



The Sumitomo Trust & Banking Co., Ltd.
2002 ANNUAL REPORT
Year Ended March 31, 2002

Sumitomo Trust's Corporate Mission



Hitoshi Murakami
Chairman of the Board



Atsushi Takahashi
President and CEO

A Unique and Independent Bank featuring asset management and information processing services

Sumitomo Trust's history dates back to 1925, when it was originally established in Osaka, Japan, as The Sumitomo Trust Company, concentrating solely on the trust business. The Bank was authorized to handle commercial banking as well as trust business in 1948, with a change in its name to The Fuji Trust & Banking Co., Ltd. In 1952, the Bank experienced two historic events when it adopted its current corporate name and the Loan Trust Act was enforced, allowing trust banks to raise long-term funds from the public and lend them to the industries that were key to Japan at that time. Under the Act, the Bank contributed to financing Japan's spectacular economic growth in the 1950s and 1960s.

Today, Sumitomo Trust is highly acclaimed for its position as an independent financial institution not affiliated with any of mega banking groups and for its unique business model. Its outstanding trust business which includes asset management and information processing (custodial) services, coupled with the cross-selling capability of banking and trust products, gives the Bank a unique feature. Our mission is to be an indispensable financial institution in Japan, capitalizing on our management autonomy and our business model and gaining support from our stakeholders, including our shareholders and customers.

Financial Highlights

Financial Highlights

	Billions of Yen			
	Consolidated		Non-Consolidated	
	FY2001 (4/01-3/02)	FY2000 (4/00-3/01)	FY2001 (4/01-3/02)	FY2000 (4/00-3/01)
Gross Business Profit (Adjusted)*	291.3	284.0	271.7	270.0
General and Administrative Expenses	(134.8)	(138.0)	(121.4)	(125.9)
Net Business Profit (Adjusted)**	156.5	145.9	150.2	144.1
Credit Costs	(110.0)	(151.5)	(105.4)	(146.8)
Net Other Non-recurring Items	(103.2)	83.8	(112.4)	75.5
Net Operating Profit (Loss) (<i>Keijo-Rieki</i>)	(56.7)	78.2	(67.6)	72.9
Net Income (Loss)	(42.4)	41.0	(42.2)	42.6

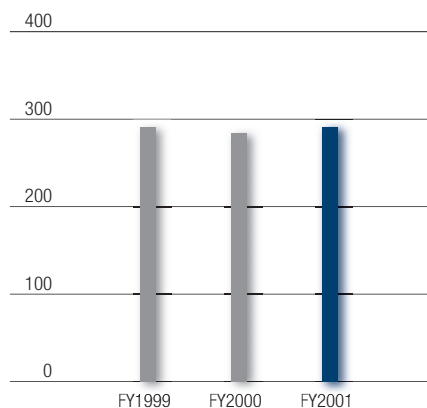
* Gross Business Profit (Adjusted) = (Gross Business Profit) + (Trust Account Credit Costs)

** Net Business Profit (Loss) (Adjusted) = (Net Business Profit) + (Trust Account Credit Costs) + (Net Transfer to General Reserve)
 Net Business Profit = (Gross Business profit) - (General and Administrative Expenses) - (Net Transfer to General Reserve)

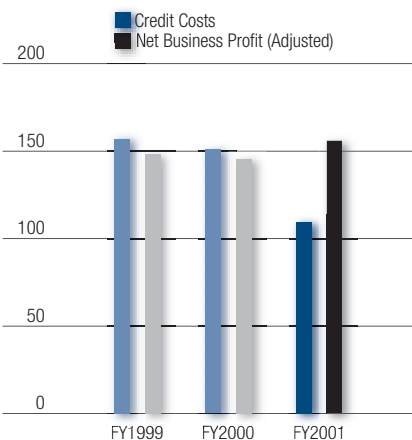
BIS Tier 1 Ratio	6.16%	6.80%	6.12%	6.94%
BIS Capital Adequacy Ratio	10.86%	11.41%	10.84%	11.69%
Net Income (Loss) per Common Share	¥(29.87)	¥27.88	¥(26.68)	¥28.96
Return (Net Income) on Equity	-7.1%	6.2%	-7.1%	6.5%
Cash Dividends per Common Share			¥5.00	¥7.00

Consolidated Gross Business Profit (Adjusted)

Billions of Yen

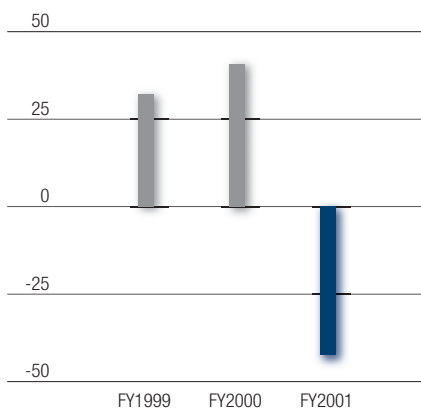


Consolidated Net Business Profit (Adjusted)

Billions of Yen *in comparison with Credit Costs*

Consolidated Net Income

Billions of Yen



Key Features of Sumitomo Trust

Sumitomo Trust has recently gained more attention from the market as an independent financial institution with a unique business model that features, “trust operations as core business,” a “high percentage of fee income,” “cross-selling of banking and trust products/services” and a “solid financial status.”

Trust operations as core business

Sumitomo Trust’s core business is its trust operations, which are divided broadly into asset management and information processing (custodial) services. We are one of the leading asset managers in Japan with ¥15 trillion in assets under management for corporate and public pension funds. Our information processing services have been reinforced by the establishment of Japan Trustee Services Bank, Ltd., a joint venture with Daiwa Bank to take advantage of economies of scale.

High percentage of fee income

In fiscal year 2001, the percentage of our fee income to our gross business profit was 27%. Sumitomo Trust aims to further raise this percentage, since a higher percentage of fee income will lead to a higher ROA and ROE.

Cross-selling of banking and trust products/services

Cross-selling of banking and trust products is another important key to our success. Sumitomo Trust believes that its trust operations do not well-function without its banking operations. Our corporate and individual customer base from our banking operations is indispensable for establishing an ideal platform for a variety of services.

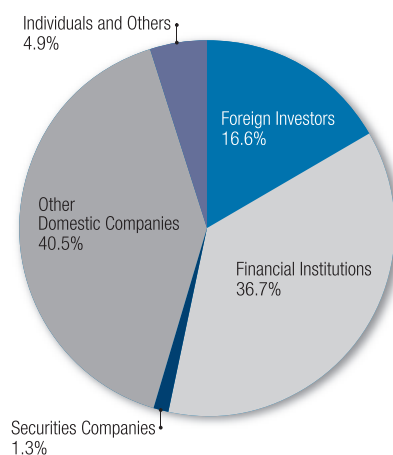
Solid financial status

The balance of the Bank’s loan assets classified under the Financial Reconstruction Law was ¥689.0 billion, or 6.1% of our total loans. This percentage is one of the lowest among major Japanese banks and demonstrates Sumitomo Trust’s proactive approach to disposing of non-performing loans. In addition, Sumitomo Trust has a sufficient level of cash reserves for loans classified in the “Special Mention” category.

Sumitomo Trust’s unique business model, solid financial status and independent stance appeal to the market.

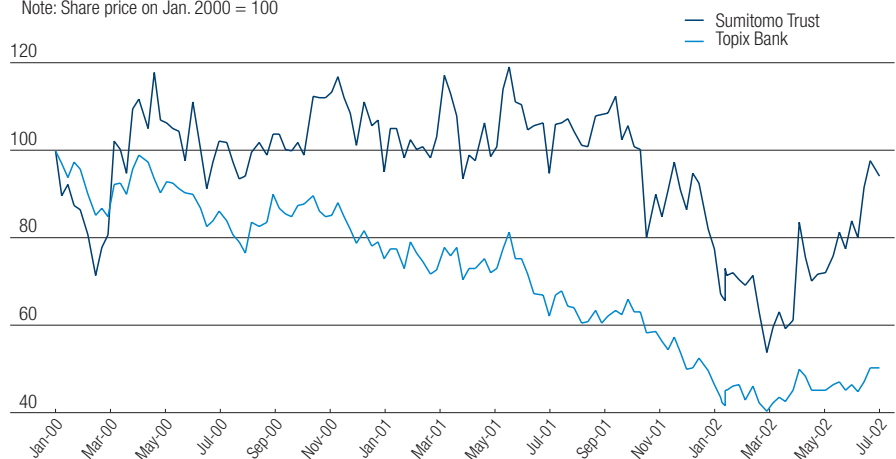
As of March 2002, foreign investors held 16.6% of the Bank’s shares, the highest in Japan’s banking sector, and Sumitomo Trust’s share price has continued to outperform the sector average.

■ Ownership Structure



■ Share Price Performance of Sumitomo Trust

Note: Share price on Jan. 2000 = 100



To Our Shareholders, Customers and Employees



Atsushi Takahashi
President and CEO

Sumitomo Trust is recognized as a unique financial institution in today's banking sector in Japan

In the last few years, most of the major commercial banks and trust banks in Japan consolidated to form so-called “mega-banks,” to survive Japan’s drastically changing financial market. In this competitive market, Sumitomo Trust remains an independent financial institution not affiliated with any of the mega-banks. We have successfully weathered the turmoil, taking advantage of our management autonomy and effective management system.

Sumitomo Trust is a financial institution operating both traditional commercial banking and trust businesses. Our solid customer base cultivated by commercial banking business enables us to cross-sell banking and trust products. To gain customer confidence and more profit opportunities, we practice a standard of “sophisticated investment management and precise operation.”

■ Overview of Consolidated Financial Results

The Japanese economy in fiscal year 2001 experienced a lingering deflationary period with several large-scale bankruptcies in the construction and retail industries. Nevertheless, we achieved a higher operating profitability, or net business profit (adjusted; trust account credit costs and net transfer to general reserve included) of ¥156.5 billion compared to ¥145.9 billion in the previous fiscal year. While net revenue from our domestic lending and Japanese bonds decreased from fiscal year 2000, that from U.S. treasury and Euro bonds significantly increased due to our effective management of interest rate positions from an ALM perspective. In addition, we successfully lowered our credit costs from ¥151.5 billion to ¥110.0 billion despite the overall unfavorable credit environment and the application of a stricter standard for debtor classification. Notably, Sumitomo Trust was the only major Japanese bank whose amount of credit costs did not exceed its net business profit (adjusted), which was the first time for us during the past eight fiscal years. Our efficiency ratio (here, general and administrative expenses divided by gross business profit (adjusted)) decreased to 46.3 % from 48.6% in the previous fiscal year. This efficiency ratio has already reached the level that mega-banks aim for through their consolidations. We are proud of our improved earning power and risk management capability, both of which enable us to adequately cover our credit costs with the net business profit (adjusted). The Bank's ¥42.4 billion consolidated net loss in fiscal year 2001 is due to ¥104.1 billion of net capital losses from stocks, mainly attributable to the devaluation of stocks, affected by the stagnant stock market. Unwinding of cross-shareholding has been one of my issues to be tackled with a first priority.

■ Rationale for Remaining Independent

Large-scale consolidations, as a rule, are aimed at achieving several advantages, including cost reductions, increased customer base reinforced risk-buffer and management reform. However, flaws in such consolidations also exist, such as an entangled management system, problems from the consolidation process and customer interest conflicts. If these flaws become conspicuous, large-scale mergers may not be positively accepted by the market. The consolidation may fail to win customer confidence, which I believe is indispensable in the financial business.

Sumitomo Trust remains independent because we strongly believe that independence will benefit our smooth management and swift execution of strategies, and result

in a higher profitability and customer confidence. However, our “independence” is not synonymous with “isolationism.” I am exploring possibilities of future mergers and alliances under the “**Takahashi’s M&A Doctrine,**” which consists of the following four criteria:

- 1) Improving profitability**
- 2) Boosting market share of trust business**
(asset management and information processing services)
- 3) Evolving our business model**
- 4) Obtaining support from the capital market and customers**

Most importantly, we will not seek any merger or alliance at the risk of impairing our reputation or losing market and customer confidence.

■ Priority for Survival

To survive in today’s competitive market, we selected four goals.

1) Achieving an outstanding position in focused areas

Sumitomo Trust is not a scale-oriented traditional commercial bank, nor does it belong to any of the mega-bank groups. Establishing our own business model on traditional commercial banking, as the mega-banks have done, will cramp our own business model. We will focus on the trust business by leveraging our management autonomy. The key point is how distinctive we can be. We aim to be the best in the industry by making Sumitomo Trust and its business distinct from other banks and their models. Further, we aim to achieve an outstanding position in the areas we focus on, including asset management, custody services and the real estate business. The consulting capability and cost-effectiveness are two important factors:

First, the ability to offer consulting services will supplement our outstanding position. As a result of deregulation and rapidly advancing financial technology, today’s most financial products will soon become generic commodities, gradually losing their unique competitive advantages. Commercial banking products are mostly affected by this commoditization. Measures for tackling this problem include:

- a) to provide value-added consulting services,*
- b) to reduce cost for commoditized products, and*
- c) to add value by combining commoditized products and relevant cutting-edge services.*

Our value-added consulting services are primarily comprehensive business solutions. The value of our services will be kept at a higher level by focusing on customer problems and providing the best solutions. As an independent trust bank, we have advantages in both our ability to offer consulting services and capability to provide customized products utilizing our trust function. A typical example of our value-added services can be found in our pension asset management business, where we provide a packaged solution by combining our asset management, human resource management consulting, actuarial, and regulation consulting services for the rapidly increasing pension customer needs. In addition, we are promoting a concept of “Strategic Partnership,” or a firm, long-term relationship with pension customers, where they can utilize our ability to provide a multi-product menu that satisfies customer specific needs and high quality consulting services as their needs evolve.



