power plant. As of the end of March 2009, Sumitomo Trust was involved in project finance for 14 projects with a total balance of some 19.3 billion yen.



Examples of energy efficient equipment used in the ESCO project for Whity Umeda
Upper row, left: highly efficient freezer; right: inverter
Lower row, left: highly efficient transformer; right: highly efficient reflector

Energy Conservation Promotion Mechanism (LLP Structure)



Nakasode Clean Power

2. Financial Instruments and Services that Reflect an Evaluation of Environmental Friendliness——

(1) Preferential Rate Loans for Environmentally Friendly Housing

In addition to a loan product for houses equipped with solar power generation systems (see page 12), Sumitomo Trust has developed a variety of other housing loans that promote environmentally friendly housing. In October 2008, together with Sekisui House, Ltd., we developed a new loan product that provides a larger margin of preferential rate in proportion to the margin of CO₂ reduction that is achieved by the house. The effects of CO₂ emissions reduction of the house are assessed on the basis of our own “CO₂ emissions reduction evaluation manual” through the combined use of solar power generation systems and highly efficient water heaters. Moreover, we started providing a CSR loan targeted exclusively at customers who buy custom homes built by Sumitomo Forestry Co., Ltd., in June 2009, and a CSR loan for energy-efficient houses sold by Sumitomo Realty & Development Co., Ltd., in August.

As for condominiums, in October 2005, we launched a housing loan whose margin of preferential rate is decided, based on the ratings of the Apartment Environmental Efficiency Label Program of Tokyo. Also, in October 2006, we started offering a housing loan whose margin of preferential rate is linked to the ratings of the Apartment Environmental Efficiency Label Program, “CASBEE* Kawasaki,” which is operated by Kawasaki City, Kanagawa Prefecture. These loans attracted attention from the construction industry, as they have the function of indicating how the market evaluates the environmental friendliness of a house in the form of interest rates.

* CASBEE, which stands for the Comprehensive Assessment System for Built Environment Efficiency, has been in operation since 2001 through the collaboration of government-industry-academia sector under the leadership of the Ministry of Land, Infrastructure, Transport and Tourism at a committee established within the Institute for Building Environment and Energy Conservation.



A house equipped with solar power generation systems and fuel cell systems built by Sekisui House, Ltd.

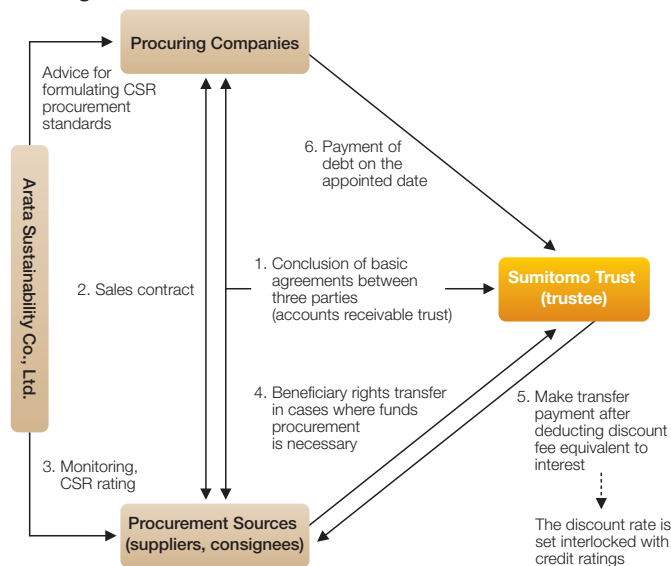
(2) Promotion of CSR (Environment) Consciousness in Supply Chain Management

As companies expand their business operations globally, a business practice called “CSR procurement” is growing. CSR procurement refers to the selection of parts and materials on the basis of a supplier’s stance on CSR, such as its position on environmental friendliness and its records on labor management.

In December 2006, Sumitomo Trust developed the CSR-Conscious Receivables Collective Trusts scheme in partnership with Arata Sustainability Co., Ltd. Under this scheme, (1) Arata Sustainability Co., Ltd., checks the compliance of CSR procurement criteria for their suppliers, while (2) Sumitomo Trust purchases trust beneficiary rights of accounts receivables, rewarding higher compliance with more favorable discount rates. This helps to promote the CSR procurement by giving suppliers the financial incentive to enhance their compliance with the CSR procurement criteria.

It is also possible to use this product as a means to strengthen the initiatives that are considered to be important in the view of the purchasing companies by focusing the scope of assessment of a supplier on specific themes like global warming or biodiversity friendliness.

CSR-Conscious Receivables Collective Trusts Package Mechanism



3. Efforts to Promote Environmentally Friendly Property (Buildings)

(1) Study on Environmental Added Value of Real Estate

One effective way to promote environmentally friendly property is to identify added value, which arises from practicing environmental friendliness, and recognize it as an “Environmental Added Value” that can be used in actual business transactions.

Sumitomo Trust has conducted research on the topic of environmental added value of property since 2005 under a study group comprised of experts from various fields (chaired by Professor Tomonari Yashiro of the Institute of Industrial Science, the University of Tokyo). In June 2009, this group published “Sustainable Properties—Prediction from Multi-Stakeholders’ Activities” (Gyosei Corporation), which summarized the results of the studies conducted so far.

In addition, Sumitomo Trust is participating in the Investigation Committee of the Japanese Association of Real Estate Appraisal as the chair of the working group on Environmental Added Value, which is studying how to link the environmental performance of real estate to real estate appraisal. In June 2009, this working group published “Environmentally considered properties will be highly valued—Embodiment of theory on the added value for sustainable properties” (Jutaku-Shimpo-Sha Inc.).

Sumitomo Trust is also acting as an organizer of the CASBEE (see page 15) Property Appraisal Working Group, which is contributing to the development of an instrument that connects an evaluation system of the environmental performance of buildings to real estate appraisal. In July 2009, this working group published “a tentative manual to utilize CASBEE for real estate appraisal.”



(2) Involvement in Establishment of Mechanism for RPI (Responsible Property Investment)

At the United Nations Environment Programme Finance Initiative (UNEP FI) Property Working Group, in which Sumitomo Trust has participated since 2007 (see page 61), we are actively exchanging information with overseas institutional investors in order to promote RPI (Responsible Property Investment). We are also actively involved in the compilation of manuals for investors, including a handbook concerning evaluation systems of environmental performance of buildings in countries around the world. When Sumitomo Trust hosted the UNEP FI Property Working Group’s annual general meeting in Tokyo in November 2008, we arranged a get-together between the working group and the aforementioned study group sponsored by us.

As Sumitomo Trust was appointed as a member of the Media Team, which is responsible for spreading RPI around the world, from now on, we will devote our efforts to the promotional activities in Japan.

(3) Proposals for the Promotion of Environmentally Friendly Property and the Dissemination of Information

Sumitomo Trust is a member of and adviser to the Ministry of Land, Infrastructure, Transport and Tourism’s Research Group on Environmental Value on Real Estate, which makes proposals concerning the appraisal of environmentally friendly property and the development of information database. We are also actively making proposals for the establishment of infrastructures for the promotion of environmentally friendly property as a member of the Promotional Subcommittee of the Committee on the Provision of Residential Records and Subcommittee on Cost-Efficiency Assessment and Ratings of the Committee on Intellectual Productivity.

In addition, we launched a website dedicated to environmentally friendly property in order to provide information concerning activities related to promotion. We have also created an English-version website, and we widely disseminate information overseas.



The English version of the site is available at <http://www.sumitomotrust.co.jp/csr/innovation/real-estate/01english.html>

(4) Environmentally Friendly Development and Construction Consulting

Environmentally friendly development and construction consulting is a service that provides advice on energy conservation, consideration for landscape, the extending of building life and the adoption of recycling systems at the construction design stage. Sumitomo Trust has already provided numerous consulting to help obtain CASBEE certification for many projects, including the construction of the head office building and a technology center of Clarion Co., Ltd. (see pages 4-5). In May 2009, the project to rebuild the head office building of Yachiyo Bank, for which we are providing construction consulting, was adopted by the Ministry of Land, Infrastructure, Transport and Tourism as a Model Project for the Promotion of CO₂ Reduction for Housing and Buildings. This indicates the excellence of our advice on the creation of an environmental communication cycle that takes advantage of Yachiyo Bank Ltd.'s strength as a regional bank as well as on the adoption of CO₂ reduction measures such as enhanced heat insulation and the use of natural energy.



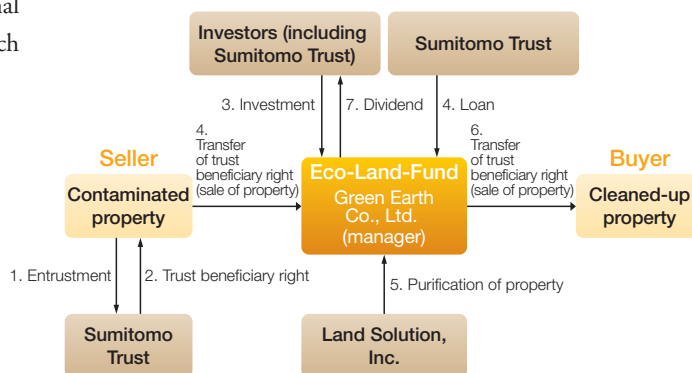
Image of Yachiyo Bank's head office building after completion

(5) Support for Contaminated Land Purchase and Revival Fund

The total value of Japanese residential land and old factory sites that remain unsold and unused due to soil contamination is estimated to be around 10 trillion yen. The Eco-Land-Fund, operated by Green Earth Co., Ltd., is intended to bring contaminated plots of land back into use by buying them for resale after cleanup. This contributes toward liquidity of idle, contaminated land.

After making our first investment in Eco-Land-Fund I in March 2006, we invested in three more funds so far. In addition, we support the smooth management of those funds through entrusted management of real estate trusts and real estate brokerage.

The Eco-Land-Fund Mechanism (Eco-Land-Fund I)



■ Interview

“Our goal is to achieve environmental friendliness and economic viability at the same time.”

I believe that real estate has a very significant role to play in solving global environmental issues and realizing a sustainable society. In 2005, I published a research paper concerning “Environmental Added Value” and have continued my research in this field. I am now convinced there is a fair chance that we can popularize environmentally friendly property, while achieving economic viability at the same time. From now on, I will continue to add more depth to my research, and Sumitomo Trust will create new businesses by realizing more and more environmentally friendly property development projects.

MASATO ITO

Deputy General Manager, Appraisal and CSR, Real Estate Consulting Department



4. Activities to Tackle Biodiversity-related Issues

Sumitomo Trust recognizes that the subject of biodiversity is one of the two most important global environmental issues, with the other being global warming. Therefore, we established the basic principles on this matter in July 2008 (see page 11), and we are strengthening its activities based on these principles in our tackling of biodiversity issues.

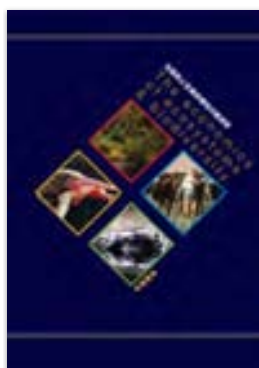
(1) Signing of a Leadership Declaration Under the Business and Biodiversity Initiative

In May 2008, the ninth meeting of the Conference of the Parties to the Convention on Biological Diversity (COP9) was held in Bonn, Germany. At this conference, Sumitomo Trust, together with 33 other companies from around the world, signed a leadership declaration under the Business and Biodiversity Initiative, which was proposed by the German government. A total of nine Japanese companies, including Sumitomo Trust, signed the declaration.

Sumitomo Trust sponsored a workshop bringing together the signatory companies in Japan (the number of signatory companies currently stands at 10) in August 2009, among other activities, in preparation for COP10 to be held in Nagoya in 2010.

(2) Translation of “The Economics of Ecosystems and Biodiversity” (TEEB)

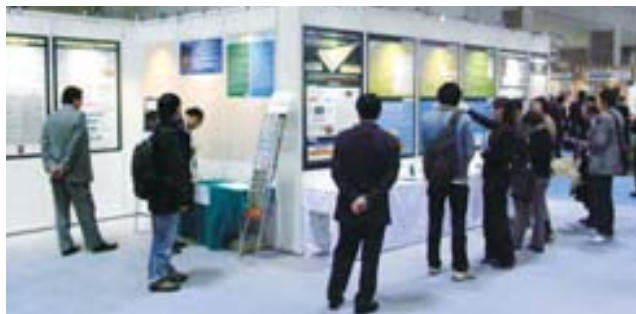
We have, together with the Ecosystem Conservation Society - Japan and The Japan Research Institute, Ltd., translated the interim report *The Economics of Ecosystems and Biodiversity (TEEB)*, which was issued at COP9, and published the Japanese version in November 2008. Currently, research is underway around the world, including in Japan, to draw up a final report on TEEB, and the Japanese version of the interim report on TEEB is used at study meetings held across the country. We are continuing a variety of activities in preparation for the drafting of the final report, including sponsoring a workshop (in June 2009) with Mr. Pavan Sukhdev, who led the compilation project of the interim report, and submitting proposals to the TEEB Secretariat.



Interim report on *The Economics of Ecosystems and Biodiversity*

(3) Participation in the Eco-Products Show

At the Eco-Products 2008 show—the biggest environment-related event that takes place in Japan—held at the Tokyo Big Sight convention center in December 2008, Sumitomo Trust opened a joint booth at the biodiversity section with the Ecosystem Conservation Society - Japan. In the booth, we explained the ongoing erosion of biodiversity and what financial institutions can do to deal with this problem through photo panels and videos produced by Green TV Japan (see page 37). Sumitomo Trust also participated in a special symposium titled, “Why Should Companies Tackle Biodiversity Issues?” as a panelist, explaining the role expected of financial institutions and describing its own activities.



Joint booth of Sumitomo Trust and the Ecosystem Conservation Society - Japan at the Eco-Products 2008 show

(4) Promotion of Biodiversity-related Finance Business

Since 2000, Sumitomo Trust has undertaken the entrusted management of a charitable trust called “Keidanren Nature Conservation Fund” for the Nippon Keidanren Committee on Nature Conservation. This fund provides financial assistance to projects supporting the sustainable utilization of the natural environment in Japan, as well as projects implemented in developing countries by NPOs and other organizations to preserve the natural environment. The annual value of the fund’s financial assistance stands at around 150 million yen. In addition, as part of its activities related to environmentally friendly property (see page 16), Sumitomo Trust is conducting research on how to evaluate the quality of wooded areas from the perspective of biodiversity in cooperation with the Ecosystem Conservation Society - Japan and plans to develop a new finance business in this field as well as SRI (Socially Responsible Investment) funds that invest in stocks of biodiversity-friendly companies.

Activities Related to Environment and CSR in China

In China, more and more companies are beginning to recognize that the fulfillment of corporate social responsibility is essential for the realization of a harmonious society and the promotion of sustainable development based on the scientific development concept. That is why companies in China are strengthening their activities related to CSR. On those grounds, Sumitomo Trust is engaging in various initiatives to support CSR-related and environmentally friendly activities by Chinese companies.

(1) Speech at China Development Bank

Major Chinese financial institutions are increasingly interested in CSR and also the Chinese financial authorities are strengthening regulations, for example, by banning loans for projects that might have an adverse environmental impact. Against this background, in December 2008, at the invitation of China Development Bank, a national policy-based financial institution, a representative from Sumitomo Trust delivered a speech at a CSR training session for the Bank's staff.

The speech given by our representative described the current state of CSR activities in the Japanese banking industry, explained the background of and challenges to Sumitomo Bank's CSR activities, and put forward proposals for CSR activities by China Development Bank. The question-and-answer session after the speech lasted much longer than scheduled.

(2) Co-Sponsoring the SRI Symposium in Shanghai

The market environment for SRI in China is rapidly growing, as shown by the listing of an SRI index on the Shanghai Stock Exchange in August 2009, following the listing of a similar index on the Shenzhen Stock Exchange. In March 2008, the first SRI fund developed by a Chinese financial institution was also launched.

Sumitomo Trust was the only foreign company to co-sponsor the SRI Symposium Concerning Social Responsibility of Listed Companies and SRI Indexes that was held in May 2008 under the main sponsorship of the Shanghai Stock Exchange and co-sponsorship of China Securities Index Co., Ltd., ahead of the listing of an SRI index on the exchange. On that occasion, Sumitomo Trust presented its own SRI-related activities, attracting the attention of the local media.

In June 2009, Sumitomo Trust obtained a QFII (Qualified Foreign Institutional Investor) license in order to handle "A shares" (shares denominated in yuan and traded on the Shenzhen and Shanghai Stock Exchanges) for the purpose of establishing a Chinese SRI fund.

(3) Participation in Energy Conservation Business in China

For China, energy conservation is a national goal. Therefore, energy conservation is one of the key areas where Japan, the world's most energy-efficient country, can be of support to China. A Sumitomo Trust affiliate called STB Consulting (China) has provided major Chinese state-run companies and major Japanese companies operating in China with advice on energy conservation. One example of this activity is the comprehensive energy conservation consulting provided to a major locomotive manufacturing plant.

In addition, at the China-Japan Comprehensive Energy Conservation and Environment Forum that was held in November 2008, Sumitomo Trust announced the start of negotiations on the establishment of a joint venture to promote environmentally friendly projects, including energy conservation projects.



A Sumitomo Trust representative delivering a speech at China Development Bank



A local newspaper article reporting on the SRI symposium in Shanghai and a Sumitomo Trust representative delivering a speech

Financial Instruments and Services that Contribute to Solving Social Issues

We are constantly exploring how we can contribute to meeting the diverse needs of the society and solving a variety of social issues. We will develop and provide new financial services, especially by taking advantage of a trust function-based service, and we will make “business-based contributions to the society.”

(1) Charitable Trusts

Legal Scheme for Using Private Funds for Public Interests

A charitable trust is a legally prescribed scheme for trustees like Sumitomo Trust to administer and manage funds entrusted by individuals and corporations for the benefit of public interests and providing grants for charitable projects. Like public-interest corporations, as a legal scheme, charitable trusts play an important role in invigorating public-interest activities for the purpose of academic activities, art, charity, religious services, religion and other public interests by using private funds.

Since undertaking the administration and the management of its first charitable trust in May 1977, the number of trusts we manage has steadily risen due to an increase in assets held by individuals and the growing awareness of social contribution

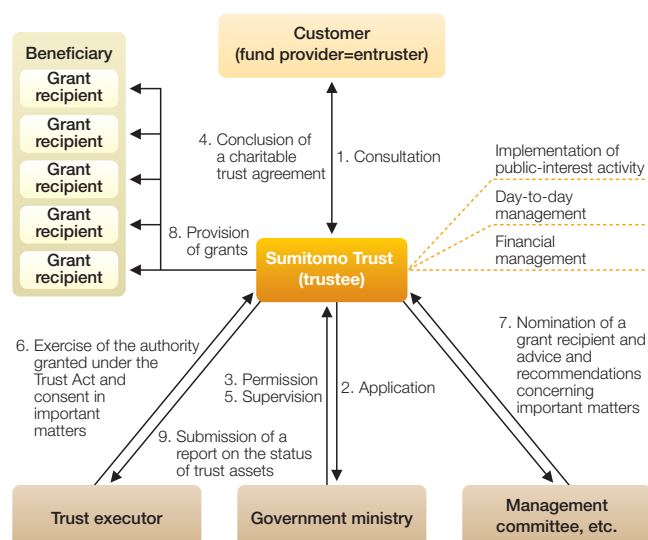
among corporations. Currently, grants are provided for public-interest projects in a variety of fields.

In fiscal year 2008, a total of one billion yen was provided by the charitable trusts managed by Sumitomo Trust to 1,126 recipients (including individuals, corporations, and other entities) to finance public-interest activities.

New Charitable Fund

In fiscal year 2008, Sumitomo Trust undertook the entrusted management of a charitable trust called “Fund for the Promotion of Cardiovascular Research.” This trust, which was established with Mr. Yasumi Uchida, president of the Japan Foundation of Cardiovascular Research, as the entruster, promotes public-interest activities that contribute to the advancement of cardiovascular research. It provides grants totaling 25 million yen annually for such activities.

Mechanism of Charitable Trust



Number of Charitable Trusts by Type

Type	Number of trusts under management	
	Currently entrusted	Finished
Scholarship	28	35
Promotion of natural science research	18	27
Promotion of human science research	3	4
Promotion of education	19	23
Social welfare	5	6
Promotion of arts and culture	7	9
Protection and propagation of animals and plants	1	1
Conservation of the natural environment	3	3
Development and maintenance of the urban environment	14	14
Promotion of international cooperation and exchanges	9	15
Other	3	4
Total	110	141

(As of March 31, 2009)

Charitable Trust: Nissin Sugar Manufacturing Scholarship Fund

Sumitomo Trust is currently entrusted with the management of 110 charitable trusts, which provide grants to activities that suit their respective purposes. One example is the Nissin Sugar Manufacturing Scholarship Fund, which we will describe in the following paragraphs.

This fund was created with contributions made by Nissin Sugar Manufacturing Co., Ltd., and the Company's founder, the late Mr. Tameyoshi Morinaga, and his family for the purpose of fostering promising, young people as part of the activities to commemorate the 35th anniversary of the Company's foundation.

The fund is used in two major activities: one is providing a monthly scholarship of 30,000 yen to university students living in Tokyo, and the other is providing a research grant of 500,000 yen to distinguished research projects of young researchers. In fiscal year 2009, a total of 7.56 million yen in scholarships is to be provided to 21 students and a total of 3.5 million yen is to be provided in research grants for 7 research projects.

Furthermore, as a part of mentoring activity, after an annual scholarship awards ceremony, a get-together between current and former scholarship recipients is held each year. This provides a valuable opportunity for new scholarship students to mingle with a wide range of age groups of people with diverse



Nissin Sugar Manufacturing Scholarship Fund: Party after the awards ceremony

backgrounds, ranging from the chairman of the Working Committee who is in his 70s, to the first recipients of the scholarship who are now in their 40s, and new recruits who are in their 20s.

Website Given a Positive Review

Sumitomo Trust accepts applications for charitable trust grants via the company's website every year, which enables applicants to download the necessary information and the application form, a function that has drawn praise as being user-friendly. Customers have also mentioned the ease-of-use and the ease in asking questions regarding the enhanced website's contents, which we implemented before the download service started.

■ Interview

"I will continue to spread the noble concept of charitable trusts."

The trustee of a charitable trust is responsible for using money that was invested by the trustors for public interests, not for their personal gains, and the trustee must keep alive their noble intention even after their death. In this sense, charitable trusts represent the essence of the trust function.

Sometimes, scholarship students send us letters expressing their gratitude toward the trustors. When I read such letters, I am filled with a sense of fulfillment and delight at playing a part in our contribution to the society. I will continue to spread the noble concept of charitable trust to many more people.

MEGUMI EBIHARA

Senior Manager, Charitable Trust Team, Retail Business Planning and Promotion Department



(2) “Omoiyari” Special Donation Trust

Sumitomo Trust provides its line-up of trust schemes such as donation and will trust funds, including the “Omoiyari Special Donation Trust.” The latter takes advantage of the structure of a special donation trust*, as a means to ensure financial support for handicapped persons through living will gifts. In fiscal year 2008, we concluded new contracts for the management of 12 Omoiyari series trusts with total assets of some 400 million yen. (As of the end of March 2009, the total number of outstanding contracts for such trusts stood at 199.)

* Special donation trusts are trusts in which the family members or others can entrust money for people with severe disabilities, which trust banks disburse in periodic installments. Up to 60 million yen is exempt from special donation tax.

(3) Provide Safety Net for Paperless Transactions of Securities

Paperless transactions of securities improve the convenience of securities trading by reducing the risks of loss, theft and forgery, and by cutting the transportation and storage costs. However, financial damage for investors (participants) may arise due to erroneous records. The Participant Protection Trust is a safety net scheme that compensates participants for losses of up to 10 million yen, should such financial damage arise and the account management organization goes bankrupt without fulfilling the compensation payment obligation. Sumitomo Trust has been entrusted with the management of the Participant Protection Fund since the establishment of this scheme in 2003.

(4) Support for the Bell Mark Movement

The Bell Mark Movement provides grants for the purchases of education equipment in exchange for points accumulated by parent teacher associations (PTAs) and schools through the collection of bell marks attached to the products of sponsoring companies. In its support for the Movement, Sumitomo Trust has been performing central administrative functions such as handling the payments from sponsoring companies to PTAs and transferring assistance funds from partner companies to the Foundation. With the number of PTA accounts totaling about 28,728 as of the end of March 2009, the administration of these accounts requires enormous clerical work. However, as a supporter of the objective of this Movement, we have served as its sole disbursement agent for 26 years since 1983. In addition, we handle financial aid transfers to disaster-stricken and other distressed areas (friendship assistance).

(5) Building Database for Fee-based Nursing Homes

Sumitomo Trust has started building a database of fee-based nursing homes in corporation with Social Welfare Research Corporation since 2006 and has utilized it in various operations. This is a full-scale database that examines and rates such factors as the location, available facilities, staff lineup, reasonableness of fees and the financial position of the operator in a comprehensive way, based on the public information of about 2,500 fee-based nursing homes across Japan.

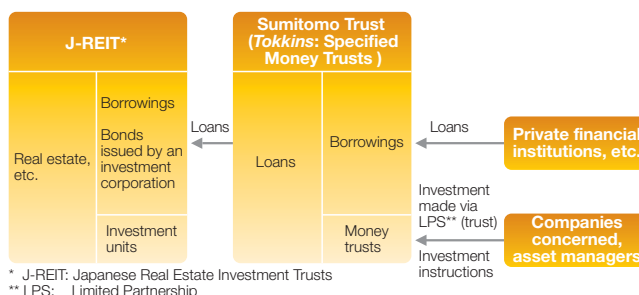
(6) Compilation of a Pamphlet for Public Foundations Accepting Bequests

As more and more people have come to wish that their assets be bequeathed for the benefit of the society in recent years, inquiries about public foundations accepting bequests and the necessary procedures have also been increasing. To meet the need for such information, we have compiled a pamphlet that describes the major features and activities of about 30 charitable trusts, with which we have concluded partnership agreements concerning will trusts, and how we use bequeathed money.

(7) Contribution to the Stabilization of the Real Estate Market

Sumitomo Trust was selected as the trustee of a fund intended to stabilize the real estate market and prevent asset deflation, which the government and the private sector are working together to establish.

We will strive to achieve the purpose of this fund and contribute to the development of the Japanese economy by taking advantage of our rich experience with the real estate business, exercising our advanced trust function, and combining our functions with the research function of STB Research Institute Co., Ltd., which is acting as the secretariat of the study group on the establishment and management of this fund. The following diagram represents the concept of this trust fund scheme.



SRI (Socially Responsible Investment) Activities

In the belief that SRI contributes to the realization of a sustainable society, Sumitomo Trust has strived to expand the SRI market. Below, we will describe our own activities as the leader of the SRI market.

(1) Pioneer in Pension Market

Since becoming the first Japanese trust bank to undertake the entrusted management of an SRI fund on behalf of a corporate pension fund in July 2003, Sumitomo Trust has steadily increased the number of SRI funds under its management in the pension market. It also became the first trust bank to undertake the management of an SRI fund on behalf of a public pension fund. Outside the pension market, we have also launched SRI funds one after another, including a mutual fund for retail investors called “Sumishin SRI Japan Open Fund,” also known as “Good Company,” a defined contribution pension fund, a fund for over-the-counter sales at Japan Post Bank and privately placed investment trust for business and financial corporations, thereby expanding the SRI market.

The balance of funds under our management expanded to nearly 100 billion yen at one time, but declined to 47.7 billion yen by the end of March 2009 as a result of the plunge in the market value of shareholdings triggered by the stock market tumble. In the meantime, the number of companies adopting an SRI fund designed for defined contribution pension plans has steadily increased, standing at 89 as of the end of March 2009.

(2) Notable Features of Sumitomo Trust's SRI Funds

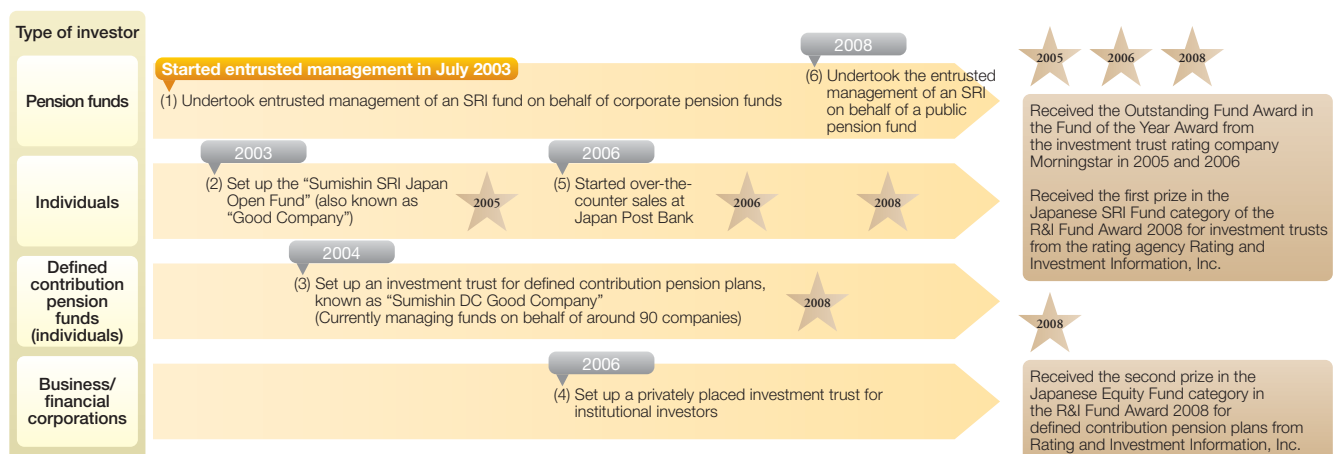
a) Active Investment Funds Focusing on ESG

Sumitomo Trust's SRI funds are active investment funds that give consideration to the contribution of ESG (Environment, Society, and Governance) factors in financial returns in selecting investment target stocks. In other words, they pursue good, stable investment performance by investing in companies that achieve successful financial results and, at the same time, contribute to the sustainable, synergistic development of the society as well as themselves, while fulfilling their obligations for legal compliance and accountability and attaching importance to the interests of various stakeholders in both social and environmental fields.

b) Emphasis on Thorough Research

In selecting investment target stocks and building the portfolios of our SRI funds, we place emphasis on thorough research. For example, we send questionnaires regarding social and environmental issues to 2,000 companies, including 1,700 companies listed on the first section of the Tokyo Stock Exchange, via the Japan Research Institute, Ltd., with which we have formed a partnership.

History of Entrusted Management of SRI Funds

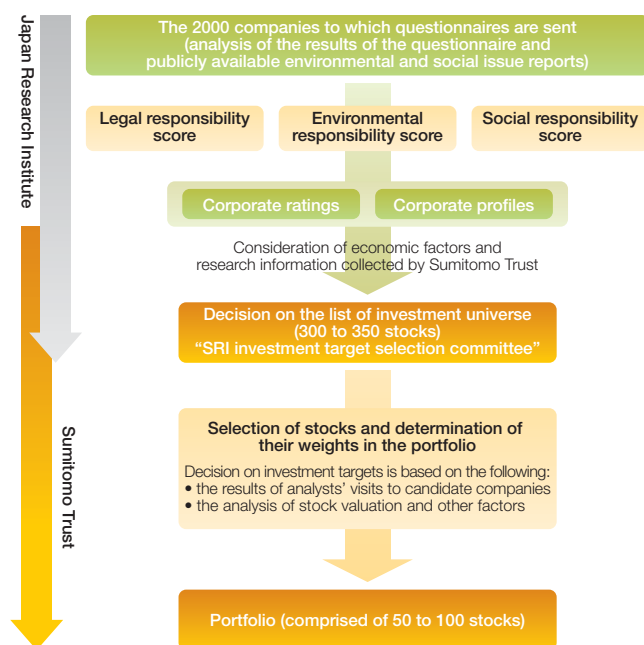


We select candidates for investment targets (commonly known as “investment universe”) based on the analysis of the results of these questionnaires as well as publicly available reports on social and environmental issues compiled by the companies. Then, we pick the target companies from our list of candidates and build the portfolios in light of the information provided by analysts in all sectors as well as information obtained by SRI fund managers themselves through their visits to the candidate companies.

c) Outstanding Fund Management System

Our staff includes two fund managers who are dedicated to SRI and an SRI analyst as well as personnel assigned to fund management planning and marketing-related departments and CSR-related sections. Furthermore, a monthly meeting of SRI Investment Target Selection Committee is held to select SRI investment target candidates. In addition, Sumitomo Trust and the Japan Research Institute, with which we have maintained close collaboration since starting management of SRI funds in 2003, conduct their activities together, holding a monthly meeting and executing joint research activities. This includes visits to various companies for research purposes by staff members of both companies.

SRI Investment Target Selection Process



(3) Excellent Investment Performance Praised by Rating Organizations

Reflecting our asset management performance as well as our risk control capability and superior research staff in both qualitative and quantitative terms, “Good Company,” a mutual fund for retail investors, received the Outstanding Fund Award in the domestic equity funds category of the Fund of the Year Awards from the investment trust rating company Morningstar for both 2005 and 2006. Furthermore, “Good Company” received the first prize in the Japanese SRI Fund category and the second prize in the Defined Benefit Pension/Japanese Equity Fund category in the R&I Fund Award 2008 of Rating and Investment Information Inc.

(4) Activities to Expand the SRI Market

a) Participation in NPOs and Signing of the Principles for Responsible Investment

In July 2004, Sumitomo Trust joined ASrIA, a non-profit organization (NPO) aiming to promote sustainable SRI activities in Asia. In March 2005, we joined Social Investment Forum Japan (SIF-J), an NPO aiming to spread SRI in Japan, and we are supporting its activities as a major member. In addition, in March 2006, we signed the Principles for Responsible Investment, a common global guideline that calls on institutional investors to give consideration to ESG factors in making investment decisions (see page 61).

b) SRI Education Activities through Seminars and Workshops, etc.

Since starting the management of SRI funds in 2003, Sumitomo Trust has contributed to the promotion of SRI through its activities in seminars and research meetings. For example, we put forward proposals for expanding SRI from the perspective of effective use of individuals’ financial assets as a member of the study group on environment and finance that was sponsored by the Ministry of Environment. Furthermore, since 2007, Sumitomo Trust officials have served as lecturers in endowment lecture courses established by the Japan Securities Investment Advisers Association and the Investment Trusts Association at Waseda University, Keio University, and Osaka University, as well as in lectures for students and non-traditional students taking night courses. We have also published many books and research papers, including CSR Management and SRI.

How Should SRI be Promoted in Japan?

We invited experts in fields closely related to financial affairs, including Mr. Takejiro Sueyoshi, Special Adviser to the United Nations Environment Programme Finance Initiative (UNEP FI), Ms. Mariko Kawaguchi, General Manager at the Management Strategy Research Department of the Daiwa Institute of Research Ltd., and Mr. Eiichiro Adachi, Research Chief, Head of the Environment Social and Governance Research Center of the Japan Research Institute, Ltd., to join our dialogue with stakeholders. A heated debate was held on how SRI (Socially Responsible Investment) should be promoted in Japan.



Mr. Tsukasa Kanai

Head Office Executive,
Corporate Social
Responsibility Office of
the Corporate Planning
Department of Sumitomo Trust



Ms. Mariko Kawaguchi

General Manager at
the Management Strategy
Research Department of
the Daiwa Institute of
Research Ltd.



Mr. Takejiro Sueyoshi

Special Adviser to
the United Nations Environment
Programme Finance Initiative



Mr. Eiichiro Adachi

Research Chief,
Head of the Environment
Social and Governance
Research Center of
the Japan Research Institute, Ltd.

Japan's SRI Left Behind in Global Trend——

Kanai: Recently, there have been active discussions surrounding SRI. This year marks the 10th anniversary of the launch of SRI in Japan, providing a good opportunity for discussion on the subject from a fresh perspective. Based on data compiled by the Social Investment Forum Japan (SIF-J), an NPO, the balance of investments made through SRI funds in Japan as of the end of March 2009 is estimated at slightly less than 400 billion yen. As the global balance of such investments has grown by around 200 trillion yen over the past 10 years to more than 600 trillion yen, the balance in Japan is nowhere near in comparison, both on a stock and flow basis. However, the number of SRI investment trusts has been consistently increasing in Japan. To summarize my point, although Japan's SRI market is not shrinking, its growth is lagging far behind compared with the global trend. In light of this situation, first of all, I would like you to express your opinions regarding the current state of the SRI sector and sum up SRI activities in Japan over the past 10 years.