Cost-effectiveness is the other key. A substantial cost reduction can be realized by pursuing economies of scale through the critical mass of asset volume and efficient operations using advanced IT. Japan Trustee Services Bank (JTSB), initially established as a joint venture with Daiwa Bank, is a good example. The joint venture is the principal vehicle for our custody services. In January 2002, The Chuo Mitsui Trust & Banking Co., Ltd. announced its participation in JTSB, in response to our invitation, and JTSB is expected to gain a critical mass of over ¥110 trillion of entrusted assets when its participation is finalized.

2) Accelerating disposal of problem loans and decreasing cross-shareholding

We have been accelerating the disposal of problem loans and unwinding of cross-shareholding. Both have undermined our profitability and hindered the stability of our financial performance.

Our credit costs have constantly been on a downward trend since the Housing Loan Company problem in fiscal year 1995, while most of Japanese banks are still bouncing. We attribute this contrast mainly to our proactive manner in disposing of non-performing loans, and the smaller percentage of loan exposure to small- to medium-sized companies, which makes us less vulnerable to the deflationary environment than mega-banks. The ratio of non-performing loans to total lending and the coverage ratio are 6.1% and 78% respectively as of March 2002, which indicate our comparative soundness in Japanese banking sector.

Concurrently, we have dramatically decreased our cross-shareholding volume to ¥1,042 billion at cost, implementing outright sales of ¥140 billion in fiscal year 2000 and ¥173 billion in fiscal year 2001.

3) Achieving profit goals

We are proactive in meeting and surpassing our profit target set in accordance with our Revised Plan for Restoring Sound Management announced in August 2001. Our goals to be achieved in March 2005 include a ¥160 billion net business profit (adjusted) and a ¥77 billion net income, along with a 43.8% efficiency ratio, 9.4% ROE and 34.4% fee income to gross profit (on a non-consolidated basis). Most importantly, we aim to achieve a substantial increase in our percentage of fee income to gross profit, which is currently 27%, by focusing on our core trust business. Beyond our goal to be achieved in March 2005, we plan to eventually increase it to more than 50%. As a good example, Sumitomo Trust & Banking Co. (U.S.A.), our U.S. subsidiary offering global custody services, has a successful fee-oriented business model with total revenue growing to US\$66 million in fiscal year 2001 from US\$25 million in fiscal year 1996. Beyond simple revenue growth, its revenue has become more diversified. Its percentage of revenue from securities lending and cash management fees is growing. This is the exemplary business model that JTSB pursues.

4) Repaying public funds

We plan to repay ¥100 billion of public funds in the form of preferred stock no later than March 2005, as stated in our "Revised Plan for Restoring Sound Management." Public funds were important to us for strengthening our business. However, we plan to repay in accordance with the Plan since the repayment denotes our successful ridance from the restructuring phase and entrance into the era of new development. As can be observed in our financial information, including our level of retained earnings and a comparatively small amount of non-performing loans, we are in an advantageous position to repay public funds, compared with other banks. Needless to say, achieving our profit goals as mentioned in 3) above is a prerequisite for repayment of public funds.

■ Corporate Value Creation – Sumitomo Trust’s Corporate Governance

Before concluding my message, I would like to talk about Sumitomo Trust’s corporate governance. As the CEO of Sumitomo Trust, I have endeavored to enhance Sumitomo Trust’s corporate value and believe that it has already reached the point where Sumitomo Trust is recognized as a unique financial institution, indispensable in Japan’s financial sector. However, this is not my final goal. I intend to elevate Sumitomo Trust’s corporate value to a level at which the name itself is a recognized brand, more than just a bank with distinctive features and its own business model. To achieve this further elevation of corporate value, I believe it essential to tailor our corporate governance to specifically fit Sumitomo Trust.

There are several corporate governance models we could follow. Two of the most prominent models are the “shareholder is supreme” model, popular in the U.S. and the U.K. and the “balanced stakeholders model,” popular in Germany and Japan. However, we do not have to adopt one of these since the ultimate goal of corporate governance is, under either model, “the maximization of corporate value” and a straight-forward adoption of one of these models might hamper the ultimate goal of corporate governance. For Sumitomo Trust’s corporate governance, I have been seeking to adopt appropriate elements from both of these major models by considering Japanese culture and a global point of view.

My message is addressed to our three major stakeholders: shareholders, customers and employees. I am committed to establishing a management system that will create a “win-win situation” for these three stakeholders by establishing a virtuous circle among them. Sumitomo Trust employee pride, motivation and competitiveness will increase customer satisfaction, loyalty and recommendation, resulting in improved Sumitomo Trust financial performance and a more positive evaluation and response from the market. My ultimate mission is to make this circle of corporate value creation truly operate.

In closing, I would like to thank each of you for your ongoing support and confidence in Sumitomo Trust.

Atsushi Takahashi
President and CEO



Retail Financial Services Group

“Consultation capability is the key.”

In the retail market, we have recognized growing and more sophisticated needs from our clients for management and administration of their assets and property. Our products include not only various types of term deposits, but also loan trusts, performance-based trusts, and investment trusts. With this variety of products, we seek to arrange and provide products that will best fit our customer needs. We have diversified our delivery channels for this purpose. Our branch-office network consisting of 53 offices is relatively small. To reinforce the network in an efficient and effective manner, we have deployed 14 mini-branches called “i-Stations” – small specialty offices located in heavily populated suburban areas in Tokyo and Osaka, with extended business hours. We have also developed various types of delivery channels, such as telephone-banking, internet-banking, and an ATM network at post offices. We have established counseling centers to answer customer questions on the Deposit Cover system or ending of full deposit insurance, which was decided by the government in April 2002.

One of the keys to promoting our retail business is our consulting-type sales activities, which will increase customer satisfaction by providing consulting services that cater to individual customer needs.

Another feature of Sumitomo Trust’s retail business is product diversity. In addition to loan trusts and various types of deposit products, we have been expanding our range of investment trust products, including outsourced products, as well as our own products.

Since the introduction of the Deposit Cover system, customer concerns about the overall banking system and the soundness of individual financial institutions have been growing. However, we do not view the Deposit Cover system as a stumbling block to our business. We believe that it will give us a good opportunity to expand our customer base.



Takashi Nakamura
Group President

Enhancement of Private Banking Business

In July 2002, the Private Banking Department was established to enhance our private banking business. As part of this enhancement, we started a membership club for our private banking customers (“Sumishin Private Trust Club”), and collaboration with high-profile foreign-affiliated financial institutions such as the Pictet Group and JP Morgan Asset Management. Club members benefit from our consulting services, especially in the taxation and asset management areas, and also have access to investment information, consulting and products provided by the partner financial institutions. We aim to become the “Private Trust Bank” for private banking customers by creating long-term relationships with them, providing comprehensive consultation services to meet diverse and sophisticated customer needs.

Wholesale Financial Services Group



Yutaka Morita
Group President

“Cross-selling platform yielding versatility”

The business of our Group is not confined to commercial loans. We also deal with the securitization of assets, real estate non-recourse loans, project finances, advisory services pertaining to mergers and acquisitions, consulting services to corporate customers and global credit investments. Our cross-selling of banking and trust products as well as focus on being an asset-management-type financial institution brings about substantial versatility.

1. Securitization

In Japan, the securitization market has been expanding due to company needs for corporate restructuring and diversification of funding vehicles, as well as investor needs for alternative investments. We are one of the leading players in the securitization of various financial claims such as leases and receivables, and real estate.

2. Real Estate Non-recourse Loan

Along with the expansion of the real estate securitization market, real estate financing structures have become more diversified than ever before. We seek to provide our real estate customers with high-quality services, including real estate non-recourse loans to fulfill their growing needs for diverse funding.

3. Advisory/Consulting

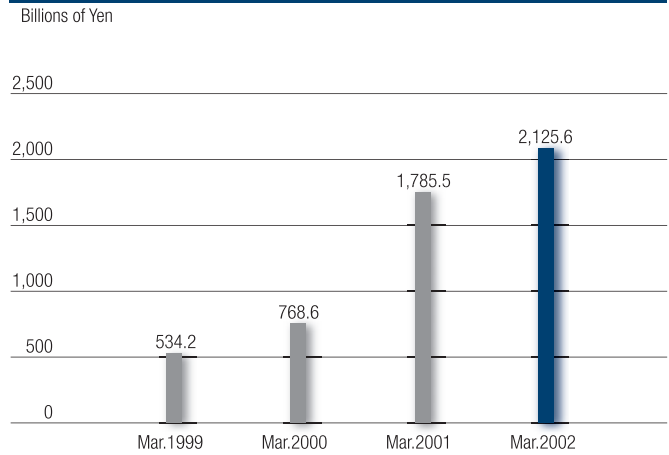
We provide advisory services to corporate customers seeking mergers and acquisitions, capital tie-up and spin-offs of operations. Our trust capabilities have been fully utilized in providing such services. Further, for customers seeking to raise their corporate value, we provide consultation services to give solutions best suited to their needs. We use “Corporate Finance Advisor,” a managerial accounting software developed in collaboration with an accounting firm, as our effective consulting tool.

4. Global Credit Investment

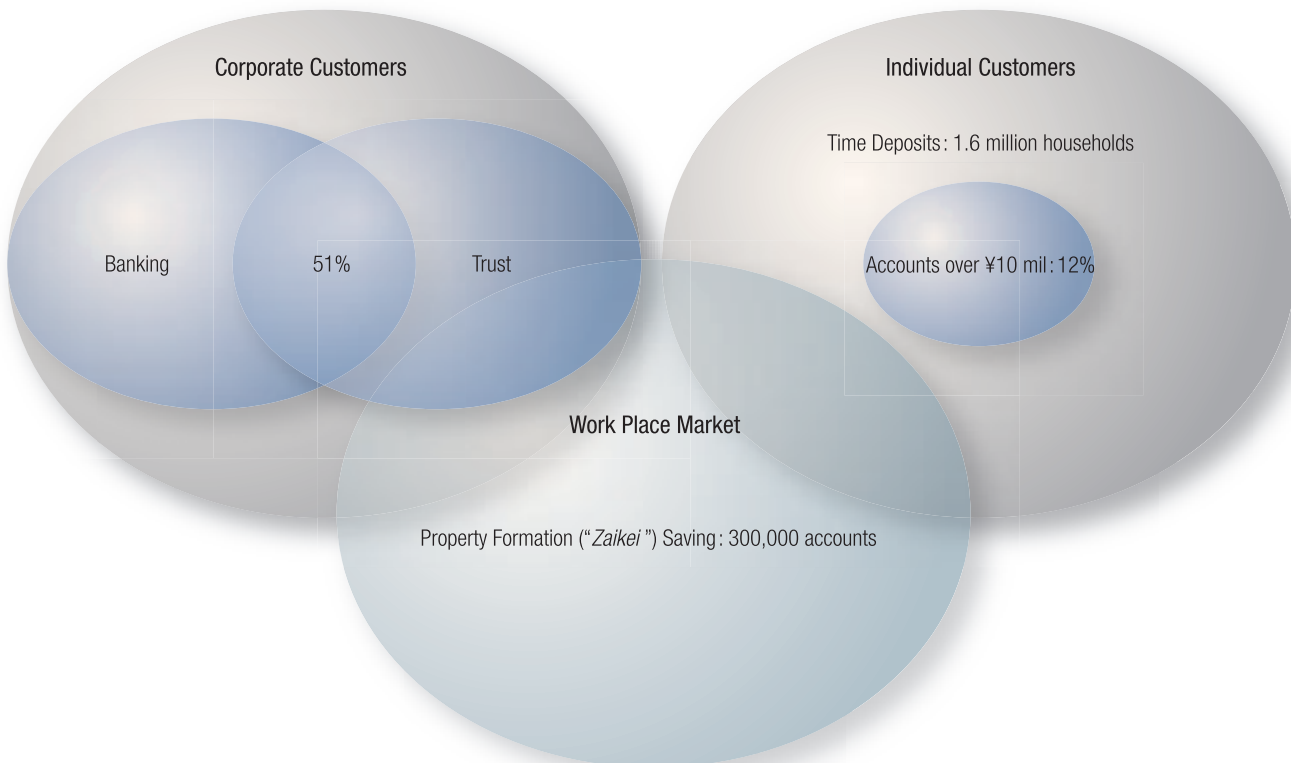
In recent years, Japan has seen a rapid growth in asset-backed securities (ABSs) and a gradual development of the secondary market for corporate loans, influenced by trends in the U.S. market. Japan's credit markets are expected to gain higher liquidity, providing good opportunities for investments.

Following these trends, we are further optimizing our credit portfolio by fully utilizing new investment opportunities. In the domestic market, we seek to build a well-balanced credit portfolio by purchasing corporate bonds and ABSs and investing in syndicated loans. In overseas markets, we seek to optimize our portfolio by diversifying investments in a wide range of credit, through three overseas branches in New York, London and Singapore, and a subsidiary in Hong Kong. In addition, STB Investment Corporation, a subsidiary in Japan, manages investments in domestic venture-capital companies.

■ Volume of Securitized Receivables



■ Cross-Selling Platform



Treasury and Financial Products Group



Takaaki Hatabe
Group President

“Well-managed ALM and sophisticated financial market management”

Our group is responsible for Asset and Liability Management (“ALM”) company-wide and for most of the financial market management related to our banking business. We also produce market-related products for customers and manage money-transfer and settlement operations related to the financial market.

The environment surrounding the financial market has been changing dramatically in recent years and uncertainty over the world economy has been increasing. Furthermore, mark-to-market valuation has been applied to a wider range of assets and liabilities designated by international accounting standards. As a result, both our well-managed ALM and sophisticated financial market management have increased in importance.

1. ALM Planning and Operations

Under the continuously stagnant economic conditions in Japan, ALM has become increasingly important for the Bank. We manage the assets and liabilities of the whole Bank to achieve two goals: to yield stable profits and to maintain the Bank’s financial strength.

In ALM, we classify our businesses into three categories, based on the degree of the sensitivity to changes in the economy and interest rates. (See “Balanced Business Portfolio” on page 15.) The first category is the business conducted by Retail Financial Services Group and Wholesale Financial Services Group. The performance and the value of assets in these businesses, including management of strategic cross-shareholding, usually decline under deflationary economic conditions. On the other hand, the second category, the business conducted by our group, yields better performance mostly from fixed income products whose values increase in a deflationary period. And the last category includes Fiduciary Services Group and Real Estate Group. These businesses are least vulnerable to economic conditions since they are mostly non-interest fee-based businesses. The key of

our ALM Planning is how to maintain the optimal balance between the performance of the first category and that of the second category through ALM operations.

We have the capability to manage this issue, and actually have been successful in generating stable and high profits through our ALM operations.

2. Trading and Market Making Activities

Both in the interest-rate field and in the foreign exchange field, we manage a wide range of financial products such as swaps, options, forward contracts and futures for 24-hours through worldwide offices, New York, London and Tokyo. By utilizing sophisticated risk management systems, we not only consistently generate profits from trading activities, but also develop market-making activities to stabilize our profits. We have a firm customer base of institutional investors and seek to expand the base to generate more profits.

3. Products and Services for Customers

These days both corporate and individual customers are familiar with interest and foreign exchange derivatives. Their needs for these products and services are steadily increasing. Taking advantage of this, in addition to providing derivative services such as swap and forward contracts, we have produced and promoted new on-balance products, such as loans and deposits with derivatives built in. Through those products, corporations with needs for small amount loans can have access to derivatives. Meanwhile, for individual customers who have become less attracted by ordinary financial products due to continuing low interest rates, our new-type derivative-contained deposits have gained popularity as they have shown higher returns.

4. Money Transfer and Settlement Operations

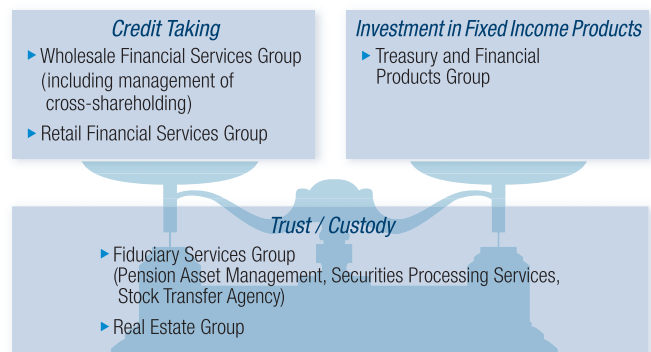
Financial products have become complicated and advanced, and the volume of deals has been increasing due to the expansion and globalization of financial markets. The money transfer and settlement operations have increased their importance since accurate and swift oper-

ations as well as our checking function are the key to gaining credibility from customers and counterpart financial institutions. We show our capability to control operations with a well-trained staff and reliable systems.

■ ALM Strategy

- ALM → Business Portfolio Management
- *Key – Stable Profit with Balanced Business Portfolio

■ Balanced Business Portfolio



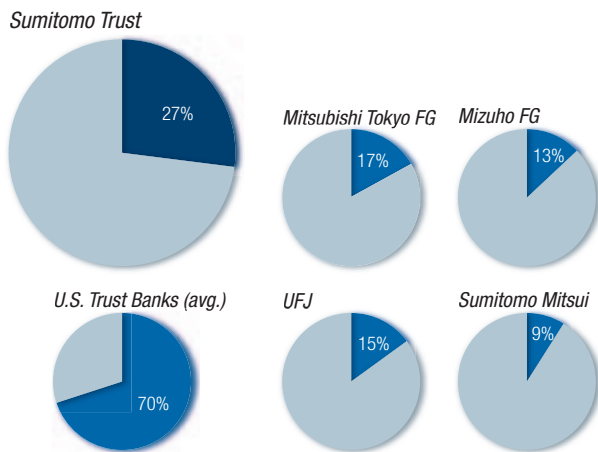
Fiduciary Services Group

“Sumitomo Trust’s Raison d’Etre”

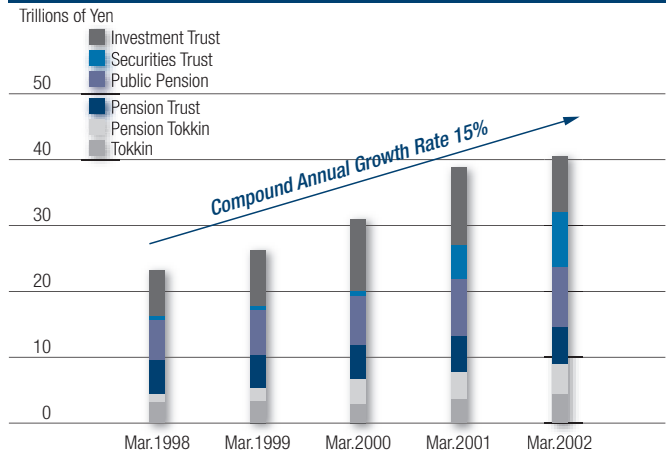
Sumitomo Trust, as an independent trust bank, builds its business model focused on fiduciary services. We aim to boost our market share in this field.

Our group deals with three trust business categories: 1) asset management; 2) securities processing; and 3) stock transfer agency.

■ Fee Income as % of Revenue



■ Expanding Volume of Entrusted Assets



1. Asset Management

We provide asset management services for corporate as well as public pensions. The volume of assets under our management amounts to over ¥15 trillion. We are one of the largest institutional investors in Japan with experienced fund managers and high-quality products.

Our asset management services feature “multi-prod-

ucts” and “consulting.” These are the keys to gaining customer confidence. With the combination of these two features, we seek to provide the best solutions to customer needs and to promote long-term relationships with our customers, which we call the “Strategic Partnership.”

■ Pension Management Business Model

“Multi-Products & Investment Consulting”





Fujio Ido
Group President

2. Securities Processing

“Securities processing” is a generic term embracing the custody, settlement and reporting services on the securities management offered to corporate customers and institutional investors. To further concentrate on the securities processing business, we established Japan Trustee Services Bank, Ltd. (JTSB), a joint-venture corporation with Daiwa Bank in June 2000. Also, Chuo Mitsui Trust & Banking announced its participation in JTSB in January 2002.

Securities processing includes the following services:

i) **Specified Money Trust** – Following detailed instructions from customers, we provide custodial services such as order placement, delivery, or settlement of securities, and reporting services.

ii) **Investment Trust** – Investment Trust is managed by investment trust management companies. We provide custody, settlement and reporting services for securities in investment trusts.

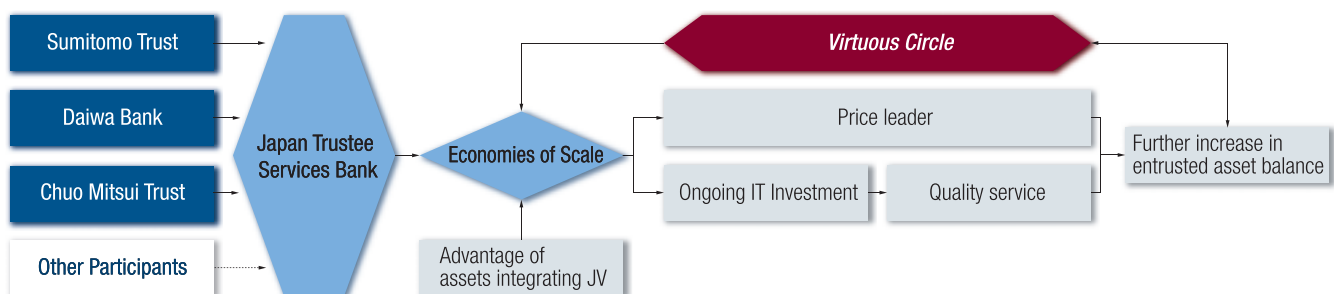
iii) **Securities Trust** – We provide services such as delivery, custody, settlement, and receipt of dividends for securities entrusted from our customers.

iv) **Global Custody** – Sumitomo Trust & Banking Co. (U.S.A.), a subsidiary in the U.S., and Sumitomo Trust & Banking (Luxembourg) S.A., a subsidiary in Luxembourg provide a global custody service, centralized on securities processing for securities in various overseas markets. In particular, our U.S. subsidiary has a network of over 90 markets all over the world and a good reputation as one of the best Japanese global custodians.

v) **Securities Lending** – Securities lending is a system in which securities that we borrow from our customers are temporarily lent to borrowers such as securities companies. Fee income from securities lending has been increasing particularly at our U.S. subsidiary, giving it a more diversified revenue-mix.

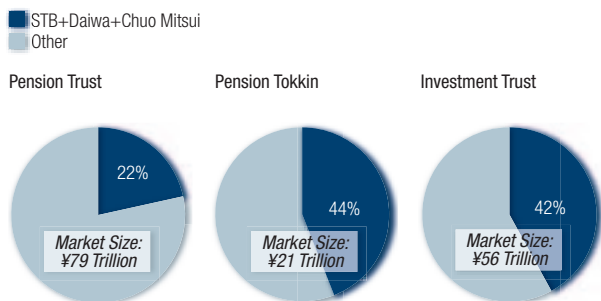
vi) **Master Trust** – New Business Development – JTSB has sought to develop the master trust business in the Japanese market as a forerunner. Besides integrating trust assets to JTSB, the establishment of its “Pension Management Information Integration Services” (or “Master Record Keeping Services”) has enabled it to provide state-of-the-art reporting services pertaining to performance evaluation and risk analysis. These services are highly evaluated by customers.

■ Economies of Scale in Trust Operations – JTSB

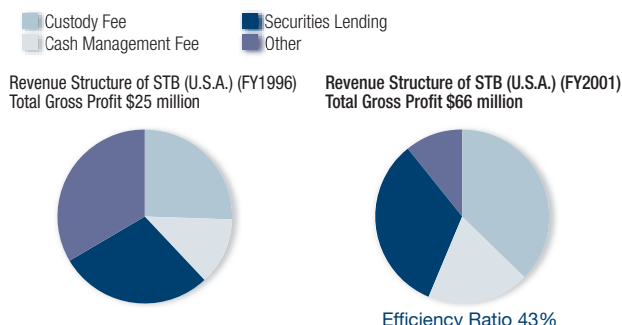


Overview of Operations – Fiduciary Services Group

■ JTSB's Market Shares



■ Revenue Source of STB/USA



■ Sumitomo Trust's Global Custody Business

Provides Advanced Services that Customers Seek

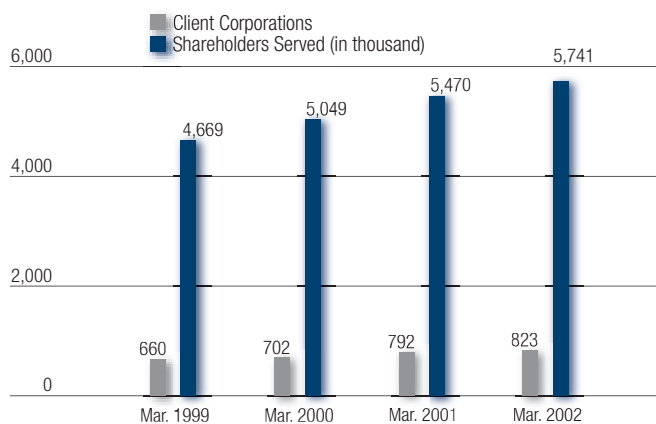
- Global Securities Lending
- Cash Management Services
- Proxy Voting Services
- Contractual Services
- Network over 100 markets
- Services in Japanese Language/available during Japanese business hours

3. Stock Transfer Agency

In recent years, stock transfer agency services have received attention, along with the increasing importance of shareholder meetings and investor relations (IR) activities. Stock transfer agency services include shareholder registration, dividend calculation and payment, dispatching documents pertaining to shareholder meetings and IR supporting services.