Social Atmosphere Conducive to CSR and SRI——

Kawaguchi: The other day, as part of a research project being carried out by the Research Institute for Policies on Pension & Aging, I visited Europe in order to look at the current state of ESG (Environment, Society and Governance) investment (ESG invest-

ment, which is similar in concept to SRI, refers to an investment method of selecting investment target companies from the viewpoint of whether their business management is conducted with due consideration given to the environment, society and governance) that are taking place both in Europe and in the U.S. I got the impression that in Europe, there is a consensus that ESG investment is desirable because it sometimes serves as a political tool to obtain understanding from labor unions, or it is strongly supported by the people, or it forms part of national strategies. In contrast, there is not enough social backing in Japan that compels ESG investment. That is why given this unfavorable situation, I think Japan did a good job in the past 10 years, as the number of SRI investment funds increased.

Sueyoshi: In my opinion, Japan adopted CSR and SRI on the fly because of pressure from abroad. In Japan, there has not been any fundamental debate about the significance of CSR. Therefore, as soon as business conditions take a turn for the worse, as they have now, CSR gets singled out as a costly burden. Now, the whole world is considering more seriously than ever the consequences of the pursuit of corporate earnings with no regard for ethics, so we should seize this opportunity to address the fundamental question of what kind of SRI and CSR Japan should pursue.

Adachi: Ten years ago, I began my research work with the goal of starting a movement to create a market that assesses not only eco-



conomic value, but also that takes into consideration factors relating to human and social value. Regrettably, the movement did not turn into a huge ground swell. Meanwhile, the situation has clearly changed abroad, and I believe that Japanese companies will have to change over the next 10 years because of pressure from overseas investors. Therefore, major financial institutions should not shy away from the task of establishing funds that give consideration to social problems and dilemmas.

Kanai: The foundation for CSR has not fully developed in Japan, and there seems to be a huge gap between other countries. Do you think that Japan can catch up with the global standard?

Sueyoshi: Until now, Japanese companies have been able to sell products without having to care much about the views of other countries, so they have had no problems. However, from now on, it will be necessary to seriously consider what should be done to enable Japan to survive economic globalization and become a sustainable country. There is no doubt that Japanese companies will become unable to do business with foreign countries unless they incorporate into their business strategies the unique local perspectives of the countries with which they do business. But I am sure we can definitely achieve that. What I want Japanese business managers to do is to pay due heed to the needs of the international community, as well as those of the Japanese society, and communicate to find out how to meet them. If Japanese companies more actively raise issues and commit themselves to them, CSR and SRI will become more firmly entrenched in Japan.

Kawaguchi: Pursuing “globalization” is not the same thing as seeking to be “universal.” While the adverse effects of globalization have been pointed out, being universal means having a well-balanced sense of what is acceptable based on the recognition of what is good and bad about other countries. Japan should consider adopting a universal attitude that embraces unfamiliar and diverse values while maintaining its uniqueness.

Dialogue with Stakeholders——

Kanai: It has been pointed out that Japanese companies have not conducted business in a way that reflects the voice of the society and foreign countries. What do you think is the reason for that?

Sueyoshi: Until now, the Japanese society has not demanded that business managers conduct business in such a way. To put it the other way around, the Japanese business community should acknowledge the importance of NGOs that convey the voice of the

society, which they are not able to easily pick up on, and they should consider fostering such NGOs.

Adachi: Japanese companies shrink from mentioning or publicly acknowledging the negative aspects of their products. Pharmaceutical manufacturers, for example, are hesitant about mentioning negative side effects of their pharmaceuticals in CSR reports. This reminds me of the report compiled by the Dutch bank, ABN AMRO, where it candidly disclosed an internal process. For example, in the report, it was clearly documented that they were being criticized for such and such matter, that they were holding discussions on the issue until such and such point, and this is what they concluded on the subject. I have to say this is strikingly different from how Japanese companies behave.

Kawaguchi: I presume that the aristocratic class that has inherited the tradition of noblesse oblige (the notion that responsibilities come with wealth, power and social prestige) and commands the respect of the society forms the foundation of NGOs in Europe. There is also a social mechanism for raising funds, enabling NGOs to maintain their status as mature economic entities. In the United States too, there is a mechanism that provides social support for grass-roots NGO activities, reflecting the origin of the country as a society built by immigrants with various aspirations. Meanwhile, in Japan, the postwar reform of the land distribution system got rid of the privileged class of landowners, realizing social equality. However, this also meant a loss of upper-class gentlemen who can act as social leaders. In place of this class, politicians and bureaucrats exerted their leadership in driving the country’s economic growth. Now that this system has collapsed, how should we create a new class of genuine leaders who will call into account the benefits of the society? I find it a hopeful sign that in recent years, an increasing number of young people who were born in this affluent era and received good education are trying to establish NPOs and socially responsible companies in order to contribute to the society as something to live for, rather than just earn a living.

Sueyoshi: Business and political elites are the only people in Japan who know the factors that move the society and the economy in the world and who can compete and cooperate with the outside world. In fact, they could be said to be the aristocratic class of the Japanese society.

Kanai: For a long time, I thought that it might be difficult to have an NGO activity entrenched in the Japanese society. However, I changed my mind after attending a recent meeting of multi-stakeholders. I am beginning to think that NGOs could act as the driving force that



breaks the deadlock that may arise from a conflict of interests of various parties.

Adachi: At the multi-stakeholder dialogue facilitated by the European Commission, an NGO will accuse companies for their half-baked CSR activities, while companies argue they will lose competitiveness if they obey what the NGOs say, leading to a confrontation. However, what is important is the fact that despite the friction, such a dialogue is held over and over again. This is because it is believed that confrontation is only a part of the natural process. However, in Japan, dialogue focuses on confirming the points of agreement. I believe that this approach must change.

The Role of the Financial Sector in Creating a Sustainable Society——

Kanai: Now, I would like to discuss matters related to the financial sector. Do you think that the financial sector should be categorized together with the economic sector? What do you think should be the financial institutions' relationship to the economy as a whole?

Sueyoshi: That is a question I would like the Japanese financial sector to consider seriously. Money handled by financial institutions, whether it be deposits or pension funds, is the money of our society. Therefore, I would like the financial sector such as banks to really think about changing the flow of funds so that the money can be used to resolve the problems of our society, including global warming and poverty, and from there, I would like them to start a dialogue with the economic sector and the industrial sector. The industrial sector and the financial sector are the two wheels that mutually work to move our society, so I hope there will be continuous collaboration and exchange between them through the financial functions so as to realize a sustainable society. These two sectors should be neither enemies nor cozy friends, but should maintain an arm's length relationship (the condition that the parties to a business transaction are on equal footing).

Kawaguchi: At a gathering of people with many years of experience working in the financial sector, I asked them what is the essence of finance, and I found that nobody had ever seriously considered that question. Most people working in the financial sector think of finance only in terms of financial engineering and never consider what finance is actually for. Such people would be puzzled if they were told that the purpose of finance is to create a sustainable society.

Kanai: When we consider a new financial scheme, regardless of whether it is related to SRI or not, we start with the goal of creating a new flow of funds. However, profitability inevitably emerges as an issue. Also in the financial industry, I am sure there are many people who would like to make a difference to the society, but we tend to shy away from schemes that do not generate profits. In the end, the schemes that we develop are similar to the existing ones created by someone else, and we are unable to come up with original schemes to create a new social mechanism.

Sueyoshi: The history of finance is the story of nurturing new industries needed by the society. Given the importance of shifting business emphasis to new energy and energy conservation, financial institutions should funnel funds into those fields. From now on, the combination of green finance and green industry will be the only formula for corporate survival.

Adachi: Triodos Bank of the Netherlands, which focuses on providing low-interest loans to companies that make significant contributions to the society, has been consistently growing amid the ongoing economic and financial crisis. This means that the key is whether citizens and stakeholders have the freedom and energy to create new financial institutions. In Japan, the number of financial institutions decreased every time a financial crisis occurred, clearly indicating a decline in the ability to create new schemes. Unless the dynamism of creating new financial institutions is allowed to flourish, the birth of new concepts would be impossible. In Europe, there are many cases where bankers have quit their banks to create new ones or some group creates a new bank as a result of citizens' backing.

Kawaguchi: Grameen Bank, which was founded by Mr. Muhammad Yunus, the creator of the micro-credit system, which provides unsecured small loans to meet the needs of the poor, evaluates the performance of its employees based not on how much money they collect, but on how much their loan programs contribute to the improvement of the recipient community. It might be a good idea for major Japanese banks to introduce a presidential commendation for loan programs that make significant social contributions on a trial basis. When Daiwa Securities developed a novel financial product called the "vaccine bond," which is a two-year bond intended to raise funds to pay for vaccines in developing countries, the company's president liked the concept of this bond so much that he went around sales offices cogently arguing its significance and encouraged employees to do their best in selling. Because of this, an eagerness to develop products that make contributions to the society and generate profits at the same time grew within the company.



How Should SRI be Promoted in Japan?——

Kanai: SRI has an active starting point endowed with the mission to change the society. Companies that receive investment through SRI are also required to have and act on the management philosophy incorporating the concept of CSR, which is to create beneficial results through its businesses that contribute to the good of the society. If investors find companies that are really practicing CSR, they can earn return on investment. On the other hand, unless investors such as pension fund managers actively encourage the development of SRI funds by saying, “We are ready to invest, so create a good scheme and show it to us,” the market will not grow. However, in Japan, we have yet to see the takeoff of a successful cycle of SRI. Do you have any good ideas?

Sueyoshi: The U.S. Securities Exchange Commission is under pressure to impose the obligation for the disclosure of ESG information, and I expect this to take place soon. The prevalence of information disclosure is good news in terms of spreading SRI.

Kanai: I hear that under the leadership of the Federation of European Accountants, efforts are under way to establish a system of connecting reporting, which integrates financial and non-financial information. Although details have yet to be decided, we need to assume that this will become obligatory in the future.

Kawaguchi: The initiatives by public pension funds will be the key to spreading SRI. I think that providing a reason for public pension funds to adopt SRI will be the quickest path to spreading it. The moment investment managers of pension funds, with their huge amount of assets, express willingness to consider adopting SRI, the market will get going. The right approach would be to first suggest that the adoption of SRI by public pension funds will be socially acceptable because of their public nature and then explain that SRI brings about extra benefits in addition to ordinary return on investment. There is a reason for this. After having accepted the idea of investing in an SRI, it is okay to explain that there are a variety of financial products to choose from with elements of an SRI that are performing strongly at the specific point of selecting a product to invest in. However, if we present it in a way by saying that an SRI definitely performs better than other products from the get-go, there is a risk where people can come back claiming that in the end, SRI did not perform well. This effectively ends any room for further discussion.

Kanai: We may assume that in the long term, companies that fulfill their social responsibilities will show a relatively good business

performance. However, we cannot assure that returns on SRI will be better than those on ordinary investment. On the other hand, it would be wrong to argue that returns on SRI can never be better than those on ordinary investment because SRI focuses only on ethical aspects of business activity and ignores important financial information. As there are various sorts of value investment, so there are various SRI schemes, including those that can withstand active investment and those that cannot. By the way, do you have any good ideas for encouraging individual investors to buy SRI products?

Kawaguchi: About 70% of individual customers think it is natural to take SRI elements into consideration. I hear that an investment trust company affiliated with Daiwa Securities Group receives complaints from customers saying, “How could you buy shares of a company where a corporate scandal has occurred?” when those shares are included in their portfolio. In this context, what seems to be lacking the most is that the asset management industry, which stands between investors and the targeted companies for investment, thinks that they cannot obtain any information on scandals and CSR, nor effectively make an assessment based on that. The reality is that the intermediary that links the provider of funds and recipient of them is absent, when in fact the latter two parties are hoping that CSR measures are taken into consideration or implemented.

Kanai: We must admit that asset management companies have not made adequate efforts promoting SRI. It is necessary to discover potential needs and pour human and financial resources into the development of SRI funds that are attractive for investors.

Adachi: Although the Principles for Responsible Investment (PRI) require that ESG be always taken into consideration when investment decisions are made, Japanese financial institutions are not addressing this issue in earnest. The question is, if an asset management company has changed its way of making investments so as to require all fund managers and analysts to take ESG factors into consideration, whether Sumitomo Trust would be willing to follow suit. It is not until a financial institution makes such a move that customers believe its commitment to SRI. In the United States and the United Kingdom, the financial industry as a whole is being led to embrace ESG and SRI by organizations specializing in and devoted to ESG and SRI. A similar situation may be necessary in Japan too.

Sueyoshi: Regarding the “E” (environment) of ESG, particularly CO₂, SRI has already passed from the conceptual stage to the practical stage. However, when CO₂ is taking the center stage, dealing with other CSR matters is quite a challenge. Japanese companies



must pay attention, whether they are problems related to poverty or refugee issues. Otherwise, Japan, as a nation, will start to lose its place in the international community.

Kanai: Nowadays, CO₂ is not only considered to bring about business opportunities, but also to serve as crucial financial information. Similarly, it is becoming increasingly important to disclose information based on common standards.

Necessary Legal Framework——

Sueyoshi: As the global trend of SRI is starting to change significantly, we must bear in mind that SRI in Japan—impacted by the trend—will have to change accordingly when we consider the future of SRI. I also think that Japan must establish legislation concerning fiduciary duty although this may require patient efforts and a long time. In a survey that we conducted in nine countries when we introduced the PRI, we found that Japan was the only country that had no such legislation and that it was barely ensuring appropriate conduct by relying on the “duty of care of a good manager.” Unless there is a legal basis, corporate conduct could change overnight with a change in management. To have CSR firmly entrenched in Japan, we need to establish a legal basis, as the United Kingdom has done in order to enforce compliance with its CO₂ reduction target.

Kawaguchi: A law or some other solid framework is necessary. Otherwise, people who are reluctant to practice CSR will continue to fudge on the pretext of a conflict with their fiduciary duty. Even if we try to convince them that there may be a different logic that does not go against their fiduciary duty, it is over when they say, “I disagree. I will not take ESG factors into consideration.” Therefore, legislation in some form or other is necessary, even a notional one would suffice. I would recommend something along the lines of “fiduciary duty referring to the requirement for proper consideration to non-financial value that is considered necessary when measuring corporate value.”

Hopes for SRI——

Kanai: Lastly, I would like each of you to express your hopes for SRI.

Sueyoshi: Although the problems faced by our society are becoming more diverse and serious, the public sector, which is traditionally entrusted with the duty to resolve them, is losing the ability to do so. Someone else should undertake the task of resolving these problems and that job is clearly meant for companies and

citizens. If they are to undertake this, they should make investments in ways that contribute to resolving social problems. I call this “responsible investment for future generations.” Any investment should involve social responsibility. SRI funds will lead the way in spreading this concept throughout Japan’s investment community. Therefore, SRI has a very significant role to play, and it will become mainstream in the future. That is how I perceive SRI and my hope for it.

Kawaguchi: Looking back at the history of finance, greed has been the motivation for financial activity until now. However, new initiatives like SRI and sustainable finance do not bring about direct benefits to investors but rather involve elements that contribute to the society, such as the reduction of poverty and the prevention of environmental damage. Such initiatives are made possible only when the level of people’s sense of value is raised enough to enable them to feel satisfied with the benefits for society as a dividend for themselves. The fact that we are seeing the green shoots of such enterprise may be evidence that change is taking place. Human beings have evolved to the point where they can feel happier by finding delight in contributing to the society than by merely satisfying their own desires. SRI is the manifestation of this evolution. SRI serves as a tool for people’s happiness, and the financial industry should try to ensure that.

Adachi: I would like to diversify SRI further and try various approaches. Over the past 10 years, the cast of people involved in SRI-related activities has not changed, so we should bring in more young people. Meanwhile, we should always keep in mind the maxim “the road to hell is paved with good intentions.” There are numerous cases such as multi-level marketing schemes, in which a pretense of goodwill causes people to suffer or become victims of crime. While we need a catalyst to bring about change in the society, we must bear in mind the importance of being humble as a lesson for the next 10 years.

Kanai: Providing an opportunity for meaningful debate like this and communicating the concept of SRI widely is part of what our CSR activities are all about. As we intend to continue efforts to foster a favorable environment for spreading SRI, we would appreciate your continued support. Thank you very much for your valuable insight.

Path 2 Enhancement of Corporate Brand

2008

Plans

- To strengthen marketing efforts to use feedback from customers for service improvement and to enhance the PDCA cycle
- To promote cooperation with local NPOs in “With You” activities conducted by branches
- To promote “With You” activities that enhance customers’ knowledge about financial crimes (e.g. bank transfer billing fraud)
- To promote “With You” activities regarding environmental issues, particularly biodiversity-related issues

Achievements

- Strengthened activities to promote CS through the creation of a designated site for CS on our intranet
- Cooperated with local NPOs to preserve endangered species
- Started holding seminars on countermeasures against financial fraud
- Held seminars and set up display panels featuring the state of endangered species, including the polar bear

2009

Plans

- To continue activities to improve services by listening to the voice of our customers
- To assist in grass-roots activities in support of holding the 10th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP10) in Nagoya
- To hold seminars on countermeasures against financial fraud across Japan
- To establish a framework for systematic implementation of a program for junior and senior high-school students to experience the workplace

By promoting CS (Customer Satisfaction) Activities and Employee-Involving Social Contribution Activities (“With You” Activities), we are striving to enhance our corporate value as a company that fulfills its social responsibilities in ways that offer assurance to customers and foster pride among employees.

Sumitomo Trust has set forth its “Promise to Customers” in the belief that earning customers’ trust should constitute the core of its corporate activities. We also believe that we can strengthen the public’s confidence in us and enhance our corporate brand in the long term by conducting social activities that are rooted in the local communities and are suited to their specific circumstances and needs.

■ Promise to Customers

At Sumitomo Trust, as an asset management financial institution that works to achieve “optimal management and prudent administration,” we follow all applicable laws and regulations, and we promise our customers that we will recommend products and services based on the following solicitation policy, so that they can make appropriate judgments for themselves.