Our stock transfer agency services have a good reputation with 823 corporate clients and 5,741 thousand shareholders benefiting from our services. We also provide legal consulting services to our corporate clients on topics such as mergers and acquisitions, share exchanges and stock splits. Further, a unique website named “Japan Investment Forum” (in English only) has been established, with a view to introducing major Japanese corporations to foreign institutional investors and providing information about the shareholder meetings of these corporations (URL: <http://www.japaninvestforum.com>).

■ Stock Transfer Agency



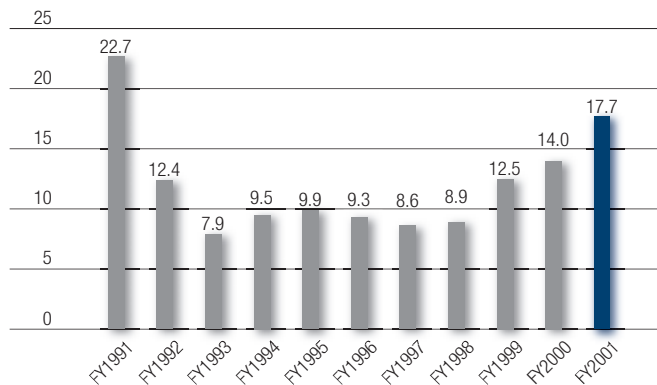
Real Estate Group



Masao Shibuya
Group President

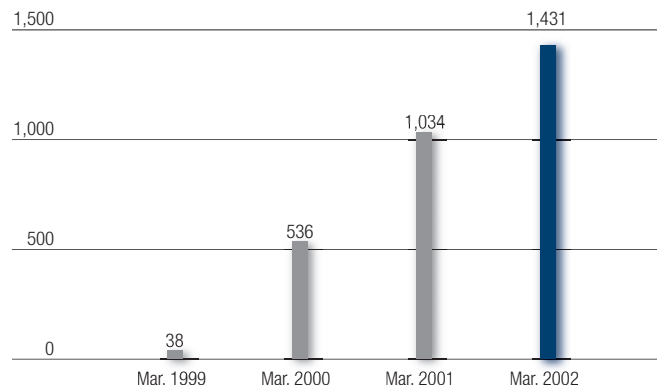
■ Real Estate Revenue Recovery

Billions of Yen Fee Revenues from Real Estate Operations



■ Real Estate Management Trust

Billions of Yen



“Maintaining the leading position in the real estate market”

Our services are categorized into the following four areas:

- **Brokerage for commercial and residential properties, development service**
- **Securitization provided as part of real estate management trusts**
- **Investment advisory**
- **Appraisal**

We are one of the largest commercial property brokers in Japan. The market began to recover in 1999 and we are expecting corporate needs for the divestiture of real estate assets to increase due to market pressure for balance sheet restructuring and the introduction of mark-to-market accounting. Sumishin Realty Co., Ltd., one of our subsidiaries, is also a major player in the residential property brokerage business, with approximately 40 offices in major metropolitan areas.

Our real estate securitization services are provided in the form of real estate management trusts, which include consultation of securitization structures, marketing of securitized products, and management of property, as well as conducting due diligence and management of entrusted assets. Our quality services are popular in the market and we have enjoyed a leading position in securitization services with over ¥1.4 trillion in assets in real estate management trusts at March 2002. The volume of these assets has been rapidly growing.

We have been engaged in consultation services on real estate investment for domestic as well as foreign institutional investors. Since investor interest in securitized real estate, especially as products for their alternative investments, has been growing, our consultation services are highly respected.

Special Feature 1 Solid Asset Quality

1. Sumitomo Trust's credit costs – on a constant downward trend

For fiscal year 2001, Sumitomo Trust's credit costs on a non-consolidated basis resulted in ¥105.4 billion, ¥44.8 billion less than its net business profit (adjusted). Among Japan's major banks, Sumitomo Trust was the only one whose amount of credit costs was smaller than that of net business profit. It is fair to say that Sumitomo Trust has finally climbed out of the slump that hampered Japanese banks for the past decade.

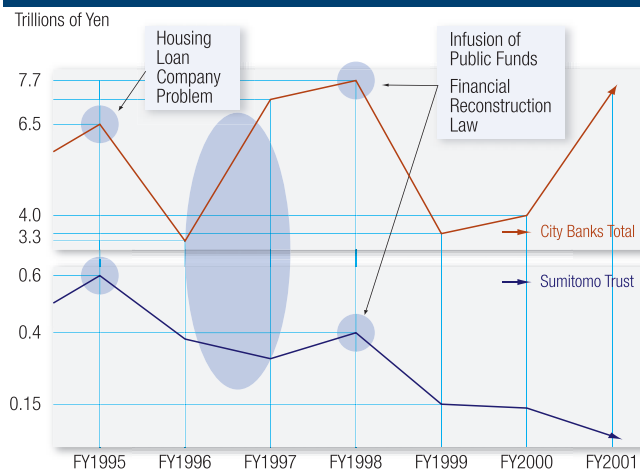
As shown in the diagram, except for fiscal year 1998 when public funds were infused, Sumitomo Trust's credit costs have been on a constant downward trend, whereas that of other major banks has been fluctuating. The following explains our analysis of this difference.

2. Factors underpinning the downward trend of credit costs

i) Proactive disposal of non-performing loans

In the early 1990s, Japanese banks expanded loan exposure to "Jyu-sen" or housing loan companies which expanded their activities to commercial real estate loans. However, the bankruptcies of these companies turned them into a seedbed of non-performing loans for Japanese banks. In particular, trust banks, which had large exposures to these companies, had to dispose of these problem loans incurring large credit costs. Sumitomo Trust was no exception, and its credit costs peaked at ¥589 billion in fiscal year 1995. However, once the turmoil caused by bubble-economy-related problem loans calmed down, its credit costs started to follow a steady decline, except for fiscal year 1998 when public funds were infused in the banking sector. In other words, Sumitomo Trust dealt with the issue immediately after the problems came to light. Our proactive manner in disposing of non-performing loans made a difference in the subsequent trend of credit costs.

■ Credit Costs Trend



ii) Characteristic in loan portfolio

One of the characteristics of trust banks in Japan is that they have a smaller percentage of exposures to small- to mid-sized companies, by virtue of their inherent role as long-term capital lenders to the nation's key industries. Our exposure to such companies is approximately 45% as of March 2002. They have relatively sound financial statuses, with some of which being subsidiaries or affiliates of large-scale corporations. Therefore, our loan portfolio was comparatively less affected in the recent deflationary phase.

iii) Comparatively lower percentage of Non-performing Loans and higher coverage ratio

Loans classified as "Bankrupt and Practically Bankrupt" and "Doubtful" under the Financial Reconstruction Law, which are respectively equivalent to loans to debtors classified as "Legally/Virtually Bankrupt" and "Potentially Bankrupt" under the self-assessment system, are genuine non-performing loans, and banks consider early disposal of such loans as well as higher coverage by cash reserve or collateral.

As of March 2002, the percentage of assets classi-

fied under the Financial Reconstruction Law to our total loan amount was 6.1%, compared to an 8.8% average for major banks. Our coverage ratio for these assets is 78%, compared to a 71% average for major banks. The data also demonstrates our conservative and proactive

manner in dealing with non-performing loans as explained in section i).

■ Asset classified under Financial Reconstruction Law

<Banking A/C + Trust A/C>

(Non-consolidated: After Partial Direct Write-off)

(Billions of Yen)

Classification by asset	Balance			Coverage Ratio			Collateral / Reserve			
	Mar.2002	Sep.2001	Mar.2001	Mar.2002	Sep.2001	Mar.2001	Mar.2002	Sep.2001	Mar.2001	
Bankrupt and Practically Bankrupt (A)	47.2	93.9	85.4	99%	100%	100%	Uncovered	0.3	—	—
							Specific Reserve	4.9	3.1	3.5
							Collateral/Guarantee	42.0	90.8	81.9
Doubtful (Kiken-Saiken) (B)	424.4	361.8	412.0	82%	91%	95%	Uncovered	75.3	29.4	20.0
							Specific Reserve	128.4	109.0	124.7
							Collateral/Guarantee	220.7	223.4	267.3
Substandard (Yo-Kanri-Saiken) (C)	217.5	148.3	35.4	64%	52%	69%	Uncovered	76.1	70.7	10.7
							General Reserve	36.9	23.0	4.0
							Collateral/Guarantee	104.5	54.6	20.7
Ordinary Assets (Seijo-Saiken)	10,627.8	10,557.7	10,615.4				General Reserve	45.5	47.4	72.1
							Reserve for Loans to Borrowers in Specific Foreign Countries	1.2	1.3	2.8
Total of (A), (B) and (C)	689.0	604.0	532.8							
Total	11,316.9	11,161.7	11,148.3							

iv) Conservative cash reserve and a strict standard for debtor classification (See table on page 22.)

— Attention to loans in “Special Mention” category

We have paid careful attention to loans to debtors classified in the “Special Mention” category under the self-assessment system. Careful attention is required because such debtors could potentially move down to lower categories, eventually incurring additional credit costs.

As of March 2002, our cash reserve ratio for loans in the “Special Mention” category was 6.1%. Our ratio for the “Substandard” category was 24.7%, up 4.7% from September 2001, and 9.6% from March 2001. Our 24.7% coverage ratio for the “Substandard” category is one of the highest in Japan’s banking sector. The increased reserve ratio for the “Substandard” category is due to rule changes in cash reserves and a stricter definition for “Substandard Loans,” both of which we

imposed. With respect to the cash reserve rule, a 25% cash reserve had been applied only to the uncovered portion in the “Substandard” category up until September 2001. As of March 2002, a 24.7% cash reserve was applied for the entire “Substandard” category, which raised the cash reserve ratio for the entire “Substandard Loans” category. Also, we changed our definition of “Substandard Loans.” One of the criteria for these loans had been “Interest Rate Mitigated.” Loans used to be classified as “Interest Rate Mitigated” if they had met certain spread-based standards. This rule was abolished in March 2002. Classifying loans as “Interest Rate Mitigated” or not is no longer determined by the level of spreads, but by the financial status of each debtor. Another criterion in the “Substandard Loans” category is the “Terms and Conditions of Loans Mitigated.” As of March 2002, loans with inappropriate repayment/interest rate provisions in view of the debtors’

Special Feature 1 – Solid Assets Quality

credit risk were included in this criterion, on the assumption that they are equivalent to financial support.

A high reserve ratio for the “Special Mention” category and a strict standard for debtor classification demonstrate Sumitomo Trust’s conservative attitude in monitoring the “Special Mention” category.

(*Note) Here, it is important to distinguish “Substandard” category from “Substandard Loans.” While the former refers to a sub-category in “Special Mention” under the self-assessment system, the latter is a category under the Financial Reconstruction Law (see “The difference between asset classification under the Financial Reconstruction Law and debtor classification under the self-assessment system” below).

Loans to Debtors in “Special Mention” Category

Loans Outstanding (Billions of Yen)

<Banking A/C + Trust A/C; non consolidated>

		Mar.2002	Sep.2001	Change	Coverage Ratio
Substandard	Substandard	255.9	152.6	103.3	
	Special Mention excl. Substandard	1,187.2	1,130.4	56.8	50%
Ordinary	Special Mention	1,443.2	1,283.0	160.2	
	Ordinary	9,402.1	9,423.1	-20.9	

Classification under Financial Reconstruction Law (Classification by asset)

Classification under Self-Assessment (Classification by debtor)

General Reserve Ratio

<Banking A/C>

		Mar.2002	Sep.2001	Change
Substandard	Substandard	24.7%	20.0%	4.7%
	Special Mention excl. Substandard	3.0%	4.4%	-1.4%
Ordinary	Special Mention	6.1%	6.2%	-0.1%
	Ordinary	0.1%	0.1%	0.0%

Classification under Financial Reconstruction Law (Classification by asset)

Classification under Self-Assessment (Classification by debtor)

The difference between asset classification under the Financial Reconstruction Law and debtor classification under the self-assessment system

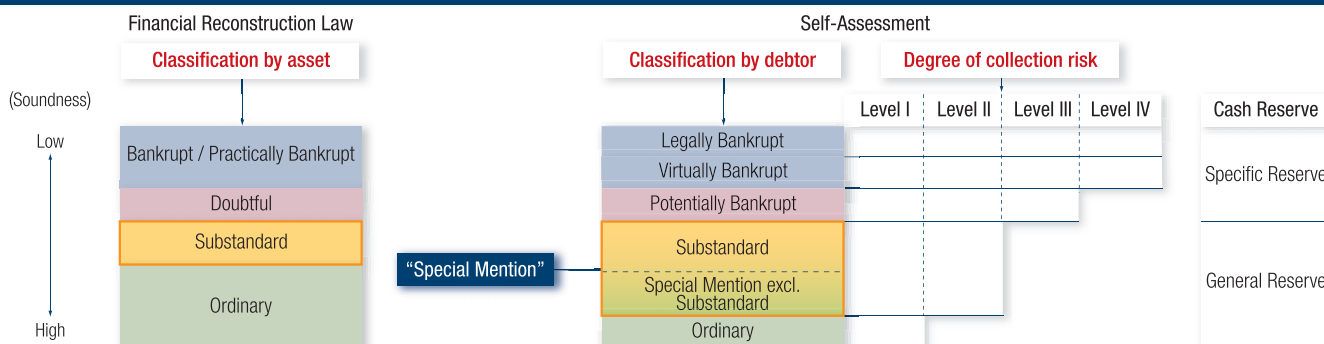
The 1998 Financial Reconstruction Law (“FRL”) requires banks to assess their assets (loans, securities lent, foreign exchange, accrued interests, temporary payment equivalent with loans, and acceptances and guarantees) and classify them into four categories, “Bankrupt and Practically Bankrupt,” “Doubtful,” “Substandard,” and “Ordinary.”