1. We ask customers about their experience and knowledge of financial products and services, their asset situation, and the purpose of their transactions. According to their responses, we provide suitable products and services.
2. We ensure that the products and services we provide are accompanied by appropriate and easy-to-understand explanations, so that customers will be able to fully understand the details and advantages, as well as the risks and handling charges.
3. We do not conduct explanations or solicitations that are likely to mislead customers, such as providing information that is contrary to fact, or explaining uncertain matters in an assertive manner.
4. When we wish to make a solicitation to customers via telephone or by visiting them in person, we try to do so without imposing on customers’ schedules.
5. We work to gain accurate knowledge and learn easy-to-understand explanation methods, so that we can provide products and services that suit the needs of our customers.



■ Comment from the Officer in Charge of Promoting Path 2

“We want to protect and grow our customers’ assets.”

—AKIRA SAWAI
Branch Manager, Omiya Branch

As a trusted financial institution, I believe the mission of Sumitomo Trust branches is to protect and grow the assets entrusted by our customers.

In the context of growing our customers’ assets, we strive to provide consulting that is in tune with the specific needs of each customer, and we hold a variety of seminars.

In addition to introducing financial instruments to our customers, the Omiya branch holds seminars on a wide range of issues. For example, we have held seminars related to crime prevention ranging from the topics “The Psychological Approach to Measures against Financial Fraud” and “Anti-Burglary Measures” to the “The Population Problem” given by the United Nations Population Fund. Furthermore, we have also given a workshop titled “The Threat from Non-Native Species” given by affiliates of the local Kitamoto Nature Observation Park, and we are dedicated to learning together with our customers.

Activities to Earn Our Customers' Trust

To earn the customers' trust, Sumitomo Trust always listens to the feedback given by our customers and strives to better meet their needs. As a financial institution, we also believe that in order to build a sustainable relationship of trust with our customers, it is important to provide them with appropriate and adequate information, not to mention the importance of protecting their personal information.

1. The Sumitomo Trust Concept of CS (Customer Satisfaction)——

Amid radical transformation of the financial environment, customers have become far more selective in their financial institution. To be the financial institution chosen by customers regardless of the times, we position the promotion of CS (customer satisfaction) activities as the most fundamental element in the conduct of our trust business. We place importance on

“Trustee-ness” that takes into consideration customers' point of view, providing them with the best solution carefully and individually based on trustee spirit. At the same time, we aim to build the “CS No.1” brand by speedily providing financial services with high added value that meet the needs of customers through the combination of diverse functions that feature “STB-ness.”

2. Activities to Promote CS——

(1) CS Promotion Structure

Sumitomo Trust takes customers' opinions, requests and complaints seriously and strives to respond to them quickly and appropriately. In addition, we make efforts to improve the quality of our services and products through a PDCA (Plan, Do, Check and Act) cycle* that starts with feedback from customers.

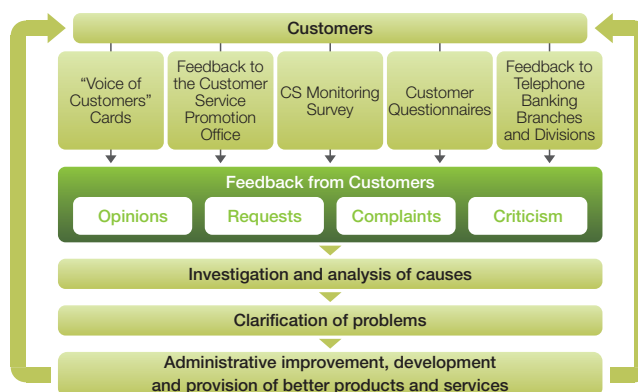
Feedback from our customers is delivered for investigations, cause analysis and draw-up of improvement plans to CS Committees through the Customer Service Promotion Office, “Voice of Customers” cards, the “CS Monitoring Survey” and “Customer Questionnaires,” as well as branches and service counters across Japan. The Customer Satisfaction Promotion Department, which oversees CS promotion activities, facilitates the sharing of information on a company-wide basis, and reports those activities to the Executive Committee and other relevant organizations. In fiscal year 2008, we received some 230,000 cases of feedback.

* The PDCA cycle, which comprises four stages, namely Plan, Do, Check and Act, is a process intended to facilitate the smooth conduct of management operations.

(2) Reflecting the Voice of Our Customers

In fiscal year 2008, we continued to reflect the voice of our customers in our various activities based on the analysis of their input. For example, in response to complaints that the volume of mails sent from us was unmanageable, we simplified them by consolidating mailings with similar contents and using postcards instead of envelopes where possible.

Mechanism for Receiving Feedback from Customers



3. Activities to Raise Employees' CS Awareness——

(1) Creation of an Intranet Site Dedicated to CS

Sumitomo Trust has been issuing biweekly e-mail newsletters regarding CS promotional activities in order to raise employees' awareness about the subject. To give employees easy access to archived information and provide a unified place for access, we created a designated site for CS on our intranet in April 2009. This site explains our concept of CS in a way that is easy to understand, publishes reports on the analysis of customer input, provides cases of exceptional CS activities that are undertaken at each branch office, and presents initiatives taken by other companies that may serve as a reference point. Through the company-wide sharing of CS information, we will enhance our level of CS.

(2) CS Training

In order to aggressively advance CS activities, Sumitomo Trust implements a variety of CS training programs. In fiscal year 2008, we invited a lecturer who has many years of experience in handling customer complaints at the cosmetics company, Shiseido Co., Ltd., and who also holds external workshops on "Responding to Complaints" to conduct a training session. In total, the training was held at 33 branches and departments. In the training session, the lecturer provided practical advice based on experience regarding such issues as the principles of handling customer complaints and the importance of initial response through role-playing and other training methods.

(3) Assignment of Care-Fitters to Branches

In 2004, Sumitomo Trust became the first major financial institution to assign Care-fitters* to all branches. As of the end of April 2009, 82 holders of the Care-fitter certificate were working at our branches to provide support for visiting elderly customers or customers with disabilities.

* The Care-fitter certificate is a private qualification accredited by the Nippon Care-Fit Service Association, a nonprofit organization. Holders of this certificate have acquired the care-giving skills required in the service industry, including helping the blind.

(4) Workshop on Support for Customers with Dementia

In January 2009, the Kichijoji branch invited an official from the Musashino City government to give a "Workshop on Becoming a Supporter for People with Dementia," to branch employees. This workshop was held based on the recognition that it is crucial to have appropriate knowledge concerning dementia in an aging society. Since then, branch employees have worn orange wrist bands as proof of having taken this workshop. Meanwhile, the Toranomon consulting office had its employees take a similar workshop and held an educational seminar titled "Understanding Dementia" in April 2009.

(5) Simulated Experience as an Elderly Person

In July 2008, employees at the Ikebukuro branch participated in a seminar that provided a simulated experience on being an elderly person to better understand such customers' feelings and interact with them in a more considerate manner. By wearing gear that simulated the effects of old age, comprised of earplugs, special eyeglasses, and weights that hampered the mobility of their arms and legs, they got a first-hand experience of the physical changes associated with old age, including diminished muscular strength, eyesight, and hearing. The experience of such disadvantages, which restricted their ability to receive information and move around more than they had expected, enabled employees to recognize problems from the standpoint of elderly customers, such as the difficulty in reading small fonts used on checks.



Upper left: a screen shot of the intranet web page; right: CS training lecture session. Lower left: employees who attended the Workshop on becoming a Supporter for People with Dementia; right: Seminar for the simulated experience as an elderly person.

4. Efforts for Customer Protection

In order to adapt to changes in the business environment, such as the enforcement of the Financial Instruments and Exchange Law, and conduct customer-oriented business management, Sumitomo Trust has established the Customer Protection Management Policy and is making various efforts for customer protection.

(1) Efforts to Protect Our Customers' Personal Information

In recent years, the frequent incidence of customers' personal information being leaked has emerged as a social problem, highlighting the importance of appropriate information management more than ever. Protecting customers' personal information is essential to building a relationship of trust with them. Sumitomo Trust's Information Security Management Policy ("Information Security Policy") adopts regulations concerning the protection of personal information, requires the appointment of an "information management officer," and prescribes the rules concerning the collection, utilization, storage, and disposal of information. In April 2005, we announced our Declaration for the Protection of Personal Information, and we are accordingly developing the necessary institutional framework and making efforts to ensure appropriate protection and use of customer information. All employees are required to take e-learning classes on information management. In addition, we ensure secure management of our information systems based on strict round-the-clock surveillance. In cases where we outsource information management, we require the outsource contractor to take appropriate measures for information protection, commensurate with the scale and nature of the outsourced management.

Declaration for the Protection of Personal Information

1. Compliance with Laws and Regulations on Personal Information

Sumitomo Trust complies with laws and regulations as well as rules on personal information so as to ensure appropriate protection and use of such information.

2. Restrictions on Purpose of Use

Sumitomo Trust uses personal information provided by customers only to the extent necessary for its business activities and the intended purpose of use, and never uses this information for any other purpose.

3. Management of Personal Information

Sumitomo Trust strives to keep the personal information under its management accurate and up-to-date. It also takes the necessary and appropriate measures for safety management to prevent illegal access to, or destruction, alteration, or leakage of personal information under its management.

(2) Appropriate Provision of Information to Customers

If financial institutions are to retain customers' trust amid the profusion of complex financial instruments, they need to ensure their understanding of such instruments by providing them with adequate and appropriate information. Our "Promise to Customers" (see page 31), which states its policy for the solicitation and sales of financial instruments, is available for customers to see at branches and on its web site. We also make sure that the aforementioned actions are appropriately taken from the standpoint of customers by ensuring compliance with the suitability rule* and establishing company's regulations through a manual for the provision of adequate explanations and others to customers as well as from the solid training given to our employees.

* The suitability rule prohibits financial institutions from soliciting customers in ways that are inadequate in light of the customer's knowledge, experience, and the asset status and purpose of the conclusion of the financial transaction contract.

(3) Efforts to Safeguard Customers Against Financial Crimes

To safeguard customers against financial crimes, we have taken the following measures:

- Making available an IC ATM card service with a biometric authentication function.
- Setting the upper limit on the deposit/withdrawal amount and enabling customers to change their passwords as necessary.
- Keeping surveillance on abnormal transactions.
- Holding seminars on measures against financial fraud (see right page).

4. Response to Customer Inquiries

Sumitomo Trust will quickly and appropriately respond to inquiries from customers about its management of personal information.

5. Provision of Information to Third Parties

In principle, Sumitomo Trust does not provide personal information to third parties without the consent of the customer concerned. However, this principle may not hold true in cases where the provision of information is deemed necessary for the benefit of the public interest in light of relevant laws and regulations.

6. Continual Review of Measures for Protection of Personal Information

Sumitomo Trust is continually improving its compliance program concerning the protection of personal information, periodically reviewing its method of managing personal information, and continually revising this declaration.

5. Activities to Improve Customers' Financial Literacy——

(1) Seminars on Measures Against Financial Fraud

Financial fraud has emerged as a serious social problem, as a total of 20,481 cases of bank transfer billing fraud occurred across Japan in 2008, with the amount of defrauded money reaching 27.6 billion yen. At Sumitomo Trust branches too, there have been some cases in which employees were able to detect that something was wrong with the customer and after inquiry, they were able to prevent the occurrence of potential fraud. In light of these circumstances, we considered how to enhance customers' financial literacy so that they can guard against financial fraud and decided to hold seminars on measures against financial fraud in collaboration with Rakugaku Seikatsu Kyokai, an NPO engaging in financial literacy education. The seminar was held, starting at the Aobadai consulting office in March 2009, at the Omiya branch in June and at the Kichijoji branch in July.

In light of the fact that scammers cunningly exploit human psychology, this seminar explained fraud techniques with a focus on psychological analysis on the assumption that anyone could be deceived. Among materials used in the seminar was an audio tape recording of actual conversations between a criminal and the intended victim.

We also asked local police to describe cases of fraud that had actually occurred in the local community. Participants were deeply involved at each seminar, and the question-and-answer exchanges were animated as well.

This seminar also attracted media attention, with NHK (Japan Broadcasting Corporation) and various newspapers taking it up as a news item. We plan to hold these seminars at branches across Japan to educate people about financial fraud.



Seminar materials



At a seminar on countermeasures against financial fraud

(2) Workplace Experience as Financial Literacy Education for Future Generations

Workplace Experience Program for Junior and Senior High-School Students

To provide junior and senior high-school students with an opportunity to learn about finance and reflect on the significance of work, Sumitomo Trust has introduced a workplace experience program. In fiscal year 2008, the Retail Financial Services Business



Students listening to a lecture on Fiduciary Services Business

and the Fiduciary Services Business accepted a total of 71 students from five high schools, including Gunma Prefecture's Oze High School. This program provided valuable experiences to both students and Sumitomo Trust employees. Some of the students said that they had not known that there were such jobs as money management and investment that go on in banks, that they were able to sense the employees' eagerness and attentiveness toward the customer, and that it was a valuable experience in helping them decide upon their career paths. Additionally, Sumitomo Trust employees got a fresh perspective on what it means to work through their interactions with the students.

Simulated Bank Clerk Experience for Elementary School Students

Sumitomo Trust branches across Japan also give elementary school students an opportunity to become familiar with what a bank does. At the Nagoya and Nagoya-Ekimae branches, under the title "Bank Clerk for a Day: a Summer Vacation Banking



At the Nagoya-Ekimae branch

Experience for Children," branch employees gave lectures on the role of banks and how to save money. The children were also given hands-on experiences such as touching a pile of banknotes totaling 100 million yen and practicing *satsukan*, the traditional Japanese way of counting banknotes that resembles a hand-held fan, and they were apparently delighted at these rare experiences.

“With You” Activities

—Social Contribution Activities—

We engage in a wide range of social contribution activities so that we may become a bank with a “visible face” that can be recognized by our customers and stakeholders alike. With the catchphrase “With You,” Sumitomo Trust has been engaging in such activities. In this section, we explain our prominent social contribution activities.

1. Five Major Themes of Activities that Contribute to the Society

Sumitomo Trust plans and implements activities that contribute to the society along five themes that are of particular interest to customers, namely, (1) the environment, (2) successful aging*, (3) security (crime prevention and disaster prevention), (4) health, and (5) education. We also use these themes as starting points for designing new financial instruments and seek to gain a synergetic effect from the “With You” activities. Each branch seeks to build a relationship of trust with customers as a member of a community by conducting social activities that are rooted in the local communities and are suited to their specific circumstances and needs.

* Successful aging refers to leading a healthy life both physically and mentally in one's golden years.



2. Implementation Policy for “With You” Activities

In order to initiate “With You” activities that are specific to the local community, each Sumitomo Trust branch sets its own long-term theme based on its distinctive features (i.e., regional character, location), and implements activities along these lines each year. A special budget is allocated for the promotion of the “With You” activities, and branches that have tapped into budget funds are required to report to the Corporate Social Responsibility Office of the Corporate Planning Department at the end of the year. In fiscal year 2008, the budget was used for 49 items.

We also publish the “With You” annual booklet (picture on right), which compiles the area-specific social contribution activities made by each branch. Through the “With You” activities, we aim to serve local communities as a bank with a “visible face.”





Education about Environmental Issues and Collaboration with NPOs

We actively disseminate information concerning environmental issues with an aim to raise the public's awareness about the matter. For example, we hold exhibitions in lobbies of different branches, and we conduct seminars in collaboration with local NPOs. In fiscal year 2008, the Toyonaka branch held a lecture on and displayed a panel of images concerning the ecology of polar bears (see picture). The Tokyo Chuo branch also exhibited images of biodiversity hot spots*. The Yao branch, together with a local NPO, engaged in activities to protect the rosy bitterling, an endangered species of fish. In addition, the Nagoya-Ekimae branch supported the activities of the Kyozon-No-Mori Network, an NPO aiming to preserve forests, by allowing it to use its meeting room on holidays.

* Biodiversity hot spots refer to sites under threat that is home to a variety of different species.



Promotion of Employee Participation in Environmental Volunteering

Sumitomo Trust encourages employees to participate in environmental volunteering. Employees at the Wakayama branch are participating in the Kigyo no Mori (Corporate Forest) project, which aims to preserve forests under the leadership of the Wakayama prefectural government, and trying to grow and maintain the Shintakun-no-Mori forest (see picture), named after Sumitomo Trust's corporate mascot. Employees at the Abenobashi branch and four neighboring branches are participating in volunteer activities to preserve the historic scenery of Asuka Village, Nara Prefecture. Furthermore, five branches in Kanagawa Prefecture are contributing to the clean-up of the Shonan Coast. The Shizuoka and Kofu branches have been involved in the Mt. Fuji Clean-Up Program since 2005, with the number of participants totaling 100 each year, including branch employees and their family members.

1. Environment



Promoting Recycling Activities at Branches

Sumitomo Trust branches across Japan are promoting to recycle various items, including easy-open-ends of aluminum cans, postcards with writing errors, postal stamps, and second-hand books. In particular, all branches are taking part in the "Eco-Cap Movement," which collects used PET bottle caps and uses proceeds from the sale to pay for vaccinations for children in developing countries. There are cap collection boxes installed at around 90 locations, including the Tama-Sakuragaoka consulting office (pictured left) and the Kofu branch (pictured right). At the Tokyo head office building, a volunteer team of Sumitomo Trust affiliate Sumishin Shinko Co., Ltd., collected a total of 210,000 caps (sufficient to pay for 262 vaccinations) by August 2009. The total number of caps collected at branches across Japan came to 570,000 (enough to pay for 718 vaccinations).



Co-Sponsorship for Green TV Japan

Green TV Japan is an Internet broadcaster specialized in environmental issues under Green TV International, which was established in London with the goal of serving as a medium accessible by environmentally conscious people around the globe. On its web site, around 400 high-quality videos on the environment produced in Japan and abroad can be viewed for free. Sumitomo Trust has been a co-sponsor of Green TV Japan since its foundation in November 2007 and has also provided videos that were produced in-house (these videos can be viewed on Sumitomo Trust's web site as well). In June 2008, the Matsuyama branch cooperated with Green TV Japan to give students at a neighboring elementary school a class on environmental issues using a documentary video. We provided the video footage of the class to Green TV.

<http://www.japangreen.tv/>



■ Book Readings of Love Letters at Sixty

Starting in July 2008, the Senri Chuo branch held three book readings of *Love Letters at Sixty*, a project aiming to help mature couples—the “Trust Generation (a generation over 50 who are expected to hold increased transactions with a trust bank)” —who constitute the core of our customers, reconfirm the importance of their marital bond and make a fresh start in their post-retirement life (see page 7). The last reading (see picture), was held in the Large Hall of the Yomiuri Bunka Center. When the professional announcer started to read some of the passages against the background of beautiful imagery displayed on a large screen, many were led to tears as they were reminded of the beautiful intimacy created by the bond between a husband and a wife. Similar book readings for *Love Letters at Sixty* are held every year at the central branch in Tokyo as well as by other branches.



■ Seminars on Enrichment of the Golden Years

Sumitomo Trust branches across Japan hold various seminars for our customers belonging to the Trust Generation on how to enjoy a healthy lifestyle in their post-retirement life. The Okayama branch held a “successful aging” seminar and invited a lecturer of Shiseido Co., Ltd.’s customer inquiry office to offer hints on how to age dynamically. For example, the workshop gave creative ideas on how to age gracefully and the attitude needed to maintain a youthful appearance (see picture). Branches also hold seminars on issues that are causes for concern for customers in their post-retirement life. In particular, seminars on the legal guardianship system for adults, wills, and how to select nursing facilities attract many participants.

2. Successful Aging

3. Security



■ Crime Prevention Rooted in the Local Community

Sumitomo Trust branches across Japan collaborate with local communities to support crime prevention activities and hold seminars to raise awareness about it. Under the motto “Together with the neighborhood,” employees of the Matsuyama branch are deepening their cooperation with local elementary schools; they keep a protective watch over the neighborhood’s children on their way to school twice a week (see picture). The Hachioji branch is registered as a member of the local rescue organization for children against crime “Pipo-Kun-No-Ie” and provides a place where children can seek protection when they feel threatened. In March 2009, the Aobadai consulting office held a seminar on countermeasures against financial fraud, the first of such seminars to be held by Sumitomo Trust branches across Japan (see page 35).



■ Education about Disaster Prevention

Branches in the Kansai region in particular are engaging in various disaster-prevention activities based on their experience of the Great Hanshin-Awaji Earthquake that struck the region in 1995. In 2008, the Sakai branch held the Sakai Disaster Prevention Fair to raise local residents’ awareness about disaster prevention with the support of Sakai City and Osaka Prefecture. In 2009, the Sakai branch was asked to participate in the large-scale disaster drill organized every three years by Sakai City, and opened a booth for raising awareness about disaster prevention (see picture). Employees of the Kobe branch participated in the Hyogo Memorial Walk, an event in which participants walk on emergency escape/rescue roads that served to heighten their awareness again. The Sendai branch also held an exhibition in its lobby to describe the current status of anti-earthquake measures and disaster prevention practices that may be adopted at home.



■ Participation in the “Pink Ribbon Campaign”

Sumitomo Trust has participated in the “Pink Ribbon Campaign,” which seeks to raise public awareness of the importance of the early detection, diagnosis, and treatment of breast cancer, since fiscal year 2005. As a part of the campaign, we have co-sponsored “Pink Ribbon Symposiums” (main sponsors: Asahi Shimbun Co. and others) held in Tokyo and Kobe in October, while many of our employees have participated in the “Smile Walk” event. Sumitomo Trust branches hold exhibitions in their lobbies, which give customers an opportunity for hands-on experience of palpation on a dummy (see picture). Starting in 2008, the Pink Ribbon campaign, which was previously a one-month campaign held in October each year, was expanded into a year-round initiative. We are trying to raise awareness about the importance of early detection, diagnosis, and treatment through an original booklet and posters.



■ Seminars on Health and Medical Issues

Sumitomo Trust branches, in cooperation with local medical institutions, provide valuable information concerning health, an issue of strong interest for our customers. The Kobe branch invited the director of the Hyogo Ion Beam Medical Center to provide a lecture on ion-beam therapy for cancer, which has recently attracted strong media attention (see picture). The Chiba branch invited a lecturer from the National Institute of Radiological Sciences, which is located in Chiba City’s Inage Ward and is one of the most technologically advanced institutions of its kind in Japan, to give a lecture on cutting-edge cancer therapies. Furthermore, the Kanazawa branch invited the deputy director of the Kanazawa Red Cross Hospital to deliver a lecture on the theme “Remaining Healthy beyond the Age of 60.”

4. Health

5. Education



■ Support to Foster the Next Generation of Leaders

The J-Leader Program (headed by the chairman of Nippon Keidanren, Mr. Fujio Mitarai) is intended to foster the next generation of leaders who will support Japan’s future and make a difference to the world. The school was founded in 2004 headed by local administrative chiefs and financial leaders. Sumitomo Trust agrees with its objective and has been co-sponsoring the school since its first fiscal year. In fiscal year 2008, the fifth year of the program, 160 senior high school students selected from across Japan participated in the two-week training camp in Munakata City, Fukuoka Prefecture, and learned about philosophy, critical thinking, liberal arts and other matters that the next generation of leaders need to know from lecturers with outstanding achievements in various fields. We have also dispatched employees to serve as “class teachers,” and they played an important role as mentors to the students at this time.



■ Co-Sponsorship for Sumitomo Trust Tokyo Cup Youth Soccer Tournament

With the hope to foster healthy children through the sponsorship of a Sports Tournament, since 2004, we have co-sponsored the Sumitomo Trust Tokyo Cup Youth Soccer Tournament for fifth graders residing in Tokyo. Tokyo Football Association is in charge of organizing this soccer tournament, and 2008 has marked its 20th anniversary. From September, roughly 12,000 fifth graders participated in the qualifying tournament. The 48 contending teams, which survived the 16-blocks preliminary games that lasted for a month-and-a-half, fiercely contested in the finals that were held in November and December. To liven up the event, Sumitomo Trust displayed posters in the lobbies of its branches and provided gifts for all participants.

Path 3 Better Human Resources Management

2008

Plans

- To promote activities to thoroughly establish systems for realizing the right work-life balance
- To expand training programs for young employees
- To expand training programs for promoting the expansion of female employees' role in the workplace

Achievements

- Expanded our shortened work-time system for child rearing and held "Family Visit Day"
- Set up the following programs with the intention of training young employees
 - "Rookie Training" for new employees
 - "Various Business Skills Training" aiming at learning fundamental business skills
 - "Various Step-Up Training" programs (for each class of employee), which instructed employees on how to step up to meet their job role expectations
- Held "Future Career Planning and Step-Up Training" with the purpose of promoting the expansion of female roles in the workplace (for E-Career employees in the third year or when promoted as Leaders)

2009

Plans

- To further expand and establish measures for realizing the right work-life balance
- To expand our training programs in order to nurture human resources with advanced expertise and diverse creativity
- To promote the establishment of a working environment where female employees can play a larger role

To create a pleasant working environment and develop the capabilities of our employees to the fullest and to turn them into the sustainable growth of the society as well as the growth of our company—This is the mission that Sumitomo Trust needs to accomplish.

Sumitomo Trust upholds the “Personnel System: Basic Philosophy” in order to bring the most out of our employees who have advanced expertise and diverse creativity. In addition, we have established our “Principles of Conduct of the Personnel System” to realize this philosophy, and are implementing its provisions in all processes, from recruitment to nurturing, job assignment, evaluation, and the treatment of our employees.



■ Comment from the Officer in Charge of Promoting Path 3

“We need to proactively create a working environment that encourages self-realization and growth.”

—TOMOYA HIRANO
Senior Manager, Personnel Department

Sumitomo Trust's competitiveness lies in its human resources with advanced expertise and diverse creativity.

We believe that we can contribute not only to Sumitomo Trust, but also to the society as a whole by nurturing such employees and encouraging each person to exercise their abilities to the fullest.

In our human resource management, while respecting each employee's individuality, we are actively striving to create a working environment that encourages self-realization and growth.

In addition, further expanding our programs aimed at supporting the balance between the workplace and home contributes to the continued creation of a pleasant working environment, while maintaining and enhancing work-life balance.

■ Personnel System: Basic Philosophy

1. Respect each employee and provide a supportive working environment that expands “choice” and allows each individual to manifest the strengths he or she possesses.
2. Foster a group of “true professionals” able to fully compete in the market place.
3. Align compensation with the business strategies and attributes of different business groups and promote the development of strategic 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's 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.

Employees and Sumitomo Trust

We promote a fair and open personnel evaluation system, a human resource nurturing program, along with its recruiting and supporting of female staff, and the creation of a working environment that enables a healthy balance between work and personal life. We thereby foster human resources that not only promote the development of our company, but also the sustainable development of the society as a whole. In this section, we introduce some examples of these endeavors.

1. Steps in Employee Career Formation and Human Resource Nurturing

(1) Recruiting and Hiring

In response to the increasing numbers of job seekers gathering career information and conducting job searches via the Internet, we carried out an overall renewal of our recruitment website dedicated to new graduates in October 2008.

Cleverly designed to allow visitors to gain an introduction to the characteristics of our personnel system and the business divisions of Sumitomo Trust, the revamped website features items like employee interviews so that the viewers can get a realistic idea of our business and employee life.

More than 40,000 recent graduates applied via the website during the 2009 recruitment period, and the number of entries continues to increase every year. In addition, Sumitomo Trust continued to recruit people with experience, including those with high levels of professional expertise.

We also offer a short-term internship program for students. In fiscal year 2008, 405 undergraduate and graduate students got the feel for the “Trustee-ness” and “STB-ness” spirit of our businesses by participating in programs that are unique to each business.

	FY2007	FY2008	FY2009
New graduates hired	269	258	273
Males	100	95	100
Females	169	163	173

(2) Human Resource Deployment Assignment

Career Path Selection

Since October 2003, Sumitomo Trust has been following a new career system, whereby individual employees can flexibly choose their career path from a choice of P-, D- or E- career types, in accordance with their own initiative and commitment.

Work Group System

This system is common to all career paths which consist of five work groups, and employees are placed into a specific group based upon their demonstrated capabilities. By adopting this system, we encourage fair competition based on ability, rather than age or gender.

Internal Job Posting System

We have initiated an internal job posting system to encourage our employees to voluntarily shape their own careers. Under this system, conducted twice a year, applicants can apply directly to the Personnel Department. If the applicants pass the screening, they can be transferred to their desired position or division. In fiscal year 2008, over 50 employees made use of this system.

All Careers and Roles, etc.

Careers name	Business divisions	Roles to be expected in the future	Work locations
P Career (Professional careers)	Not specified	Undertaking management of entire company and all divisions	Not specified (possible transfers between locations)
D Career (Division careers)	Specified, in principle*	Undertaking management of entire company or specified divisions	Varies by division
E Career (Expert careers)	Not specified	Manager class	Specified (around employing division, in principle)

* In consideration of the employee's career path, it is possible for an employee of this path to be transferred to another business division for a certain period of time on the premise of a return to the original business division.

(3) Training and Development

While employee training and skills development is generally provided on an OJT* basis, group training is also provided in conjunction with the objective of improving employees' operational skills and management abilities, and opportunities for self-development are in place to encourage employees to keep improving themselves.

For example, we provide management training for branch managers and manager-class employees, and training for young and mid-level employees, in which they are expected to make improvements that are appropriate to their respective roles.

Sumitomo Trust also provides many learning opportunities, with approximately fifty study courses in the company, in addition to our "Retail Open Academy," "Sumishin Real Estate University," etc.

Furthermore, in terms of self-development, we guide our employees to broaden their range of professional opportunities by raising their fundamental skills such as attaining qualifications outside the company and improving their English.

In addition, we are providing training and guidance for

employees who are in the process of moving from entry-level to middle-rank positions in order to broaden their vision and increase their level of specialization through various types of business-related experiences gained by rotating duties.

It is through such programs that we aim at nurturing human resources with advanced expertise and diverse creativity.

* Abbreviation of "On-the-Job-Training": OJT is a process where workplace supervisors and senior employees teach subordinates the necessary knowledge, skills and jobs via their daily tasks.

(4) Evaluation

At Sumitomo Trust, we introduced a personal evaluation system in 1997 that enables individual employees to participate in the evaluation process, as we strive to become "the aggregate of the employees, each of whom takes the initiative to create his or her own career path and who pursues self-improvement persistently." This personal evaluation system is a training process where each employee sets tasks that they will attempt to tackle at the beginning of the term, and then meets with their supervisor to discuss whether or not they achieved these goals, and receives feedback.

2. Development of Human Resource that Promotes CSR——

(1) Internships

Sumitomo Trust offers student internships with a focus on CSR. In fiscal year 2008, we held two internship sessions both in Tokyo and Osaka in which a total of 99 students participated. Participants were presented with actual business issues such as "Sales Promotion of SRI Funds" and were split into teams for active discussions; afterwards, they presented what they had discussed.

(2) Rookie Training, etc.

CSR at Sumitomo Trust is incorporated in the "Rookie Training" curriculum and we give lectures on our company's basic CSR philosophy as well as the significance of our efforts. In addition, CS Training (see page 33) introduces the latest CSR related initiatives, etc.

(3) Environmental Education through e-Learning

Our Tokyo Headquarters Building, the Fuchu Building and the Senri Building obtained ISO 14001 certification. All employees in these buildings are required to participate in e-learning environmental education, which enables them to learn the latest information on preserving biodiversity and other related issues. Current plans call for expanding this training program to all branches and departments in the future.

(4) Self Development

Sumitomo Trust has introduced an employee self-development program that actively encourages them to attain qualifications outside the company. In April 2009, the Certificate Test for Environmental Specialists ("Eco Test"), was added to this program. It is through such means that we encourage our employees to independently raise their environmental awareness.

3. Promoting a More Employee-Friendly Workplace Environment——

(1) Work-Life Balance

Sumitomo Trust is also emphasizing the establishment of a workplace environment in which employees can work with ease of mind, while maintaining a good balance between work and personal life. We offer a variety of programs designed to support employees in the form of long-term medical leave and leave compensation in the case of an eventuality such as sickness or accident, and support in many other ways.

In terms of childbirth and child-care, an environment has been set up where employees can devote themselves to these life events with a peace of mind. For example, in addition to being able to take up to two years of leave, they can enjoy a shortened work-time system and a flexible hours system until their children reach third-year elementary level (until the end of April). During fiscal year 2008, 77 employees took child-care leave and 58 worked shortened or flexible hours.

Moreover, for employees with family members who require nursing care, we offer a nursing care leave system that provides up to one year's leave and a shortened work-time system.

In addition, we opened our doors to 120 employees' children on "Family Visit Day." In these ways, we are supporting the realization of work-life balance by deepening the bond and communication between family members and through the fostering of work ethics for children who will be leading the next generation.



Family Visit Day

(2) Improving the Workplace Environment

Sumitomo Trust is conducting a broad range of initiatives to improve the workplace environment with the aim of safeguarding the wholesome lives of its employees and families.

We began specific operations concerning workplace environment improvement from April 2006, and we have proceeded to

Child-Care Leave Taken

	FY2006	FY2007	FY2008
People taking child-care leave	42	66	77

reduce the level of overtime work by carrying out thoroughgoing work efficiency and time management measures.

In addition, we have attempted to minimize the total working hours by encouraging employees to take long holidays and by conducting promotions such as "Go-Home-Early" month and "Leave-the-Office-on-Time" week.

(3) Employee-Health Management System

In an effort to help our employees manage and improve their health, we have appointed health managers and medical and sanitation supervisors (sanitation promoters) at each of our business locations to provide detailed health management guidance. Moreover, we provide health examinations for all of our employees every year, while branch and department managers receive yearly comprehensive physical examinations. We also provide assistance to employees and their families to enable them to receive comprehensive physical examinations at facilities through the Sumitomo Trust Health Insurance Association.

To provide our employees with further health management assistance, we offer mental health counseling sessions at affiliated clinics, and the Sumitomo Trust Health Insurance Association also provides free health advice to employees by telephone. In addition, we have activities such as training for managers to raise their awareness at recognizing the importance of employee health management.

(4) Responding to the Lay Judge System

In order to actively support the lay judge system, which began in May 2009, Sumitomo Trust has implemented a system that provides special days off from work to employees who have been selected to serve.

(5) Human Rights Education

Centered on the Human Rights Education Committee, which is chaired by the President, Sumitomo Trust is carrying out wide-ranging

activities to train and educate employees about various human rights issues. Our training program is divided into two parts: one specifically targeted for different management levels and one for all employees, with sessions held at least twice a year. Each session is designed to improve both the knowledge and awareness of human rights issues.

Moreover, we pursue various methods to maintain and enhance employees' awareness of human rights issues such as sending out an "Awareness Tool" by e-mail every month from the Human Rights

Education Committee Secretariat.

Through these activities, Sumitomo Trust is working to help employees respect each other's individuality and foster a corporate culture that emphasizes human rights as the foundation of business activities.

Sumitomo Trust also created guidelines for sexual harassment and power harassment in March 2008, and set up a new "Harassment Consultation Service" to improve our response for such issues.

4. Creating a Workplace Where Employees with Diverse Backgrounds can Work

(1) Appointing and Supporting Women

Sumitomo Trust is aiming to become "a company in which all our employees can realize their ability and individuality regardless of their gender" by ensuring that decisions about managerial promotions are strictly based on merit. As of the end of March 2009, the ratio of female employees working at our company was 49%, and the number of female managers was 96 (including three branch managers).

Moreover, from the standpoint of supporting the balance between workplace and home, we are promoting the development of a variety of systems and a workplace environment in order to make it easier for employees to choose flexible ways of working so that they can cope with major life events such as childbirth, child-care, and nursing care.

(2) Employment of Disabled Persons

As of June 1, 2009, the percentage of disabled persons employed by Sumitomo Trust was 1.99%, exceeding the 1.80% required by law. The average percentage for fiscal 2008 overall was 1.93%, which is also higher than the legal requirement.

(3) Re-Employment of the Elderly

Sumitomo Trust and its Group Companies have introduced an "Elder Partner Employment Program" that rehires the retirement age retirees meeting certain criteria, until they reach the age of sixty-five years.

Employee Breakdown

	March 31, 2007	March 31, 2008	March 31, 2009
Total employees	5,609	5,869	6,049
Male	2,890	2,993	3,056
Female	2,719	2,876	2,993
Average age	38 years, 5 months	38 years, 6 months	38 years, 7 months
Male	40 years, 8 months	40 years, 11 months	41 years, 1 month
Female	35 years, 11 months	35 years, 10 months	36 years, 0 months
Average service years at Company	10 years, 10 months	10 years, 10 months	10 years, 11 months
Male	12 years, 5 months	12 years, 5 months	12 years, 8 months
Female	9 years, 2 months	9 years, 1 month	9 years, 2 months

Notes: 1. Figures for the average age and average service years are rounded down to their respective units.