The self-assessment system, introduced in fiscal year 1996, is used to maintain the soundness of banks’ assets by appropriate write-offs or cash reserve. Based on the system, debtors are classified into five categories, “Legally Bankrupt,”

“Virtually Bankrupt,” “Potentially Bankrupt,” “Special Mention,” and “Ordinary.” The five categories used in the self-assessment system are by debtor while FRL uses four categories by asset. In addition to this debtor classification, banks use a categorization, from Level I to IV, based on the degree of collection risk.

By definition, “Legally Bankrupt” and “Virtually Bankrupt” in the self-assessment system match the “Bankrupt” and “Practically Bankrupt” categories in FRL, and “Potentially Bankrupt” in the self-assessment system matches “Doubtful” in FRL.

Financial Reconstruction Law and Self-Assessment



3. Credit Costs Breakdown for fiscal year 2001

The table below shows the breakdown of our credit costs during fiscal year 2001. Credit costs in the banking account, trust accounts, and net transfer to general reserve were ¥75.2 billion, ¥23.9 billion, and ¥6.2 billion, respectively, for a total of ¥105.4 billion, down by ¥41.4 billion from fiscal year 2000. The ¥75.2 billion credit costs in the banking account include approximately ¥55 billion from additional specific reserve from moves to lower categories, ¥25 billion from write-offs, and ¥3.5 billion in gains from bulk sales. With respect to net transfer to general reserve, the 1st half of fiscal year 2001 resulted in a negative figure due to the bankruptcy of a large debtor, since general reserves for the claim to the corporation

had to be removed with the debtor being reclassified in a lower category. The amount for the 2nd half of fiscal year 2001 was ¥12 billion, due to the increase in loans to debtors classified in the “Special Mention” category (including “Substandard”), which were previously classified in the “Ordinary” category as of September 2001. These moves to lower categories occurred because the actual financial statuses of debtors, as well as their evaluation from the market, as exemplified by their stock prices, were counted as a determining factor in our debtor classification. This was one of the reasons for the fiscal year 2001 credit costs to exceed the previous forecast of ¥80 billion.

■ FY2001 Credit Costs Breakdown

Credit Costs (Billions of Yen)	FY2000	FY2001	1HFY2001	2HFY2001	Notes
Write-off/Reserve	125.7	99.1	39.4	59.7	
Trust A/C	31.5	23.9	10.8	13.1	<ul style="list-style-type: none"> ▶ Mainly on account of write-off for 1HFY2001. ▶ Write-off for 2HFY2001: approximately ¥ 14.5 billion → To be reflected in Trust Fees for 1HFY2002
Banking A/C	94.1	75.2	28.6	46.6	
Net Transfer to General Reserve	21.1	6.2	-5.8	12.0	<ul style="list-style-type: none"> ▶ Reserve ratio for loans to “Substandard” debtors – raised to 25% (20% as of Sep. 2001). ▶ Saw an increase in Loans to “Special Mention other than Substandard” debtors.
Total Credit Costs	146.8	105.4	33.6	71.7	

- ▶ Increase in Specific Reserve owing to debtors' migration to worse categories : approximately ¥55 billion
- ▶ Write-off owing to debtors' legal liquidation : approximately ¥25 billion
- ▶ Gains from Bulk Sales, etc. : ¥3.5 billion

(Note: Figures are rounded.)

Special Feature 1 – Solid Assets Quality

4. Forecast for credit costs in fiscal year 2002

Our credit cost forecast in fiscal year 2002 is ¥80 billion. We used a two-way approach to reach this forecast. One is a bottom-up approach, in which the possibility of loss/default for a debtor is individually assessed and the results of each debtor are combined. The other one is a top-down approach, which can be explained by using the following matrix (refer to the table below). We conservatively assume (a) a total loss of the Level III category (¥88.6 billion), (b) a 30% loss in the value of real estate collateral for Level II (¥56.1 billion = ¥187 billion x 30%), and (c) some debtors that will move from “Potentially Bankrupt” to the “Substandard” category once their

restructuring plans are implemented and realized. We predict the total of (a) to (c) to be ¥100 billion, with ¥50 billion to be disposed of during fiscal year 2002. We further assume ¥30 billion in normalized credit costs, which is presumed to be 0.3% of our ¥10 trillion loan exposure classified in the “Special Mention” and “Ordinary” categories.

Our forecast will change depending on macro circumstances and other unpredictable events. However, we set up our forecast in the most logical and reasonable manner to maintain our credibility from the market.

Forecasting Credit Costs in FY2002 – Overview of Self-Assessment as of Mar. 2002

*Number in the second row in each category denotes difference from Sep. 2001.

(Billions of Yen)	Banking A/C				Trust A/C				
	Amount	Level I	Level II	Level III	Amount	Level I	Level II	Level III	Level IV
Legally Bankrupt	13.1	4.0	9.1	—	6.4	0.1	5.9	0.1	0.2
(Hatan-Saki)	-9.3	3.3	-12.6	—	0.5	—	—	0.1	0.2
Virtually Bankrupt	20.8	2.4	18.4	—	6.7	—	6.7	—	—
(Jisshitsu-Hatan-Saki)	-38.0	-1.2	-36.7	—	0.1	—	0.1	—	—
Potentially Bankrupt	376.5	146.2	158.8	71.4	47.8	2.8	27.8	17.0	—
(Hatan-Kenen-Saki)	56.8	23.1	-2.6	36.3	5.7	1.0	-3.0	7.7	—
Total	410.5	152.7	186.3	71.4	61.0	3.0	40.4	17.2	0.2
	9.4	25.1	-52.0	36.3	6.4	1.0	-2.8	7.9	0.2

(For reference) Real estate collateral in Level II

Banking A/C Virtually Bankrupt: approximately ¥15 billion; Potentially Bankrupt: approximately ¥145 billion

Trust A/C Virtually Bankrupt: approximately ¥5 billion; Potentially Bankrupt: approximately ¥20 billion

Total **¥187 billion**

Uncovered amount for Potentially Bankrupt or worse categories totals **¥88.6 billion**.

Special Feature 2 Sumitomo Trust’s People and Organization

At the beginning of fiscal year 2000, Sumitomo Trust reorganized its business into five groups and initiated the so-called business group management system. The initial five groups included the Customer and Corporate Finance Group, the Global Credit Investment Group, the Treasury and Financial Products Group, the Fiduciary Services Group and the Real Estate Group. At the beginning of fiscal year 2002, the section targeting retail customers in the Customer and Corporate Finance Group was spun off to form the “Retail Financial Group.” The other section in the Customer and Corporate Finance Group, which targeted corporate customers, was combined with the Global Credit

Investment Group to form the “Wholesale Financial Services Group.” Our business group management system has given each group more autonomy and responsibility, by enabling each group to select the optimum strategic business model as well as to establish its own human resource management policy.

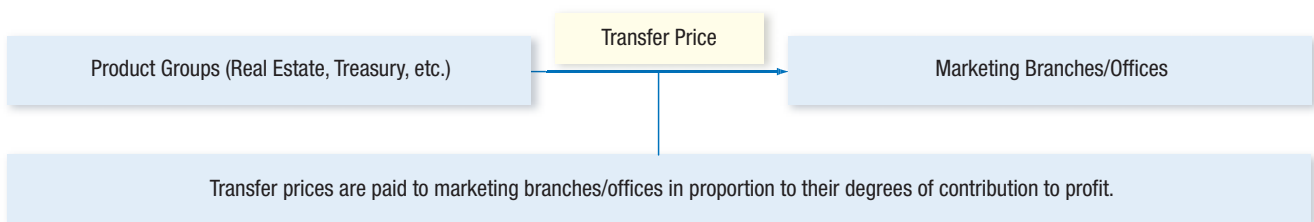
To supplement the business group management system, we have introduced several management reforms, for the purposes of bringing market principles into the organization, enhancing competitiveness among business groups and motivating employees.

1. Introduction of “Transfer Price” System

“Transfer Price” is the sales fee paid by each business group to marketing branches and offices, in proportion to their contribution to profit. Among various products developed and offered by each business group, marketing branches and offices select competitive products that best match their marketing strategies, as well as customer

needs, to maximize their profitability. This system helps bring competitive thinking to branches and offices and fair pricing of products and services. This results in clarified earning responsibility as well as autonomy of each business group.

■ Transfer Price



*Goal:
 Introduction of
 Intra-company
 market principle

- Clarification of management autonomy and earning responsibility of each business group
- Appropriate pricing of products

2. Shareholder Value Added (“SVA”)

As a concept similar to EVA® which has recently been adopted by some Japanese companies, SVA has been introduced as a new managerial yardstick to evaluate

added value for shareholders. SVA enables Sumitomo Trust as a whole, as well as each business group, to recognize how much shareholder value was generated dur-

ing a fiscal period. Since our management fully recognizes the importance of corporate management dedicated to our shareholders, this yardstick will become crucial in evaluating the progress of the Sumitomo Trust's corporate governance.

3. Reform of Human Resource Management

Along with the introduction of the business group management system, a new job-posting system enables employees to pursue opportunities in the Bank and to be compensated with market-based remuneration.

In this system, the head of each business group periodically offers internal job postings with job descriptions, responsibilities and remuneration levels. After the selection process, the head of a business group enters with the selected personnel into two-year contracts with specified individual assignments. Such a system will help create an "intra-company job market," and further foster specialists in each business field, as introduced in the following.

Specialists in Sumitomo Trust



Hiroshi Komori
Stock Transfer Agency Department

"Bridge Between Japanese Companies and Overseas Investors"

I joined Sumitomo Trust in 1990, transferring from one of the Japanese city banks in the hope of making a long-term contribution to society. I have worked for the Stock Transfer Agency Department for almost six years. I am proud to be playing an important role as an intermediary between Japanese companies and major overseas institutional investors, providing our clients with consultation on corporate governance and proxy voting.

Japan's stock transfer agency business has recently shifted its emphasis from operation services to consulting services in the wake of the increasing significance of corporate governance. Sometimes our work even influences the top management decisions of our client companies. I am excited to think that our team is helping our clients not only with our quality stock transfer agent services based on our advanced system, but also by improving relationships between client companies and investors/shareholders on a global basis. Although my task is challenging, I enjoy it.

■ SVA (Shareholder Value Added)

Pursuit of "Corporate Value for Shareholders"

➔ Net Business Profit SVA

Net Business
Profit (after Tax)
Less: Capital Costs*

*Capital Costs
= Return that shareholders expect
for their investments

Net Business Profit SVA \geq Zero \leftrightarrow Added Value for Shareholders

■ Human Resource Management

- Emphasis on each employee's market value
- Remuneration system unique to each business group
- Job posting and staff selection by each business group



Employment Contracts with Specified Individual Assignments

“Specialist in Proprietary Trading”

I have been engaged in proprietary trading since joining Sumitomo Trust in 1985. After nine years of experience in the securities investment section, and four years in the assets and liabilities management section, I started to work for the Treasury Department four years ago. Currently, I am responsible for risk management of strategic cross-shareholding.

Stock portfolio position, which still occupies a substantial part of the Bank's total assets, needs to be carefully managed, taking into account correlations with or influence on other assets. This assignment requires advanced skills in risk-return management. Also, I am required to yield an absolute profit in each fiscal period, not merely a comparative performance to benchmark indices. These are the aspects that I find challenging and intriguing in this assignment.



Toshiyuki Nitta
Treasury Department

“My Vocation as a Financial Salesperson/Marketer”

Since I joined Sumitomo Trust in 1991, I have been primarily involved in sales and marketing for a wide range of financial products for various types of corporate clients including corporate pension fund clients and non-profit organizations. In the middle of my career, I realized that financial products marketing is my vocation, and strongly hoped to become a professional in this field. I feel that the qualifications of a salesperson are customer-orientation, quick response to customer needs and diverse knowledge of the financial business. What I needed most at that time was professional knowledge, so I obtained a CFA qualification (in Japan). At the same time, I hoped to work for a department that would enable me to acquire advanced asset management knowledge. The Bank gave me a valuable opportunity. This April, I started working for the Public Funds Investment Department, involved in portfolio management and asset allocation as well as consulting services for our clients. I am convinced that this position will help me become a more sophisticated sales-professional.



Kazue Yamazaki
Public Funds Investment Department

“Experienced Analyst”

My almost ten-year career as an analyst covering the financial sector began when I joined Nikko Securities, Ltd. in 1992. As a research analyst there, I covered almost all types of major Japanese financial institutions such as regional banks, non-life and life insurance companies, non-bank financial institutions, and later, Japanese major banks. In 1999, I joined Warburg Dillon Read (currently UBS Warburg), where my major responsibility was regional banks, and my research skills as a sell-side analyst were further improved.

I broadened my career range when I joined Sumitomo Trust in October 2001 as a buy-side analyst. I currently work in the Asset Management Department and research all major companies in the financial sector, including securities companies. Japan's financial sector is now heading into an era of “borderless industry.” In this circumstance, I strongly believe that my experience will help me analyze the changing Japanese financial sector from diversified viewpoints, thus contributing to higher asset management performance.



Koya Hasegawa
Asset Management Department

Risk Management System

OVERVIEW

Business opportunities for financial institutions have expanded dramatically due to the deregulation and globalization of financial markets as well as the increased sophistication of financial technology. However, financial institutions also face an increasingly diverse and complicated range of risks. In this environment, it has become a central management issue for a financial institution to ensure its risk management system to effectively handle these risks. The Bank has placed a high priority in sophisticating its risk management, and continually works to enhance its systems for identifying and analyzing various types of risks, determining appropriate risk exposure, carrying out proper management and control measures, and ensuring compliance with all relevant regulations.

Risk Management System

The Bank has established a risk management system in addition to setting its fundamental risk management policies resolved at the Board of Directors. In the system, first, sections that are independent of the business groups responsible for raising revenues are appointed to carry out risk management activities at arm's length. Four departments are responsible for specified risk categories: The Legal Department oversees compliance; the Systems Resources Management Department manages operations and systems risk; the Risk Management Department manages credit risk, market risk and liquidity risk; and the General Affairs Department manages event risk. Second, the Corporate Planning Department oversees cross-sectional risk management from a Bank-wide perspective to comprehensively manage the various types of risks. Finally, the Internal Audit Department is assigned to verify the appropriateness and effectiveness of risk management in the system. Through direct reporting from the departments above, the Board of Directors monitors the level of risks and examines the risk management system.

Credit, Market and Liquidity Risks

With respect to credit risk, market risk and liquidity risk, all of which are classified into quantifiable risks, risk-taking is indispensable for the Bank to raise revenues. Therefore, it is critical to appropriately manage risks and to allocate appropriate risk

exposure for maximizing earnings at a specified level of risk.

The Bank continually works to sophisticate its risk quantification and management system. The Bank employs Value at Risk (VaR) measurement to quantify different types of risks in a consistent manner and to grasp the total amount of risk. The Bank has also begun to employ Shareholder Value Added (SVA)* as a new management yardstick to monitor the return of each business group on given risk exposure and find the optimal allocation of risk exposure.

*SVA (Shareholder Value Added) = Net Business Profit – Capital Costs (gains which investors expect in return for investment risks). SVA exceeding zero indicates that positive shareholder value is yielded.

Compliance, Operations and Systems, and Event Risks

It is critical for financial institutions to minimize non-quantifiable risks such as compliance risk, operations and systemic risks in order to obtain credibility from customers. This is particularly important in the Bank's core business of trust services since a tremendous level of fiduciary responsibility is required for safekeeping of entrusted assets. Thus, the Bank implements rigorous and effective risk management measures, primarily through the departments responsible for managing each type of risks, and works to strengthen its internal inspection and audit system as well as to introduce external audits. Meanwhile, the Bank continuously improves the management of non-quantifiable risks by developing future standards. For example, taking into consideration the new global policy called Basel 2, the Bank is preparing to measure previously unquantifiable risks regarding operations and systems in a quantifiable manner.

CREDIT RISK

■ Credit Rating System

Credit Ratings	Self-assessment	Classification of Borrowers	Categories
1		Sound (Ordinary)	Not Categorized
2			
3			
4			
5			
6			
7		Need Careful Monitoring (Special Mention)	II
8			
9		At Risk of Failure (Potentially Bankrupt)	III
10		Legally Bankrupt and Virtually Bankrupt	IV

Credit risk is the risk of partial loss or complete collapse of the value of assets, including off-balance-sheet assets, due to factors such as the deterioration of a borrower's financial condition. Since credit risk is one of the most significant risks that financial institutions face, the Bank takes the utmost care of its credit management by carrying out strict loan screening, and by diversifying risks through credit portfolio management.

Credit Risk Management System

The Bank has established a credit risk management system where branches and various related Head Office departments closely cooperate and cross-examine each other's credit risk to control credit risk to the fullest possible extent.

Specifically, based on credit policies and credit risk management policies formulated by the Board of Directors and the Credit Risk Committee,

1. the branches carry out appropriate initial assessment and management of loans based on a variety of internal regulations;
2. the Credit Supervision Departments carry out strict loan screening, provide appropriate guidance to branches and conduct complementary assessment of loans;
3. the Research Department conducts industry analysis and assigns credit ratings based on quantitative analysis; and
4. the Risk Management Department, which is independent of both the Research and Credit Supervision departments, audits the self-assessment of loans, quantifies risks and carries out related monitoring.

Credit Exposure

The Bank controls credit exposure (total amount of credit given) by counterpart or by each group of affiliated firms as a whole, irrespective of types of transactions involving the credit risk. Off-balance-sheet transactions are monitored on a current exposure basis (actual market value of the credit amount).

The Bank also controls credit exposure by country (the aggregate amount loaned to counterparts located in the same country) as a measurement for country risk, in addition to credit exposure to each counterpart.

Credit Rating System

The Bank has its own credit rating system that provides basic data for individual loan assessment and overall credit portfolio management. The Bank's credit rating system rates each counterpart's credit risk level on a scale of 1 to 10 and reflects the expected default rate based on the statistical analysis of bankruptcy data.

To maintain a sound credit portfolio, the Bank also writes off bad loans and accumulates loan loss reserves every fiscal year after assessing individual loans. The credit rating system and individual loan assessments are managed in a consistent manner to appropriately measure each counterpart's credit risk level.

Appropriate Return for Risk

The Bank seeks to acquire loan spreads justifiable for their credit risks as well as to diversify its credit portfolio, to maintain and improve its financial strength. The Bank measures a profitability level in view of expense ratios and expected loss ratios for each credit rating, and prices individual loans in a manner commensurate with its risk level.

Risk Management System

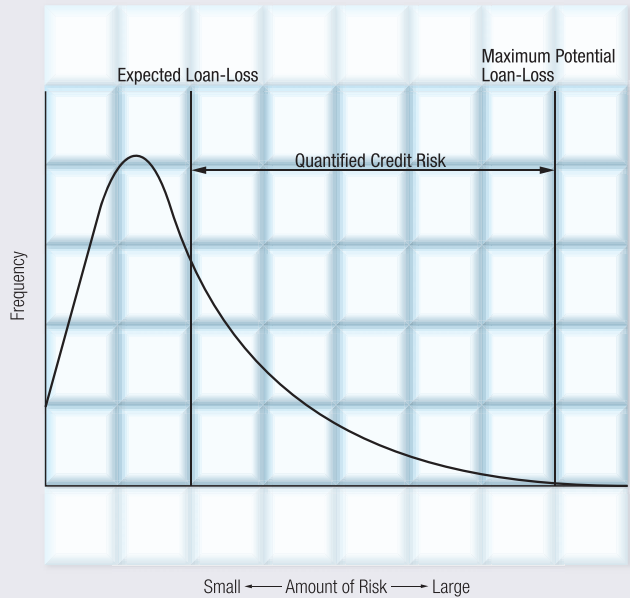
Credit Risk Quantification

To accurately calculate credit risks is significantly important for financial institutions. The Bank, with its sophisticated risk analysis systems, statistically analyzes potential default rates and losses by simulating 10,000 scenarios based on default rates and collection rates for each credit rating (see chart at right). Furthermore, taking into consideration extremely unfavorable situations, in which credit risks soar beyond expected scenarios, the Bank conducts stress tests to measure the credit risks under various stress scenarios.

The Bank periodically integrates credit risks of domestic and overseas credit portfolio. The monitored results including the credit risks under stress scenarios are directly reported to the Board of Directors.

To quantify credit risks is important not only for recognizing risk levels. Through analyzing credit risks, the Bank can monitor the soundness of business operations, maximize revenue while keeping an appropriate credit risk level and allocate capital in an optimal manner.

Quantified Credit Risk



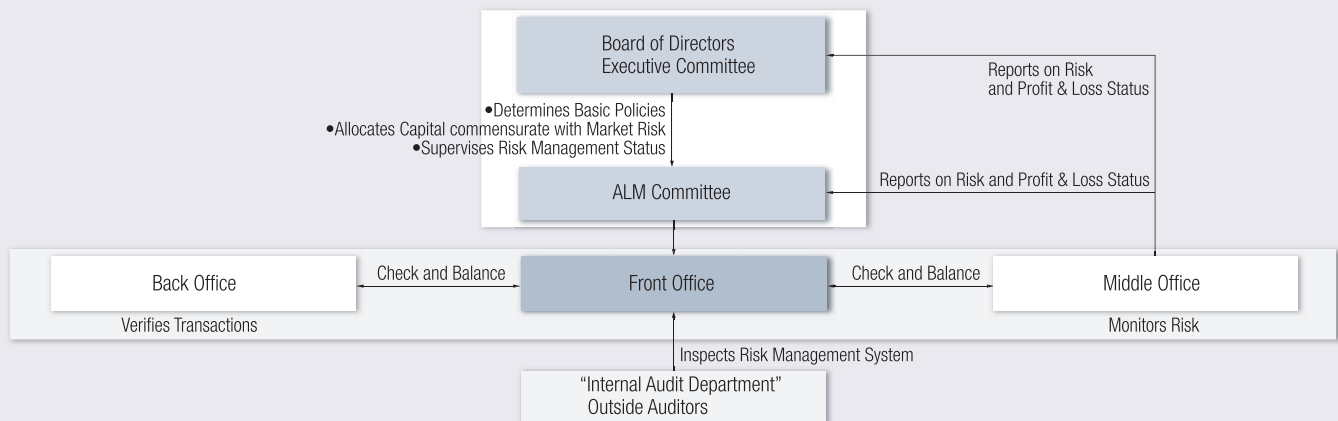
MARKET AND LIQUIDITY RISKS

Market risk is the risk of loss caused by a change in the value of assets and liabilities as a result of market fluctuations. Liquidity risk involves the risk of failure to obtain necessary funds as well as the risk of failure to transact in a prompt manner at an appropriate price.

Market and Liquidity Risk Management System

The Board of Directors determines the allocation of capital for market risk, taking into consideration the Bank's financial strength and the trade-off relationship between risk and return on a semi-annual basis. The Bank has set up an Asset and

Risk Management System of Market and Liquidity Risks



Liability Management (ALM) Committee, an institution committed to managing and controlling market-related risks, and appointed upper management including directors as members of the Committee for prompt decision-making. Based on the market and business environment, the ALM Committee works to ensure the quality of the Bank's assets and liabilities as well as to maintain earning stability by controlling market and liquidity risks on a consolidated basis. The ALM Committee reports quarterly on its activities to the Board of Directors.

The ALM Committee determines the basic policies relating to the management of market risk by establishing risk limits and loss amount limits that correspond to the particular characteristics of individual position and business activity.

The ALM Committee also determines basic policies relating to the management of liquidity risk, by setting guidelines based on the expected amount of liquidity and the available amount of liquidity, and monitoring their implementation. In addition, the ALM Committee sets contingency plans for scenarios involving liquidity risk.

Adhering to the basic policies of the ALM Committee, the Risk Management Department, an independent risk management unit, performs middle-office functions of measuring, monitoring and reporting on market and liquidity risks, profit and loss and compliance on risk limit and loss amount limit.

Furthermore, to ensure the highest possible level of system appropriateness, front-office activities with customers or other market participants are routinely checked by the middle office and back office departments. In addition, the Bank's risk management system is inspected on a regular basis by the Internal Audit Department and is regularly checked by outside auditors.

Methods of Risk Measurement

The Bank's market risk management system employs Value at Risk (VaR) measurement as a method to assess its exposure to the market risk. VaR uses historical market volatility data to statistically determine the maximum expected losses under specific conditions. In addition to calculating VaR, the Bank's market risk management system is capable of performing simulations and calculating various other risk management indicators, thereby providing a highly sophisticated means of controlling the market risk. This system is based on the delta method using covariance matrices for calculating

most types of market risks, and a historical simulation method for calculating the nonlinear risk associated with some option transactions.