2. Figures for total employees do not include temporary staff (of whom there were 85 as of March 31, 2007; 81 as of March 31, 2008; and 80 as of March 31, 2009).

3. Figures for total employees include overseas staff (of whom there were 309 as of March 31, 2007; 330 as of March 31, 2008; and 360 as of March 31, 2009).

Employed Disabled Persons Ratios

	June 1, 2007	June 1, 2008	June 1, 2009
Employed disabled persons ratio	1.84%	1.83%	1.99%

People Re-Employed in the "Elder Partner Employment Program"

	March 31, 2007	March 31, 2008	March 31, 2009
Re-employed people	56	109	139

Path 4 Cost Management and Cost Reduction

2008

Plans

- To acquire ISO 14001 certification for major office buildings
- To draw up a company-wide energy conservation plan based on the amended Energy Conservation Act, and start implementing specific initiatives

Achievements

- The Tokyo Headquarters Building, Fuchu Building and Senri Building obtained ISO 14001 certification
- Began acquiring data from all Sumitomo Trust branches to prepare our company-wide energy conservation plan

2009

Plans

- To implement an environment-conscious management system concept that encompasses all Sumitomo Trust branches
- To prepare a long-term company-wide energy plan and drastically revise energy conservation strategies for our major business offices
- To consider whether to participate in carbon emissions trading in the domestic integrated market
- To promote resource conservation from the point of operational efficiency

In addition to devoting efforts to “Eco-Trustution,” which contributes to tackling environmental issues by utilizing financial functions, Sumitomo Trust is aiming to help bring about a sustainable society by promoting activities within our company from the viewpoint of energy and resource conservation.

In the Environmental Policy, Sumitomo Trust has declared its resolve to strive toward energy conservation, resource conservation, and resource recycling based on the recognition of the burden imposed on the environment by our business activities. More specifically, we will engage in actions to lower the environmental burden that arises throughout our daily operations. Emphasis is placed on cost reductions—the outcome of cost management at the operational stage.

■ Environmental Policy

- > We will strive to reduce environmental risks and enhance environmental value for the society as a whole by providing financial products and services that contribute to the preservation of the global environment and the realization of a sustainable society.
- > We will strive to preserve the environment and realize a sustainable society through efforts toward energy conservation, resource conservation, and resource recycling based on the recognition of the burden imposed on the environment by the consumption of resources and the discharge of wastes involved in our business activities.
- > We will strive to ensure continuous verification and improvement of our environmental activities and make efforts to prevent pollution.
- > We will comply with the laws, regulations, rules and agreements concerning the preservation of the environment.
- > We will strive to ensure the continuous improvement of our environmental activities by setting and periodically reviewing and revising environmental objectives and targets.
- > We will strive to ensure group-wide awareness of compliance with the Environmental Policy and to provide appropriate environmental education.
- > We will strive to promote activities to preserve the environment through communications with external organizations by publicly disclosing the Environmental Policy.

July 30, 2008
Hitoshi Tsunekage
President and CEO



■ Comment from the Officer in Charge of Promoting Path 4

“Small actions taken by each of us make a difference to the earth’s environment.”

—NATSUKI OKAMOTO
General Manager, Headquarters of General Affairs Department
Sumishin Business Service Co., Ltd. (hereinafter, “Sumishin Business Service”)

As a company belonging to the Sumitomo Trust Group, Sumishin Business Service specializes in outsourced office work and manages temporary staffs with approximately 2,000 employees. Therefore, the process of obtaining ISO14001 certification was one that came naturally to us as we have always worked towards reducing costs and waste through increasing the precision and efficiency of our operations.

While we realize the importance of environment-consciousness, it is challenging to implement actual initiatives. We have found it difficult to instill a sense of environment consciousness among our employees and to have them take action. And just as major accomplishments are the accumulation of smaller ones, we believe that small actions taken by each of us make a difference to the Earth’s environment.

Cost Management and Cost Reductions through Environmental Consciousness

In March 2009, Sumitomo Trust obtained the ISO 14001, which is the international standard for environmental management systems. Through the establishment of this environmental management system, we intend to consistently increase our energy conservation, resource conservation, and resource recycling, which lead to improved cost management and cost reduction.

(1) Obtaining ISO 14001 Certification

In March 2009, our Tokyo Headquarters Building, the Fuchu Building, and the Senri Building obtained certification in the ISO 14001, the international standard for environmental management systems.

We have been actively promoting the environmental finance business that Sumitomo Trust has dubbed “Eco-Trustution.” In August 2007, to reduce the burden that we place on the environment, we selected a total of approximately 200 working members, including related company employees from our three major business offices, determined priority activities, and set targets. In July 2008, we completed putting in place a framework that outlined concrete ways of achieving these goals by means such as reducing paper use and the volume of garbage within the company. These initiatives were given praise and resulted in obtaining ISO14001 certification. In the future, we plan to spread the environmental management know-how that was cultivated at these offices to all of our branches.



(2) Promoting Company-Wide Energy Management

The amendment of the Energy Conservation Act, which came into effect in April 2009, presented an opportunity for Sumitomo Trust to introduce a system to promote company-wide energy management and CO₂ emissions management. Previously, it had been difficult to measure our energy consumption since our headquarters, and many of our branches are located in buildings that we do not own. However, receiving cooperation from building owners and other means has enabled us to begin collecting this data at all locations in April 2009. We will use this data to work toward reducing our energy consumption and CO₂ emissions.

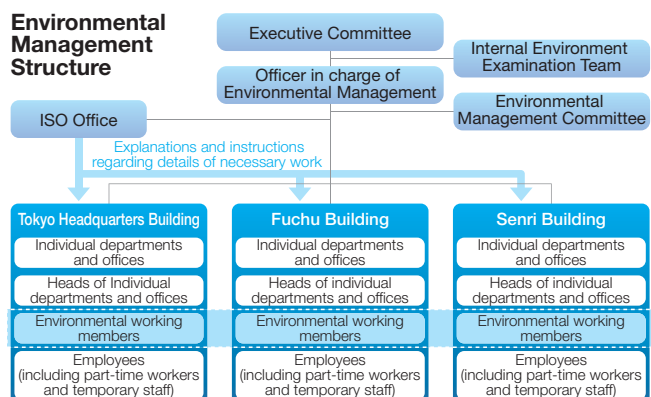
Furthermore, since more than half of all of the energy consumed by Sumitomo Trust is used up by the three major business offices that obtained ISO 14001 certification, we will drastically revise our energy saving strategies at those buildings. At the same time, we are currently in the process of preparing a long-term energy plan for the entire company and considering to participate in carbon emission trading in the domestic integrated market, starting fiscal year 2010.

(3) Linking Environmental Management and Business Efficiency

Sumitomo Trust created the Operating Efficiency Committee in 2005, with the goal of improving the productivity of our

Major Activities and Targets

Activities	Targets		
Paper consumption	(Over next 3 years) 5% Reduction	(FY 2008) 1% Reduction	(FY 2009) 3% Reduction
Electricity consumption	(Over next 3 years) 2% Reduction	(FY 2008) 0.5% Reduction	(FY 2009) 1% Reduction
Waste discharge	(Over next 3 years) 3% Reduction	(FY 2008) 1% Reduction	(FY 2009) 2% Reduction
Environment-conscious “Green procurement”	Increased procurement ratio	Measure procurement ratio	90%
Expansion of sales of environment-related financial products			
Environment-conscious activities in offices			



resources amid the growing volume in our work load. In conjunction with obtaining ISO 14001 certification, from fiscal year 2009, the Operating Efficiency Committee began working toward linking environment management with improved business efficiency and promoting this objective on a company-wide scale.

(4) Environment-Consciousness at the Office

We began working toward reducing environmental impact due to work-related activities at our offices in accordance with our Environmental Policy, revised in July 2008.

a) Environmental Performance

Since fiscal year 2003, primarily at our three major business offices, Sumitomo Trust has been engaged in the 3R (Reduce, Reuse, Recycle) initiative with the purpose of reducing both our input of resources and the burden (output) that we place on the environment. Although the volume of gasoline that we consumed in fiscal year 2008 increased by 2.5%, the amount of electricity, gas, and water consumed by our company dropped by 8.1%, 8.6%, and 27.6%, respectively. In regard to paper usage, paper purchased by different sections and affiliated companies on their own account began to be included in Sumitomo Trust's total input in fiscal year 2008. This led to a 21.1% increase over the previous year. However, the volume of paper discarded during the same period decreased by a dramatic 29.9%, and we continued to achieve a 100% recycling ratio. The volume of other types of waste discarded by our company also decreased by 5.8%, and by recycling

garbage such as kitchen waste into animal feed and fertilizer, we were able to increase our recycling ratio by 34.9%.

b) Global Warming Prevention Efforts

We used to pay a disposal fee to dispose old computers as industrial waste. From fiscal year 2008, Sumitomo Trust began selling these devices as second-hand computers. We selected companies that handle used computers based on their strict information management record as well as their reduction efforts on CO₂ emission and industrial waste through reuse. Concurrently, we benefited through the sales, and this also led to a 118.6 ton reduction of CO₂ emissions (calculation is based on Refurbished (Reuse) Information Technology Equipment Association rules).

Furthermore, STB Leasing Co., Ltd., donated 100 computers with expired leases to developing countries via The ITU Association of Japan, Inc.

We will utilize cutting-edge CO₂ conservation technology in the reconstruction plan for our former headquarters building—a shared-use building with 27 floors and 4 below ground level, and a total floor space of 140,000m²—located in Marunouchi, Chiyoda-ku, Tokyo. For example, we will use the highest-grade CO₂ conservation methodologies seen in tenant buildings, including windows and blinds for reducing energy burdens, and the use of natural energy such as solar power generation. The use of these technologies has been praised, and it was chosen as a “Model Project for the Promotion of CO₂ Reduction for Housing and Buildings” by the Ministry of Land, Infrastructure, Transport and Tourism.

Major Activities and Targets

Input	Quantity consumed (FY 2008)	Quantity consumed (FY 2007)	Change (%, YoY)
Electricity use (Kwh)	34,631,299	37,673,499	-8.1%
Gas use (m ³)	800,280	875,587	-8.6%
Gasoline use (ℓ)* ¹	615,242	600,087	+2.5%
Water use (m ³)	64,872	89,547	-27.6%
Paper consumption (kg)* ²	612,345	505,705	+21.1%
Recycled paper (kg)	408,845	302,205	+35.3%
Output	Emission (FY 2008)	Emission (FY 2007)	Change (%, YoY)
Paper disposal(kg)	629,612	898,707	-29.9%
Recycled amount(kg)	629,612	898,707	-29.9%
(% of total)	100.00 %	100.00 %	±0.00points
Other waste disposal (kg)	194,922	206,846	-5.8%
Recycled amount(kg)	114,519	49,247	+132.5%
(% of total)	58.75 %	23.81 %	+34.94points

*1. Volume used at all domestic facilities, including branches.

*2. Includes paper used for copiers and computer printers. Starting in fiscal year 2008, OA paper amounts include paper purchased by Sumitomo Trust sections (and affiliated companies) themselves.

• Survey scope: Tokyo Headquarters Building, Fuchu Building, and Senri Building. Fiscal year 2007 data (before Tokyo Headquarters moved) includes data from the Marunouchi Building and Aoyama Building.

• Survey period: April 1, 2008, to March 31, 2009

Path 5 Reinforced Risk Management

2008

Plans

- To adopt a more advanced system for managing risks related to overseas credit investments
- To reinforce system risk management

Achievements

- Strengthened credit risk management framework
 - Strengthened credit supervision and research functions
 - Established the “Credit Investment Committee”
 - More advanced credit rating process
- Set up a “System Related Comprehensive Inspection Project Team”

2009

Plans

- To reduce financial risks
- To create a more advanced credit assessment/management process
- To strengthen our management system for conflict of interests*

* Conflict of interest signifies cases in which Sumitomo Trust's interests conflict with those of our customers, or for cases when interests between our customers conflict.

The current financial crisis and worldwide recession clearly demonstrate the dramatic effects that can be brought about by the failure of financial institutions to properly manage financial risk. In other words, thorough risk management and ensuring the soundness of its core businesses can be considered a financial institution's most important social responsibility.

We, founded on the basic business principle of "Placing Prime Importance on Credibility and Sound Management," are upgrading our risk management based on lessons that we have learned from the present financial crisis. Accordingly, we are working to build an agile risk management framework through upgrading our management to address issues such as market liquidity risk and price fluctuation risk inherent in credit risk, in order to flexibly adjust to a changing environment.

■ More Detailed Information is Provided in the "2009 Annual Report"

The content of Path 5 is given in greater depth in "2009 Annual Report," which provides details regarding the management of our company.

For example, this report contains sections that outline our basic philosophy in regard to Sumitomo Trust's management structure, such as "Corporate Governance," "Internal Control," "Compliance Structure," and "Risk Management" and describes concrete policies that are intended to put these precepts into practice.

Furthermore, a section titled "Risk Management," located at the latter-half of the report, gives a detailed description of our basic philosophy on risk management, and specifically explains Internal Risk Management Framework to control various major risks. Furthermore, this section discloses detailed data related to credit risk and market risk.

To gain a more in-depth understanding of our activities, please read the report.

Web site:
http://www.sumitomotrust.co.jp/IR/company/en/annual_html/annual_index.html



■ Comment from the Officer in Charge of Promoting Path 5

"We believe the development of an effective internal auditing system is indispensable for achieving our management goals."

—SHOUICHI KINOSHITA
General Manager, Internal Audit Department

The development of an effective auditing system is indispensable for achieving our management goals. Thus, the Internal Audit Department was set up under the direct control of the President and CEO, and is independent of departments involved in the execution of operations.

Internal audits are performed in accordance with related laws and regulations in order to verify that internal management methods are being performed in an appropriate manner. The Internal Audit Department then submits reports based on the results of these verifications with the goal of contributing to a stronger internal management system.

In addition to all Sumitomo Trust departments, subsidiaries and affiliates are also subject to internal audits. The results of these audits are reported to the President and CEO and Statutory Auditors on a monthly basis, and reported to the Board of Directors in a timely manner.

The Internal Audit Department then ensures the effectiveness of these internal audits by managing the corrective measures taken for any issues that had been identified by internal audits.

Major Risks and Risk Management Policy

We will actively reinforce each business strategy and enhance our management infrastructure by striking a balance between offense and defense as we further improve on our strengths as a trust bank with the business model of combined banking, trust, and real estate operations. We acknowledge the importance of risk management from the perspective of “defense” within our pursuit of active business strategy, and we deem it to be a management issue with the highest priority.

(1) Types of Risk and Management

We classify business risks based on the cause of losses, and manage them in a manner suited to their respective characteristics. Regarding major categories of risk, such as credit risk, market risk, and operational risk, we strive to ensure accurate measurement of the risk quantity in light of their characteristics. At the same time, we try to get a comprehensive understanding by integrating them, and manage risks by comparing them with our overall financial strength.

Credit Risk

In the trust business, credit risk is a risk that occurs from the act of lending that is based on a client company’s creditworthiness, and it is the most cardinal risk as it relates to the fundamental financial function of credit creation. For the management of credit risk, we take care to ensure “a diversified credit portfolio” and “strict credit management for individual credits,” which we undertake on a scope that is appropriate to our overall financial strength.

Market Risk and Liquidity Risk

Market risk and liquidity risk are the risks where the value of assets and liabilities will vary and where problems will arise in fundraising due to fluctuations in market factors such as interest rates, stock prices, and foreign exchange rates. With regard to market risk involving profit sources, we strive to manage our risk-taking proactively and within allowable limits in order to maximize our profits.

Operational Risk

Business processing risk, information security risk, compliance risk, human resource risk, event risk, and reputational risk correspond to the risk of losses arising from inadequate internal business processes, conduct by officers and employees, the deployment of human resources, and systems.

For the management of operational risk, we strive to prevent the occurrence of accidents and, at the same time, make efforts to reinforce the Internal Risk Management Framework so as to ensure that appropriate measures are taken quickly should any accident occur.

> Measures against New Influenza

In the wake of the new influenza in 2009, we have established the Department of Emergency Countermeasures, and have explored many different countermeasures. We will continue to take measures that pay thorough attention to the situation at hand.

(2) Enterprise Risk Management and Integrated Risk Management

The Basel II framework, which examines the capital adequacy of banks based on international standards, is intended to more precisely assess risks faced by financial institutions than the previous BIS regulation, and to promote the improvement of their risk management capabilities.

It is our policy to comprehensively measure the various risks we face, including risks not included in the regulatory calculation of the capital adequacy ratio, based on the assessment of individual categories of risk, and to manage these risks by comparing them from the perspective of capital adequacy and efficiency with our overall financial strength (Enterprise Risk Management). Of the risks held by the Sumitomo Trust Group, the quantifiable risks (credit risk, market risk and operational risk) are measured in terms of the integrated VaR based on the Internal Ratings-Based Approach, which manages each risk quantifiably (Integrated Risk Management).

(3) Reinforcement of Credit Risk Management

After the fall in fiscal year 2008, the turmoil in the global financial markets turned graver. The chaos was triggered by the

bankruptcy of a major U.S. securities firm, Lehman Brothers, that stemmed from the U.S. subprime mortgage problems. Concurrently, the value of overseas securitized products plummeted substantially and domestic corporate performance also deteriorated. Sumitomo Trust is making efforts to reinforce credit risk management in order to respond to the heightened credit risk of such an environment.

Reinforcement of Credit Supervision and Research Functions

In January 2009, the Global Credit Supervision Department of Sumitomo Trust was separated from the Wholesale and Retail Client Services Group, and the new Credit Risk Management Group was created. Additionally, we established a two-department framework from what was in the past a single-department framework, creating Global Credit Supervision Department I and Global Credit Supervision Department II. We also increased the manpower in the Business Research Department, and reinforced the credit supervision and research functions.