Market Value

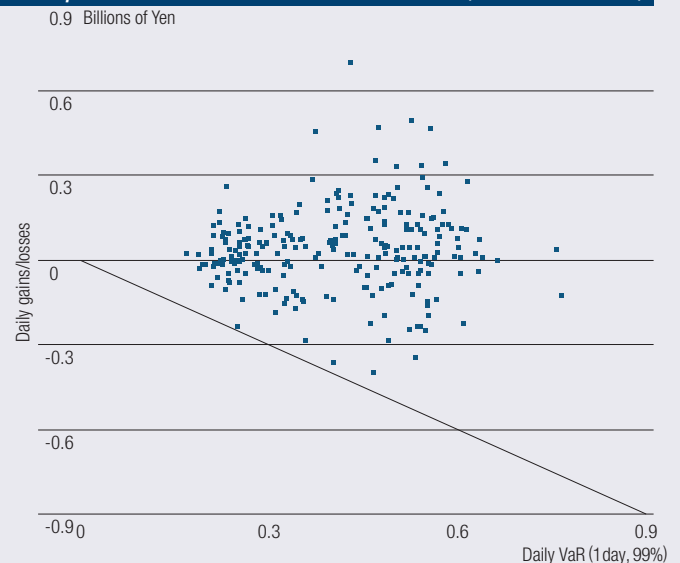
Market risk for the Bank's trading activities in fiscal year 2001 is summarized as follows:

VaR for Fiscal Year 2001 (99% confidence level, one-day holding period)

	Billions of Yen		
	Maximum	Minimum	Average
Interest rate risk -----	3.4	1.0	1.8
Foreign exchange risk ---	5.2	0.3	2.3
Consolidated VaR -----	7.6	1.8	4.1

* The table includes only market risk of trading account.

Comparison of Actual Gains and Losses with VaR (consolidated basis)



Stress Tests

The Bank recognizes the importance of simulations that assume market fluctuations far beyond expectations. The Risk Management Department therefore conducts stress tests to ensure that the capital is sufficient under various stress scenarios. The results of these tests are reported directly to the Board of Directors.

Back Testing

To verify the accuracy of the risk measurement model, the Bank carries out back testing by comparing daily-calculated

Risk Management System

VaR with daily actual gains and losses or simulated gains and losses within a fixed portfolio. The results of back testing for fiscal year 2001 confirm that the Bank's risk measurement method is accurate, as actual gains and losses are all within the range estimated by VaR calculations.

Strategic Cross-Shareholding Risk Management

The Bank owns shares of its strategically important customers to build long-term strategic relationships with them ("Strategic Cross-Shareholding"). Although the objective of cross-shareholding is different from other market-related activities, the risk of share price fluctuation must be properly managed since such transactions are not free from the market risk.

The Bank measures the market risk of strategic cross-shareholding by utilizing a market risk management system,

and manages the risk taking into consideration its financial strength. However, the Bank has a clear direction to reduce the market risk of strategic cross-shareholding, while carefully examining the expected return from relationships with important customers.

Settlement Risk

The Bank also works to evaluate settlement risk as a part of credit risk and liquidity risk, considering that settlement risk is closely related to these risks. Moreover, the Bank is committed to reducing foreign exchange settlement risk by participating in the Continuous Linked Settlement Bank (CLS Bank), which specializes in multi-currency payment clearing and settlement services.

COMPLIANCE SYSTEM

Trust banks are engaged in a wide array of activities that contribute to the stabilization of Japan's financial system, development of the national economy, and enhancement of social welfare, through lending as well as trust and asset management services. Accordingly, to fulfill its responsibilities toward society and maintain solid public confidence, the Bank believes that a high level of commitment to compliance is required. In April 1998, the Bank formulated an Ethics Charter outlining proper behaviors for management and employees. As stated in the Ethics Charter, the Bank positions compliance activities one of its top management priorities, vowing to "strictly adhere to all laws, rules and social regulations," "respect human rights and ethics and not trespass against moral law," and "behave with honesty and fairness."

The Bank works to achieve these goals by strengthening its compliance system and implementing various compliance measures.

Compliance System

The Compliance Committee (chaired by the Executive Officer supervising the Legal Department) inquires into and streamlines all compliance-related issues and counsels to the Board of Directors on necessary countermeasures.

The Compliance Office in the Legal Department serves as a secretariat to the Compliance Committee, drafts plans and recommendations for the Bank's compliance system, and handles all compliance-related issues in collaboration with related sections.

The Bank also appoints compliance officers at all domestic and overseas branches who carry out compliance checks and counsel employees on compliance-related issues in close collaboration with the Compliance Office.

Compliance Measures

1) Compliance Standards

The Bank has a Compliance Standards manual that contains fundamental policies that all employees must be familiar with to carry out their daily business activities in conformity with all relevant regulations.

2) Compliance Program

The Bank's Compliance Program provides an annual plan for the Bank's compliance measures.

3) Double Layer Compliance System

Primary compliance checks are made at all domestic and overseas branches by the appointed compliance officers. Further compliance checks are made by the Internal Audit Department.

4) Compliance Training

The Bank has allocated sufficient time for explaining compliance-related issues during official employee training sessions. Branches are also encouraged to educate their employees about compliance-related issues during their voluntary training sessions.

To conduct appropriate solicitation and sales activities of financial products from a customer point of view, the Bank established and disclosed “Promises to our customers,” the Bank’s solicitation guideline. It also educates employees on necessary regulations and provides training.

■ Compliance System



OPERATIONS, SYSTEMS AND EVENT RISKS

Operations Risk

Operations risk is the risk of loss caused from malpractice by the Bank’s employees or from failure to fulfill their responsibilities in an appropriate manner.

In addition to banking, the Bank is engaged in a broad range of trust activities, including pension trusts, asset management and stock transfer agency services. In these fields, a high degree of expertise is required. The Bank works to increase the accuracy and efficiency of its operations by upgrading operations and administrative systems, enhancing the capability of employees through training, and implementing more closely monitored procedures. At the same time, the Bank has established sections responsible for overseeing the operations and administrative functions of each business area.

Systems Risk

Advanced Computer systems have become indispensable to financial institutions. The disruption of services to customers caused by system troubles and unexpected accidents as well as malfunction and inappropriate use of computer systems will have far-reaching consequences of an unexpected magnitude.

The Bank has taken steps to cope with such systems risk by stipulating information security management regulations and specific measures for the establishment, maintenance and improvement of the information security.

Specifically, the Bank first analyzes specific risks inherent in each system and then builds multiple communication lines

and backup systems and prepares contingency plans to cope with such risks. In daily operations, the Bank works to monitor the systems risk, to prevent systems failure and to restore systems promptly in accordance with manuals when a problem is found. While the open network exemplified by the Internet makes our life more convenient, it creates a new risk of making the Bank’s internal computer network vulnerable to outside attacks and endangering customer privacy and the Bank’s confidential information. To promptly find problems in our network, the Bank watches out for attacks on the Internet on a 24-hour basis, and tests simulated hacking on its own network every month.

The Bank also continues to educate its upper management and employees about the importance of information security management so that all of them can share the same understanding and act to protect the Bank’s information system.

Event risk

Event risk is the risk of loss caused from unexpected disasters such as earthquakes or wars. The Bank has implemented a contingency plan for different situations instructing each department how to act when such events occur.

Sumitomo Trust Risk Management System Outline

Sumitomo Trust Risk Management System Outline (As of August 1, 2002)

■ Credit, Market and Liquidity Risks

Risk category	Definition	Major transactions	Front office: section that execute transaction	Middle office: risk management sections that calculate and monitor risk	Back office: operations and administration sections	Inspection	Committee	Policy- Making Committee	Executive Committee	Board of Directors
Credit risk (Note 1)	Risk of partial loss or complete collapse of the value of an asset due to the deterioration of a borrower's financial condition	Loans, off-balance-sheet transactions, financial market transactions	Branches Financial Products and Marketing Department Treasury Department	Risk Management Department	Branches Operations Support Department Treasury Operations Department Securities Business Planning Department	Internal Audit Department	Product Screening Committee	Credit Risk Committee		
Market risk	Risk of loss caused by a change in asset value as a result of market fluctuations	Off-balance-sheet transactions, financial market transactions	Branches Financial Products and Marketing Department Treasury Department		Branches Treasury Operations Department Securities Business Planning Department			ALM Committee		
Liquidity risk (Note 2)	Risk of failure to obtain necessary funds and the risk of failure to conduct transactions in a prompt manner at an appropriate price	Off-balance-sheet transactions, financial market transactions	Branches Financial Products and Marketing Department Treasury Department		Branches Treasury Operations Department Securities Business Planning Department					

Note 1 : Includes credit risk related to settlement risk

2 : Includes liquidity risk related to settlement risk

■ Compliance, Operations and Systems, and Event Risks

Risk category	Definition	Major transactions	Oversight body	Inspection	Committee	Executive Committee	Board of Directors
Compliance risk	Compliance with domestic and overseas laws and regulations	All transactions, all business activities	Legal Department	Internal Audit Department	Compliance Committee	Product Screening Committee	
(Legal risk)	Risk of loss caused by failure to complete a transaction due to legal obstacles	All transactions	Retail Business Planning Department Wholesale Business Planning Department Treasury Department Securities Business Planning Department Real Estate Business Planning Department				
Operations and Systems risk	Risk of loss caused by clerical mistakes and the risk of loss caused by the breakdown or malfunction of computer systems	All transactions	Systems Resources Management Department		Operations Risk Committee		
Event risk	Risk of loss caused by emergencies such as war and natural disasters	All transactions, all business activities	Corporate Administration Department				

FINANCIAL SECTION

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FEATURES OF TRUST BANKS' FINANCIAL STATEMENTS

1. Features of Trust Banks' Balance Sheets

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

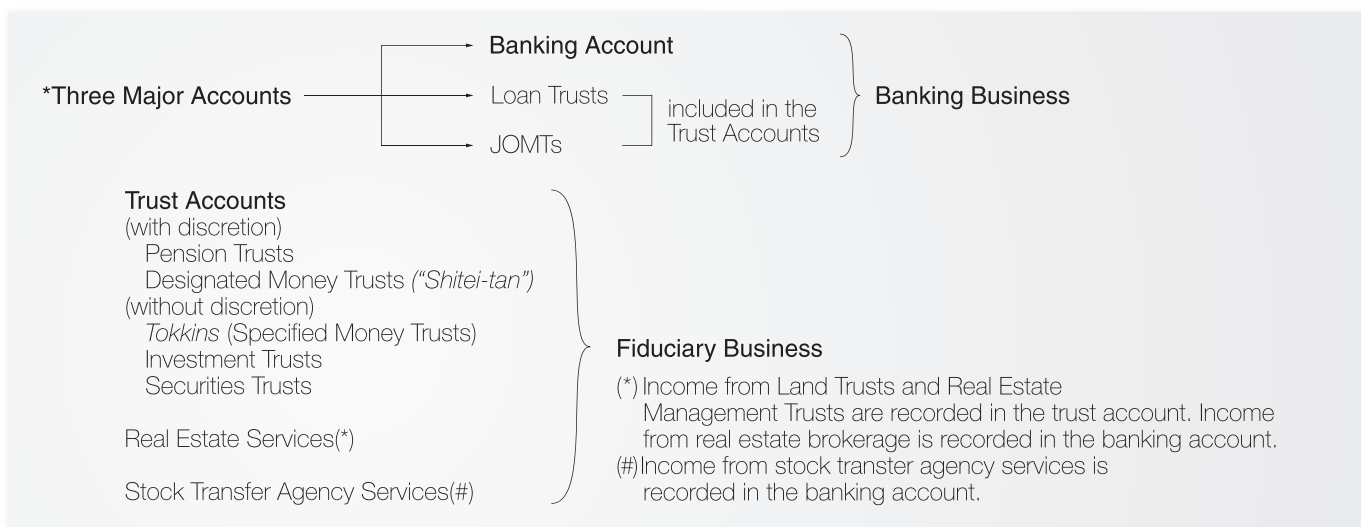
Among various trust accounts, Loan Trusts and Jointly-Operated Money Trusts ("JOMTs") are subject to principal-guaranteed contracts provided by trust banks and covered by deposit insurance. From the viewpoint that the banking account bears contingent liability by virtue of principal-guaranteed contracts attached to these two types of trusts, these trusts are included in banks' risk assets for the purpose of calculating the BIS capital adequacy ratio. At present, 50% of the total principal amount after deduction of the loan amount lent from trust account to banking account is counted as risk assets.

Loan Trusts and JOMTs, mentioned above, are booked and administrated separately from the banking account. Sumitomo Trust, though, refers to the banking account, Loan Trusts, and JOMTs as the "three major accounts" and manages them as a part of the banking business. We manage profits and losses, conduct asset liability management, and control the default risks

of the three major accounts in an integrated manner. As a case in point, our data for the loan-deposit margin "on three-major-account basis" are calculated upon the aggregation of assets and liabilities in the banking account, Loan Trusts, and JOMTs.

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

Loan Trusts and JOMTs have reserve accounts for possible losses called Reserves for Possible Impairment of Principal. The reserve account for Loan Trusts is stipulated in the Loan Trust Act. In accordance with the Act, trust banks are currently required to set no less than 2.5% and no more than 4.0% of loan trust fees aside for the reserve until it amounts to 0.5% of the total principal amount of Loan Trusts. The reserve account for JOMTs is set aside at the rate of 0.3% of the balance of



loans and other claims. For reference, non-performing claims of Loan Trusts and JOMTs are disposed of by direct write-offs to individual loans or other claims.