Creation of the Credit Investment Committee

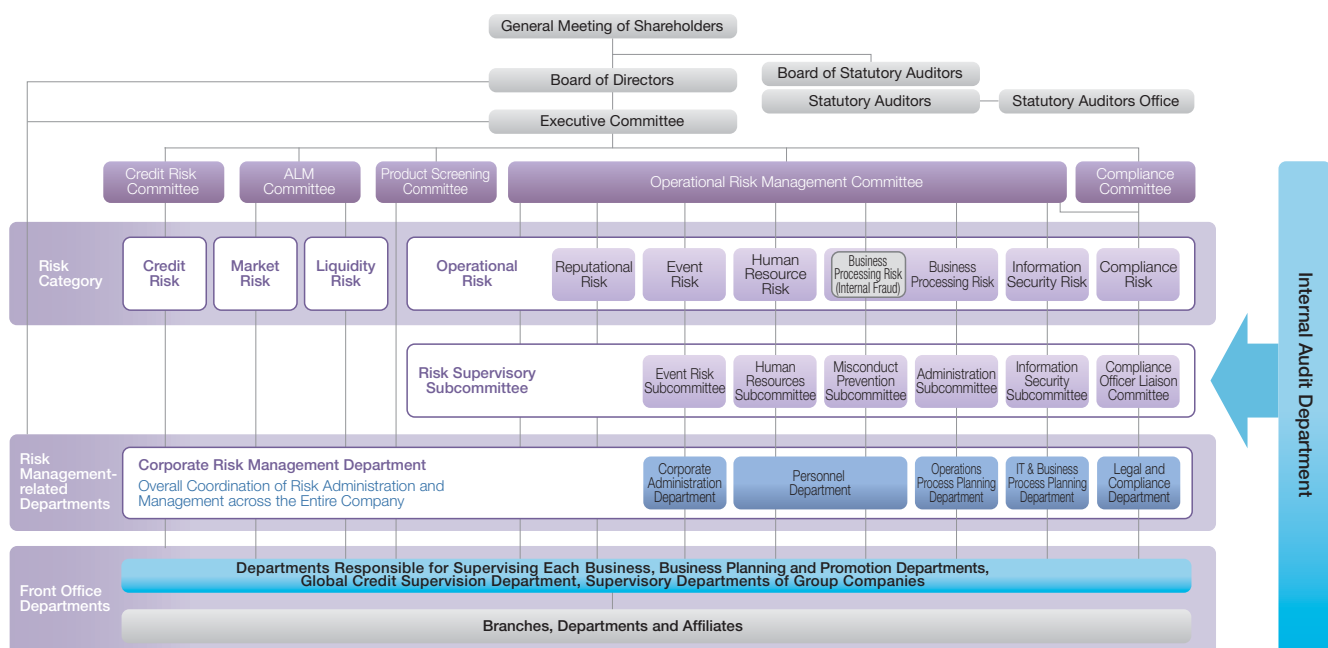
In order to strengthen the analysis of credit investment which

is central to overseas credit investment assets, as well as to strengthen risk control, the Credit Investment Committee was newly formed under the Credit Risk Committee. Additionally, we are strengthening the overall risk management framework relating to credit investments. We will achieve this by utilizing the know-how of external expert organizations, introducing cutting-edge credit investment analysis techniques, and by rebuilding our framework of capital adequacy verification.

More Advanced Credit Rating Process

Credit rating is the graded representation of a client company's credit status and the likelihood of default (non-performance of obligation), and it is the fundamental data in the investigation of individual initiatives and credit portfolio management. In credit rating, all client companies, including banks as well as project finance (loans for which the capital source of repayment is limited to a project's cash flow) clients, are universally subject to credit rating, and are ranked from 1 to 10. We have reinforced our credit rating process, including the review of the use of our internal rating system. We have also adopted evaluation elements which act as advance indicators and which are more multi-faceted than before.

Risk Management Structure



Compliance

Compliance is the most fundamental responsibility that a company must fulfill toward the society. Sumitomo Trust deems compliance to be the minimum amount of responsibility taken toward the society, and it takes precedence over any CSR-related activities. Accordingly, we prepared manuals and systems, and also offered repeated training with the goal of raising all of our employees' awareness.

(1) Major Compliance Policies and Rules

Sumitomo Trust deems compliance to be one of the most important management issues, and has established various compliance-related rules.

Compliance Policies

Compliance Policies, which are the fundamental tenets of compliance, were formulated based on Management Policies, and Basic Policies for Building Internal Control System. These are the core policies that determine the Compliance Definition, Management Responsibilities and Roles, Organizational Structure, and Management Framework.

Compliance Rules

Compliance Rules are rules that were formulated based on the basic points of our compliance policies. These rules form the basic points of the organizational structure of compliance and management framework.

The Basic Items of Our Compliance Standards

The basic items of our Compliance Standards act as the basic guide that outlines how to achieve compliance and customer protection, etc. It explains the codes of conduct that all our officers and regular employees are expected to follow as well as the main organizational structures and actual rules that are necessary to achieve this. At Sumitomo Trust, this guide is called the Compliance Manual.

(2) Overview of the Compliance Structure

Our Compliance Structure forms the core of our internal control system.

The Legal and Compliance Department centrally manages the implementation of compliance-related annual practice plans, the establishment of relevant rules, and the provision of training. Also, it is improving arrangements and procedures for legal checks and enhancing its function of supporting branches and departments. Moreover, in order to improve the compliance structure of the Sumitomo Trust Group and to ensure thorough group-wide compliance, this department provides subsidiaries and affiliates with guidance on how to improve their compliance structure (including the organization structure and rules).

The Compliance Committee, which is chaired by the director in charge of the Legal and Compliance Department, instructs this department and other relevant organizations to implement necessary deliberations and measures. This committee investigates and examines problems concerning the compliance structure and the status of compliance, and when necessary, submits reports and makes recommendations to the Board of Directors regarding how to deal with these problems.

The Internal Audit Department also reports the results of the internal audits to the Board of Directors, which in turn reflects

Compliance Structure



the contents of these reports in its management policies.

Compliance Officers are required to immediately submit a report to the Legal and Compliance Department in cases when compliance infractions have occurred, or may have occurred. Furthermore, a system has been set up where it enables officers and employees to report directly to senior management if this situation were to arise (The compliance hotline system: described later in this report).

(3) Promoting Compliance at the Front Line

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

Sumitomo Trust is enhancing its training courses in order to foster company-wide compliance awareness. For example, employees working at all of our branches are required to take “Thorough Implementation of the Basic Items of Our Compliance Standards,” “Information Security Training,” and “Money Laundering Prevention Countermeasures Training” at least semiannually as internal training e-learning courses that are designated by our headquarters. In addition, the Legal and Compliance Department has the primary responsibility for providing various types of training related to company-wide compliance themes. Compliance Officers assigned to branches and departments are responsible for providing training that are specific to the characteristics of their operations and the products and attributes of their customers.

Insider-Trading Prevention Training and Conflict of Interest Management Training

Insider trading prevention training has been enhanced in light of the occurrence of such incidents which have taken place at other financial institutions in 2008. This program is intended to ensure that all Sumitomo Trust employees understand our insider trading prevention measures, and have complete knowledge of company rules relating to issues such as trading on our own account and information management. In addition, all

Sumitomo Trust officers and employees have submitted a pledge swearing that they will obey all company rules and not participate in unfair trading such as insider trading.

Our conflict of interest management system was implemented in response to the amendments made to the Financial Instruments and Exchange Law and the Banking Act in June 2009. All managers and supervisors as well as PD career employees assigned to related branches and departments have undergone training to ensure that conflict of interest management is fully understood.

Compliance Hotline System

A compliance hotline system has been set up to enable our officers and employees to directly notify the senior management of any compliance infractions that may have occurred for prompt, fair and proper handling, without having to go through regular reporting channels.

Thorough information management and privacy protection is practiced to protect informants. Further, as long as the information that they have reported is legitimate, it is strictly prohibited to treat them unfairly as a result of their actions. This system accepts anonymous reports as well.

Observing Environmental Regulations

Sumitomo Trust checks whether the environmental regulations and other such regulations are followed, through the use of its environmental management structure (see page 48).



“The Basic Items of Our Compliance Standards (Codes of Conduct)”
This pamphlet contains explanations for approximately 40 items listed in this code of conduct. It is distributed to all employees.

Corporate Governance

Sumitomo Trust has positioned corporate governance as a mechanism that concerns the decision-making, execution, and supervision that we implement in order to achieve sustainable growth and development through more efficient and transparent management, and we make constant efforts to enhance our governance. In addition, we are striving to reduce risks and take swift and appropriate action if any risk materializes, by integrating the internal control system, including risk management, into the corporate governance system.

(1) Corporate Governance

Sumitomo Trust has adopted an executive officer system in an effort to speed up management 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 supervises the status of business execution by the directors and executive officers. Concerning overall risk management, the Board of Directors draws up policies and plans, and ensures company-wide awareness thereof, and also establishes the framework for management and reporting, and delegates authority.

In order to ensure prompt decision-making, we have established, under the Board of Directors, the Executive Committee, which meets every week, as well as a number of other committees* that meet on a weekly to monthly basis. The Executive Committee discusses and makes decisions on matters concerning management policy and other important items, in addition to authorizing regulations concerning risks and establishing a framework for enforcing them in accordance with policies decided by the Board of Directors. Meanwhile, the various committees established at the Board of Directors discuss and make decisions on important matters concerning business strategies and risk management.

In addition, within business management departments, we have formed the Risk Management-related departments as independent departments that accurately recognize and continuously assess and appropriately manage risks, and maintain the integrity of the compliance system (see page 54).

* There are committees regarding ALM, credit risk, fiduciary asset management, etc. (ALM, or Asset Liability Management, refers to the method of managing market and liquidity risks through integrated management of assets and liabilities).

(2) Auditing System

Sumitomo Trust has adopted a corporate auditor system. We employ a three-tier auditing system combining the Statutory

Auditors with internal auditing and CPA accounting auditing, and we are working to strengthen cooperation among these groups.

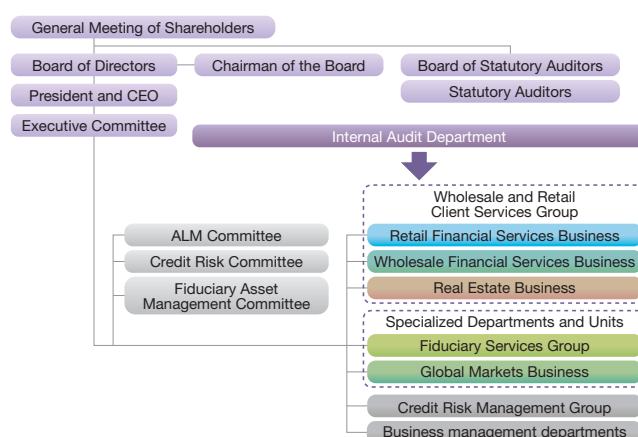
Of the five Statutory Auditors, three are external auditors who perform audits from diverse viewpoints based on expert knowledge.

In addition, we are strengthening our internal auditing system. The Internal Audit Department, which has been set up under the direct control of the President and CEO, is independent of the departments that are involved in the execution of operations. It reports its verification results regarding whether or not risk management, etc. is being performed properly to the Board of Directors in a timely and appropriate manner.

(3) Information Disclosure

In addition to disclosing detailed information through our website and Disclosure Magazine, we have an established system for disclosing information in a proper manner. In April 2008, we defined our “disclosure policy” to clarify our principles on disclosure both internally and externally. Moreover, we have established the Internal Control System for proper disclosure such as the formulation of internal rules, the founding of the Disclosure Committee, etc.

The Internal Control System Including Business Execution and Supervision



System Failure and Response

While Sumitomo Trust is aware that our banking online system plays an important role in Japan's financial infrastructure and strives to ensure that it is operating stably, this system failed twice in May 2008. We have taken these system failures very seriously, and are doing our best to learn from them by strengthening our system failure prevention methodologies and undergoing training to minimize the effects of a system failure.

Computer systems are indispensable for today's financial institutions. For not only does a computer system failure bring a financial institution's core business to a stop, it also causes major inconveniences for many of our customers. Sumitomo Trust recognizes that maintaining the stable operation of our banking online system is a major social responsibility, and we are striving to ensure that another system failure does not occur.

(1) System Failure Occurrence

Shared infrastructure maintenance work performed on our banking online system on May 18, 2008, was the cause of the system failures that occurred on May 19 and May 21. As a result, some of the ATM machines set up at our branches, affiliated ATMs, Data Telecommunication System of All Banks, and Internet banking transaction systems were temporarily out of order.

(2) Sumitomo Trust's Response

These system failures led to an inability to perform approximately 3,000 transactions at ATMs located at our branches and at other partner locations, and we responded by placing notices stating that our banking online system was currently out of service on the ATMs in question and at store fronts. In addition, an extra employee was placed at ATMs and branches to provide an explanation for the situation to customers. These employees provided customers with assistance at our branch and ATM locations, and instructed customers on how to make use of ATMs located at Japan Post Bank and at Seven Bank locations.

In the case of Internet banking, approximately 1,000 transactions were affected by these system failures and we responded by posting apologies on our website.

For the delay in urgent cases of outgoing remittance* normally performed through the Data Telecommunication System of

All Banks, they were dealt with by using the Bank of Japan Financial Network System. For money that could not be paid into customers' accounts on the day when the system failed was processed the next morning under the previous business day's date. Customers were contacted by telephone or by other means when the deposit was completed.

In cases where an incoming remittance* was the source of funds for a money transfer, and the receipt of money could not be confirmed, these were processed as advanced payments.

* Outgoing and incoming remittance: In this case, outgoing remittance is the outgoing transfer of money from the party that is sending money, while incoming remittance is the incoming transfer of money from the party that is receiving the money.

(3) System Failure Prevention

These system failures led to the creation of the "System Related Comprehensive Inspection Project Team" on May 21, which is under the direct control of the President and CEO, in order to prevent another system failure from occurring. The project team performed various inspections with the intention of correcting the problems that led to the system failures and devised and implemented system upgrades. The project team identified the changeover operations as the main problem. Consequently, we drew up the entire flow process as a list, and introduced a process to confirm the risks inherent in the changeover process and the level of appropriateness in the operations. As a result, for operations that could affect customers, we constructed a framework that thoroughly verifies the scope of impact given to the related systems, the operational flow based on sound judgment of the scope of impact, and the content of operations, including testing. We also plan to continue improving the performance of this system in the future. Furthermore, in order to minimize the effects of a potential system failure, we will continue to perform large-scale system failure drills on a company-wide scale on a regular basis.

Third-Party Comments on Sumitomo Trust's 2009 Corporate Social Responsibility Report

Yoshihiro Fujii

Professor
Graduate School of Global Environmental Studies
Sophia University



For many companies, 2009 was a year in which the true value of CSR was tested. With the global economic changes due to the financial and economic crisis which emerged last year (2008), many companies experienced the vicious circle of worsened earnings, shrinking operations and employment cuts. Cost cutting has also led to a move to limit CSR activities in many cases. For example, there is a growing trend to trim down the number of pages and to temporarily suspend issuance of CSR reports, etc.

In contrast to this overall trend, Sumitomo Trust added about 20% more pages to its report compared to last year. And this does not only pertain to the increase in quantity. For instance, two of the three Opening Feature Articles cover the specific CSR business activities of Environmentally Friendly Property and Socially Responsible Investment (SRI). Furthermore, Business Innovation, which is the first of the Five Paths for Enhancing Corporate Value upheld in the CSR report each year, also described advancement of particular CSR business activities.

These include emission rights products and services utilizing its trust functions, preferential rate loans for houses equipped with solar power generation systems, investment in a fund to buy contaminated land, charitable trusts for environmental preservation and socially beneficial endeavors, and various SRI products.

Many of these were also introduced in last year's report. But each year they are given more details as financial products and services. Thus the report gives more depth to the content, resulting in more pages. In short, this means that the CSR activities of Sumitomo Trust is taking roots and developing further.

There are many words in English that signify the Japanese word *sekinin*: responsibility, obligation, liability, duty, etc. Of these, responsibility is used in Corporate Social Responsibility. Why is that? Probably, other words express a sense of obligation, but responsibility signifies both a voluntary response and resolve to bear the consequences.

Companies should not consider CSR as only a cost burden, but as an activity to undertake results from their main business, since the main business itself is an activity to respond to society. When held in this light, we find out that companies owe their existence to the society, and not the other way around. Therefore, CSR with substance is called for in times like this where we are confronted by social upheavals and turmoils. Companies cutting down their CSR report virtually admit that their activities had

been mere appearances, not to mention companies which easily cut employment.

Of course, the solution does not lie in simply boosting CSR-related costs. The issue is whether there is a solid focus on establishing CSR as a pillar of management strategy with due consideration to long term earnings enhancement, whether resources are properly allocated with an eye to the future, and whether the management strategy responding to society contributes to employee morale and job satisfaction.

This report at least communicates a strong spirit of response to society buffeted by the financial and economic crisis in its stance of taking up CSR. The spirit reminds me of a Japanese proverb meaning "we can tell a truly strong grass only when strong wind blows."

There are also issues that need to be addressed in this report. Amid this confusion in the society, customers' standards over their selection of companies not only involve their discernment of true CSR, but also evaluating sustainability of earnings. In response to that viewpoint, this report explains "Cost Management and Cost Reduction" and "Reinforced Risk Management." However, the argument of how these factors support profitability is not sufficient enough.

On this point, I would hope for ingenuity to go a step further. For example, why not disclose a financial and accounting-based calculation of the total cost-effectiveness of CSR activities (including estimated contribution to earnings)? The relationship between CSR and profitability should be evaluated from a long term perspective, not a short term perspective swayed by the immediate economy. I think that is the very theme a trust bank should pursue.

Another point which caught my attention was the opening Message from Management. I am not trying to find fault here, but same as last year, the message itself is accurate yet a little stiff, including the photo of the three managers. If CSR is already positioned as a pillar of management strategy, it may be a good time to change from a structure led by top managers. Instead, how about fully pushing ordinary front line employees who meet customers on a regular basis to the fore?

Of course, it is vital that top managers inspire confidence. On the other hand, I would like them to be a little bit more approachable. Here is a suggestion: why don't they all write a Love Letter at Sixty to the society?

Sumitomo Trust's CSR

"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 believes that our responsibilities go far beyond this and will seek to enhance its corporate value by identifying problems impeding the sustainable development of society, and creating business opportunities that will contribute to resolving those problems. In this sense, the above maxim offered by Teigo Iba, Second Director General of the Sumitomo Family Enterprise, serves as the basis of our commitment to CSR.

(1) Sumitomo Trust's Basic Policy Regarding CSR Activities

Sumitomo Trust's basic policy regarding CSR is to contribute to the sustainable growth of society through the 5 Paths (see the reverse-side of the cover page), while enhancing our own corporate value. CSR, therefore, is an integral part of the management strategy and represents our efforts to differentiate ourselves from our competitors.

Furthermore, CSR is a core element of the corporate culture that suits this new era, as it enhances employees' awareness of their social responsibility and fosters an enterprising spirit that

would encourage them to recognize business opportunities in resolving social problems.

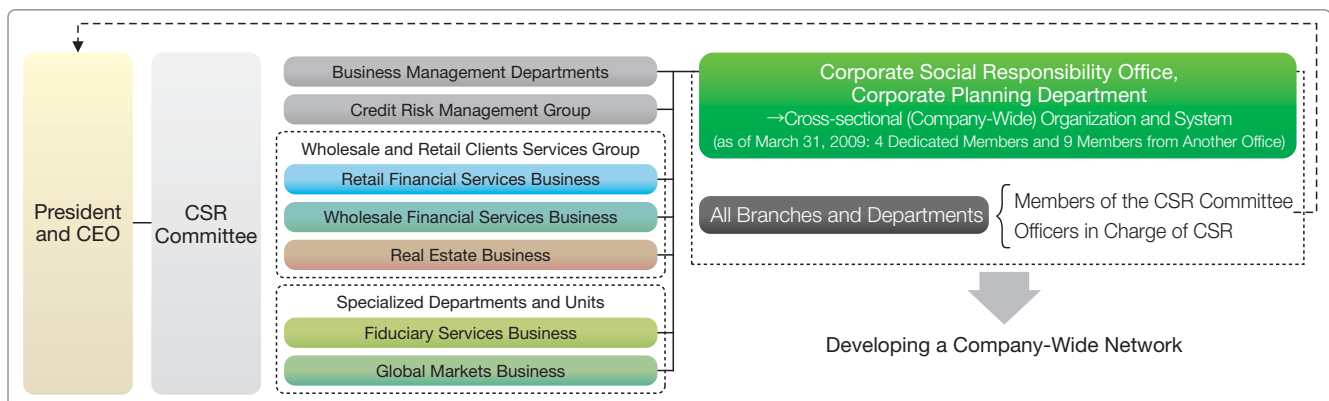
In order to clarify the Sumitomo Trust Group's basic stance and employees' attitudes on CSR, we drew up the "Social Activity Charter" in December 2003. Along with the "Ethics Charter of Sumitomo Trust," the "Social Activity Charter" serves as a code of conduct for all officers and employees of Sumitomo Trust.

(2) Structure for Promoting CSR Activities

At Sumitomo Trust, the CSR Committee, consisting of the Executive Chairman, Executive Vice Chairman, President and managing executive officers, is responsible for overseeing CSR activities. Meeting twice a year in principle, the Committee deliberates basic CSR related policies and decides on action targets on a semi-annual basis.

Meanwhile, the Corporate Social Responsibility Office under the Corporate Planning Department oversees practical affairs related to CSR activities. The members of the CSR Committee and the officers in charge of CSR at our head office and at all branches and departments promote CSR activities.

CSR Promotion Structure



History of Our CSR Activities

2003

June

Development of a structure to promote CSR management; establishment of the CSR Committee and Corporate Social Responsibility Office (the latter within the Corporate Planning Department)

July

Establishment and launch of SRI (Socially Responsible Investment) funds for corporate pensions

October

Participation in the United Nations Environment Programme Finance Initiative (UNEP FI)

December

Formulation of the "Social Activity Charter"

■ Social Activity Charter

Guided by two core principles—"confidence and integrity" (essence of the trust business) and "placing prime importance on credibility and sound management" (basic Sumitomo business principle)—we pledge to fulfill our responsibility to society.

1. Pursue sustainable social development

We shall target the sustainable growth of society while maximizing our own corporate value.

2. Create new levels of value and foster economic development

We shall target the sustainable growth of society while maximizing our own corporate value.

3. Protect the natural environment

To preserve our natural heritage for future generations, we shall seriously and proactively tackle environmental issues, including the protection of ecosystems and the preservation of biological diversity, by taking full advantage of our financial capabilities.

4. Protect human rights

Recognizing that there is no asset as valuable as our people, we shall respect the personality and individuality of each and every person, in order to foster prosperity in our communities.

5. Comply with regulations

Demonstrating our role as a good corporate citizen, we shall adhere strictly to all laws, regulations, and social rules so that we can fulfill our responsibility as an important member of society.

■ Ethics Charter of Sumitomo Trust

1. Securing unwavering trust from society

Sumitomo Trust fully understands its social responsibility and public mission as a trust bank which puts priority on confidence and integrity, and aims at securing unwavering trust from society, by engaging in sound business on the basis of rigorous self-discipline.

2. Providing products and services meeting the expectations of society and adapting to changes

Sumitomo Trust provides high-quality financial products and services, by constantly adapting itself to changes in the business environment and grasping new social requirements accurately and promptly.

3. Strict adherence to laws and social regulations

Sumitomo Trust strictly adheres to all laws, regulations and social codes. At the same time, it respects human rights and does not trespass against moral law, behaving with honesty and fairness.

4. Spirit of open-mindedness, generosity and respect of one's personality and individuality

Sumitomo Trust's Directors are united in aiming at open-mindedness and generosity in managing the Bank, by creating a pleasant working environment and respecting everyone's personalities and individuality.

5. Strong stand against anti-social elements

Sumitomo Trust maintains a strong stand against any social element which threatens public order and safety.

6. Transparency in management at all times

Sumitomo Trust resolutely preserves the transparency of its management through the timely disclosure of corporate data.

'03 '04 '05 '06 '07 '08 '09

2004

March

Development and launch of preferential rate loans for environmentally friendly housing as our first retail environmental financial instruments

September

Began publishing the CSR Report (Japanese and English)

December

Development of the in-house CSR network (placement of CSR Committee members and officers in charge of CSR in all branches and departments)

2005

June

Establishment of the 4 main CSR themes (Later expanded to 5 themes)
Establishment of the "3 Environmental Principles"

July

Participation in UN Global Compact (a first for a Japanese bank)

2006

January

SRI fund "Good Company" receives the Fund of the Year award for excellence from Morningstar*

May

Accession to the Principles of Responsible Investment

September

Began publishing "With You," which introduces the social contribution activities that are being made by each branch

2007

April

Labeling of the environmental finance business as "Eco-Trustution"

June

Participation in the UNEP FI Property Working Group (UNEP FI PWG)

August

Began the establishment of the environmental management system with a view to obtaining ISO14001 certification (became operational in July, 2008)

2008

May

Signing of a leadership declaration under the Business and Diversity Initiative at the ninth meeting of the Conference of the Parties to the Convention on Biological Diversity (COP9)

July

Establishment of the Basic Policy on Global Warming and the Basic Policy on Biodiversity-Related Issues

Establishment of the Environmental Policy (Revision of the "3 Environmental Principles")

2009

March

Obtained ISO14001 certification

Environmental Communication Awards 2008: Received the Environmental Report Award

* This fund was recognized as the "Fund of the Year 2005," and received an award for outstanding performance in the category of domestic hybrid funds. In January 2007, it received the same award for the second consecutive year.

Accession to International Guidelines for Corporate Conduct, etc. and Related Activities——

Sumitomo Trust has acceded to various international guidelines and principles regarding corporate conduct, and actively involved itself in the formulation of international standards in cooperation with international organizations, foreign companies and NGOs, while demonstrating its own viewpoints and stance both in Japan and abroad.

Accession to the Principles for Responsible Investment



In May 2006, Sumitomo Trust became a signatory of the Principles for Responsible Investment, which was jointly established by the UNEP FI and the UN Global Compact. These principles require institutional investors and financial institutions to give consideration to ESG (Environmental, Social, and Governance) factors when making investment decisions. Sumitomo Trust actively supports the principles as an SRI market leader in Japan.

Accession to the United Environment Programme Finance Initiative (UNEP FI)



The UNEP FI is an international network of banks, insurance companies, securities companies and other organizations that has been established to encourage financial institutions to take actions that give consideration to the preservation of the environment and sustainable development. In October 2003, Sumitomo Trust acceded to the initiative, becoming the first Japanese trust bank to do so.

Accession to the Carbon Disclosure Project (CDP)

CARBON DISCLOSURE PROJECT

Under the CDP, institutional investors and financial institutions around the world cooperate in urging companies to disclose information regarding their greenhouse gas emissions. Sumitomo Trust joined the CDP in January 2007.

Participation in the UNEP FI Property Working Group (UNEP FI PWG)

The UNEP FI PWG, comprised mainly of members of UNEP FI, is an organization that is aimed at promoting property finance that facilitates sustainable development, namely “Responsible Property Investment” (RPI). In addition to joining the working group in June 2007, Sumitomo Trust held the annual meeting in November 2008, and in August 2009 we became a member of the media team that promotes RPI.

Signing of a Leadership Declaration under the Business and Biodiversity Initiative



At the ninth meeting of the Conference of the Parties to the Convention on Biological Diversity held in May in Bonn, Germany, Sumitomo Trust, together with 33 other companies from around the world, signed a leadership declaration under the Business and Biodiversity Initiative, which was led by the German government. Since that time, we have been playing our role as a leading company in this field and making proactive efforts to address this issue.

Signing the United Nations Global Compact (UN Global Compact)



The UN Global Compact, proposed by the former UN Secretary-General Kofi Annan, is a code of conduct regarding human rights, labor, the environment and anti-corruption. In July 2005, Sumitomo Trust signed this compact, becoming the first Japanese bank to do so, and declared its resolve to act as a good corporate citizen by complying with and promoting the code of conduct.

UN Global Compact

(Human Rights)

Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2. Make sure that they are not complicit in human rights abuses.

(Labor Standards)

Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4. the elimination of all forms of forced and compulsory labor;

Principle 5. the effective abolition of child labor; and

Principle 6. the elimination of discrimination in respect of employment and occupation.

(Environment)

Principle 7. Businesses should support a precautionary approach to environmental challenges;

Principle 8. undertake initiatives to promote greater environmental responsibility; and

Principle 9. encourage the development and diffusion of environmentally friendly technologies.

(Anti-corruption)

Principle 10. Business should work against corruption in all its forms, including extortion and bribery.

Measures to Promote CSR Activities (Activities of the Corporate Social Responsibility Office)——

The Corporate Social Responsibility Office (CSR Office) of the Corporate Planning Department, together with the CSR Committee, which is chaired by the President, was established in June 2003, when we started CSR activities as part of our management strategy.

The CSR Office oversees company-wide CSR activities, through a semiannual rotation of the PDCA cycle in accordance with the CSR management policy formulated under the company-wide management plan. CSR Committee members and officers in charge of CSR in our head office and at individual branches and departments promote CSR activities in the workplace, while the CSR Office provides up-to-date CSR-related information to all officers and employees through the Intranet, video bulletins, in-house magazines and other means.

In addition, the CSR Office plays the central role in the development of advanced CSR-related businesses represented by the “Eco-Trustution.” In order to develop a financial solutions business in fields requiring expert knowledge and skills, such as

the environment, it is essential to establish a flexible flow of business processes that would enable product development, through the utilization of external networks to identify the seeds of new businesses, as well as through collaboration among relevant internal departments. In fiscal year 2008, the CSR Office took the initiative in developing environment-related products, and they have been taken up in the business plan by each of Sumitomo Trust’s business, thus, allowing us to build a seamless CSR and core business management system.

Promoting social contribution activities by individual branches and departments (“With You” activities) is another important task of the CSR Office. In fiscal year 2006, Sumitomo Trust branches started to draw up long-term goals and annual action plans, and the CSR Office has actively supported the implementation of the plans through communications with them. In addition, the CSR Office allocates a special budget with a view to invigorating “With You” activities. This special CSR budget has been actively utilized by branches.

Comment

from the Officer in Charge of Promotion

2009 marks the 10th anniversary of the launch of SRI in Japan. As a leading company in the Japanese SRI industry since we started managing an SRI fund for a corporate pension fund in 2003, we are hanging our heads in shame for the ever-widening gap between the Japanese SRI market and its European and U.S. counterparts. With this thought, we made it a point to highlight SRI in our CSR report for fiscal year 2009. Regarding the Dialogue with Stakeholders, to which top leaders with expertise in SRI were invited, we have posted the full text on our website as we were unable to include all the valuable comments in this report. We are eager to make 2009 a new year for SRI in Japan.

We are currently taking on challenges in new fields, such as environmentally friendly property, biodiversity and finance, and SRI/environment in China. We will continue our efforts so that our commitments will bear fruit in solving environmental problems in Japan and other parts of the world.



TSUKASA KANAI
Head Office Executive,
Corporate Social Responsibility Office of
the Corporate Planning Department

Corporate Data (as of March 31, 2009)

Name:	The Sumitomo Trust and Banking Company, Limited
Head Office:	5-33, Kitahama 4-chome, Chuo-ku, Osaka-shi, Osaka 540-8639, Japan
Date of Establishment:	July 1925
Total Employable Funds:	¥34,069.2 billion
Total Assets:	¥20,735.8 billion
Loans:	¥11,857.8 billion
Entrusted Assets:	¥82,770.9 billion
Paid-in Capital:	¥287.5 billion
Issued stock:	1,675,128,546 Common Shares
BIS Capital Adequacy Ratio:	12.09% (consolidated)
Number of Employees:	6,049
Number of Offices:	Domestic: 63 (branch offices: 51, satellite offices: 12) Overseas: Branch Offices: 4, Representative Offices: 4
Affiliated Companies:	Consolidated Subsidiaries: 37 (domestic: 23, overseas: 14) Affiliates: 8 (domestic only)
Listed:	First Sections, Tokyo Stock Exchange & Osaka Securities Exchange

Major Subsidiaries and Affiliates (as of June 30, 2009)

Domestic

Name	Business Details
The Sumishin Shinko Company Limited	Building Management
Sumishin Guaranty Company Limited	Loan Guarantees Operations
First Credit Corporation	Loans for Small and Medium-sized Companies and Business Owners
STB Leasing & Financial Group Co., Ltd.	Business Management for Leasing-related Subsidiaries
STB Leasing Co., Ltd.	Leasing
STB Wealth Partners Co., Limited	Consulting
Life Housing Loan, Ltd.	Loans for Small and Medium-sized Companies and Business Owners
Sumishin Business Service Company, Limited	Clerical Work & Temporary Staffing
STB Real Estate Investment Management Co., Ltd.	Investment Advisory / Mutual Funds Management
STB Business Partners Co., Ltd.	Training & Human Resource Related Services
Japan TA Solution, Ltd.	Data Processing and Computing
Sumishin Matsushita Financial Services Co., Ltd.	Leasing, Installment Finance, Credit Cards and Finance
Sumishin Card Company, Limited	Credit Cards
STB Investment Corporation	Venture Capital
Sumishin Information Service Company Limited	Data Processing and Computing
STB Asset Management Co., Ltd.	Mutual Funds Management and Consulting
STB Research Institute Co., Ltd.	Surveys, Research, Consulting, and Investment Advisory
Sumishin Realty Company, Limited	Real Estate Brokerage
SBI Sumishin Net Bank, Ltd.	Banking
Japan Pension Operation Service, Ltd.	Pension Plan Administration Services
BUSINEXT CORPORATION	Loans for Small and Medium-Sized Companies and Business Owners
Sumishin Life Card Company, Limited	Credit Cards
Human Resource Management Service & Consulting Co., Ltd.	Human Resource Related Service
Top REIT Asset Management Co., Ltd.	Investment Management
Japan Trustee Services Bank, Ltd.	Trust Banking
Japan Trustee Information Systems, Ltd.	Data Processing and Computing

Overseas

Name	Business Details
The Sumitomo Trust Finance (H.K.) Ltd.	Finance
Sumitomo Trust and Banking (Luxembourg) S.A.	Trust, Finance & Securities
Sumitomo Trust and Banking Co. (U.S.A)	Finance & Trusts
STB Consulting (China) Co., Ltd.	Consulting

For further information, please contact:

The Sumitomo Trust and Banking Company, Limited
Corporate Planning Department
Corporate Social Responsibility Office

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Telephone: +81(3)6256-6251 Facsimile: +81(3)3286-8741
URL: <http://www.sumitomotrust.co.jp/csr/index.html>

Issued: September 2009

Editorial Policy for the Corporate Social Responsibility (CSR) Report:

This CSR report, like previous years' reports, was compiled to explain Sumitomo Trust's CSR policy and activities in relation to the company's unique "Five Paths for Enhancing Corporate Value" (see reverse side of cover sheet for details). Each of the Five Paths begins with a section that describes our plans and achievements for the previous fiscal year as well as our goals for the current fiscal year based upon clear recognition of the current situation we are dealing with, understanding of the issues, and what we are doing to improve.

Opening Feature articles describe specific initiatives, focusing on CSR activities that Sumitomo Trust placed its priority on during the previous fiscal year.

This report also introduces "With You," a pamphlet that explains details regarding our branches' involvement in local community activities, and we hope that you read this section as well (see page 36).

* We have attached a questionnaire to the end of the report that is aimed at receiving frank opinions of our stakeholders in regards to this report and Sumitomo Trust's CSR activities. We would greatly appreciate it if all of you would feel free to use this questionnaire to inform us of your honest opinions and impressions. You may also reply to the questionnaire on the following website.
<http://www.sumitomotrust.co.jp/csr/index.html>

Scope of this report:

Activities of Sumitomo Trust's head office, domestic branches, overseas branches, and group companies.

Target Readers:

Sumitomo Trust's stakeholders, including customers, shareholders and investors, employees, local communities, governments, NPOs etc.

Period Covered by Report:

Fiscal year 2008 (April 1, 2008 to March 31, 2009)

* This report also includes the latest information on activities before fiscal year 2008 and those in the months up to August 2009.

Scheduled Issue Date of Next Report:

September 2010

Reference Guideline:

Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 2006

* A table comparing our CSR report and the guidelines is available at the following website:
<http://www.sumitomotrust.co.jp/IR/company/jp/pdf/csr/2009/GRI.pdf>

Our Japanese language website contains information on a wide range of Sumitomo Trust CSR activities that is not included in this report.

Specifically, this website has special sections that provide more detailed information on our initiatives related to the issues of environmentally friendly property and biodiversity. It also enables visitors to read the full text of "Dialogue with Stakeholders."



CSR Activities (Japanese language site)

<http://www.sumitomotrust.co.jp/csr/index.html>