Balance sheets of trust banks feature accounts for inter-transaction between the banking account and the trust account. These are noted as the "borrowed money from trust account" (the banking account's borrowing from the trust account), which is posted on the liability side of the banking account, and "loans to

the banking account," posted on the asset side of the trust account. Please note that assets on the balance sheets for Loan Trusts and JOMTs are classified into "loans and bills discounted," "securities," and "other." "Other" accounts consist mainly of loans to the banking account.

2. Features of Income Statement of Trust Banks

Main items comprising Income Statement of Trust Banks are as shown below:

Net Trust Fees (after deducting credit costs for loan trusts and JOMTs)	←
+Net Interest Income	
+Net Fees and Commissions	
+Net Gains from Trading	
+Other	
<hr/>	
Gross Business Profit	
-General and Administrative expenses (excluding non-recurring expenses)	
-Net Transfer to General Reserve	
<hr/>	
Net Business Profit	
+Trust Account Credit Costs = Net Business Profit Before Trust Account Credit Costs	←
+Net transfer to General Reserve = Net Business Profit (Adjusted)	
+Net Non-Recurring Profit (Loss)	
<hr/>	
Net Operating Profit	
+Extraordinary Profit (Loss)	
<hr/>	
Net Income (Loss) before Income Tax	
-Income Tax	
-Deferred Income Tax	
<hr/>	
Net Income (Loss)	

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

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

* Trust Fees

Trust fees from Loan Trusts and JOMTs

Other trust fees

- pension asset management (corporate and public pensions)
- securities processing services (Investment Trusts and *Tokkins*)
- real estate services (Land Trusts and Real Estate Management Trusts)

* Fees and Commissions

Fees from transfer agency services

Fees from real estate brokerage

Fees from securities custody services, etc.

Fees from banking business (foreign exchange, securitization, etc.)

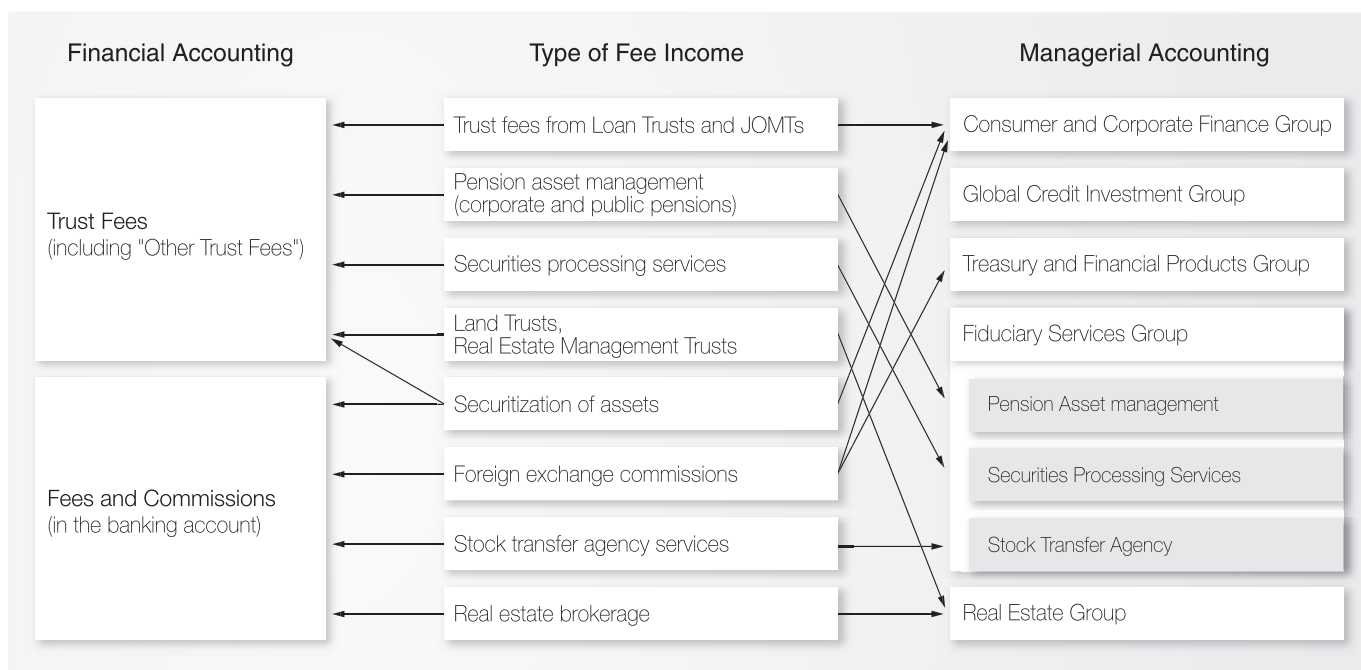
* Some of the "other trust fees" are received only once in the second half of each fiscal year. As a consequence, the amount of "trust fees" for the second half of each fiscal year exceeds that for the first half of the same fiscal year. Such imbalance is adjusted for the purpose of managerial accounting.

4. Managerial Accounting for Trust Banks

The Bank consists of five business groups. As of the end of fiscal year 2001, these five business groups were the "Customer and Corporate Finance Group," "Global Credit Investment Group," "Treasury and Financial Group," "Fiduciary Services Group" and "Real Estate Group." (*) Financial accounting is not designed to show the earning status of each business group. For the purpose of managing profitability by business, we also provide figures based on managerial accounting. To reconcile financial accounting and managerial accounting, one should particularly note the following reallocations of income among business groups. It should be noted that fee income, recorded as either "Trust Fees" or "Fees and Commissions" in terms of financial accounting, must be allocated to each business group. For example, trust fees from Loan Trusts and JOMTs are allocated in the Customer and Corporate Finance Group. Fees from securitization of assets are also posted in the Consumer and Corporate Finance Group. Foreign exchange commissions are posted in the Consumer and Corporate Finance Group as well

as in the Treasury and Financial Products Group. Fees from pension asset management (corporate and public pensions) and those from securities processing services—both of which are recorded under "Other Trust Fees" in the financial accounting—are allocated, respectively, in "Pension Asset Management" and "Securities Processing Services" in the Fiduciary Services Group. Fees from real estate brokerage and those from Land Trusts and Real Estate Management Trust (for the purpose of securitization)—recorded separately under "Fees and Commissions" and "Other Trust Fees" in financial accounting—are combined and posted in the Real Estate Group.

(*) In April 2002, the five business groups were reorganized into the "Retail Financial Services Group," "Wholesale Financial Services Group," "Treasury and Financial Products Group," "Fiduciary Services Group" and "Real Estate Group." (See Note in Page 10 for further explanation regarding restructuring of the business group management system.)



Management's Discussion and Analysis of Operating Results

Significant Financial Events

Unrealized gains/losses of "Available-for-Sale" securities

Under the "Accounting Standard for Financial Instruments" adopted in fiscal year 2000, starting from fiscal year 2001, the Bank started to record "net unrealized gains/losses on available-for-sale securities, net of tax," which represents the amount of net unrealized gains/losses with the impact of tax-effect accounting. As a result, ¥57.0 billion of net unrealized losses on available-for-sale securities, net of tax was recorded, reducing the Tier I amount by the same number.

Overview of Fiscal Year 2001 Results

The fiscal year 2001 was another one penetrated by the downward economic trend. With the "Structural Reforms" proceeded by Koizumi administration, conditions in the macro economy as well as the financial market stayed sluggish, with Nikkei 225 reaching ¥11,024.94 and TOPIX at 1,060.19 point at the end of March 2002, as well as the interest rate nearly hitting bottom. With respect to Japan's banking industry, disposal of non-performing loans and liquidation of cross-shareholding remained two critical issues and banks exerted themselves for early settlement of these problems.

Under such circumstances, the Bank's loss before income tax and net loss on a consolidated basis resulted in ¥56.4 billion and ¥42.4 billion, down significantly by ¥146.3 billion and ¥83.4 billion, respectively. The main factor for these losses is ¥104.1 billion of net losses from investment in securities, which include ¥103.5 billion devaluation losses due to the decline of stock prices in the stagnant stock market. With respect to the level of credit costs, which has been one of the main concerns for the banking sector over the past several years, the Bank recorded ¥110.0 billion of credit costs on a consolidated basis, substantially smaller than ¥156.5 billion of net business profit (adjusted; trust account credit costs and net transfer to general reserve included). The Bank's BIS capital adequacy ratio and Tier I ratio were 10.86% and 6.16%, down by 0.55% and 0.64%, respectively, on account of net unrealized losses on "available-for-sale" securities as well as the decreased retained earnings. However, these ratios are still kept at the highest level in Japan's banking industry, illustrating the Bank's sound capital base. The dividends on the common stock were ¥5 per share reduced by ¥2 from fiscal year 2000, with no interim dividend paid. The dividends on the preferred stock were ¥6.08 per share, the same as fiscal year 2000.

Trust Fees

Trust fees saw a large decrease of ¥15.3 billion, or 16.1% from fiscal year 2000. Fees from Loan Trust and Jointly-Operated Money Trusts (JOMTs) largely decreased along with the lowered balances in these products. Fees from entrusted trust assets ("Other Trust Fees") resulted in a slight decrease of ¥0.3 billion or 0.7% from fiscal year 2000, mainly due to the declined market value of entrusted assets, which offset the positive impact caused by the increased volume of entrusted assets.

Net Interest Income

Net interest income increased by ¥33.5 billion or 47.1% from fiscal year 2000, with the decrease in interest expenses (by ¥50.1 billion or 18.2%) surpassing that in interest income (by ¥16.6 billion or 4.8%). Income from foreign bonds operation substantially improved owing to the recovered yields in U.S. dollar and Euro.

Net Fees and Commissions

Net fees and commissions, which consist of non-interest income from the Bank's banking operations (not from its trust operations), increased by ¥4.4 billion or 14.1% from fiscal year 2000. This is a substantial growth as ¥12.9 billion outsourcing fees (¥5.1 billion for fiscal year 2000), which the Bank had to pay to Japan Trustee Services Bank, Ltd., had a negative impact on net fees and commissions. Increases in fee income from real estate brokerage, syndicated-loans, as well as sales of investment trusts, exceeded the negative impact by the outsourcing fees.

Net Trading Account Revenue

Net trading account revenue saw a large decrease by ¥5.8 billion or 55.4% from fiscal year 2000. Net revenue from trading securities dropped by ¥3.1 billion to ¥0.3 billion and net revenue from trading-related financial derivatives declined by ¥1.6 billion to ¥4.6 billion.

Net Other Operating Income

Net other operating income slightly decreased by ¥1.9 billion or 4.5% from fiscal year 2000. While capital gains on U.S. dollar and Euro bonds increased from fiscal year 2000, those on Japanese bonds saw a large fall.

Financial Section / Management's Discussion and Analysis of Operating Results

General and Administrative Expenses

General and Administrative Expenses decreased by ¥3.2 billion or 2.3% from fiscal year 2000, especially on account of the Bank's continuous efforts to reduce personnel expenses.

Net of Other Income and Expenses

Net of other income and expenses decreased by ¥164.4 billion

to minus ¥189.0 billion yen. Net of securities gains and losses resulted in minus ¥104.1 billion, with ¥103.5 billion losses from devaluation of securities. Expenses relating to problem loans, which here represent the total of credit costs in the banking account and net transfer to general reserve, amounted to ¥86.0 billion, decreasing by ¥33.9 billion from fiscal year 2000.

Operating Results (Consolidated)

YEARS ENDED MARCH 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2002	2001	Changes	2002
Trust Fees	¥ 80,421	¥ 95,807	¥ (15,385)	\$ 604
Net Interest Income	104,844	71,298	33,545	787
Net Fees and Commissions	36,372	31,885	4,486	273
Net Trading Account Revenue	4,698	10,535	(5,836)	35
Net Other Operating Income	41,079	43,023	(1,944)	308
General and Administrative Expenses	134,857	138,088	(3,231)	1,012
Net of Other Income and Expenses	(189,030)	(24,540)	(164,489)	(1,419)
Income (Loss) before Income Taxes	(56,470)	89,922	(146,392)	(424)
Net Income (Loss)	(42,480)	41,017	(83,498)	(319)

Trust Fees

Trust fees consist of two types of fees. One is trust fees from Loan Trusts and Jointly-Operated Money Trusts ("JOMTs"), which can be categorized as income from quasi-banking business, and the other is fees from asset management or trust and custody operations, such as Pension Trusts, Designated Money Trusts, Investment Trusts, and Securities Trusts, etc. Whereas the first type is a part of interest income, the second type is a part of non-interest income. The first type of trust fees equaled ¥53.1 billion (before elimination of credit costs in the trust accounts), down 29.8% from fiscal year 2000. The decreases in the balance of Loan Trusts and JOMTs continue to have a negative impact on this type of trust fees. However, the decreases in such trust account deposit products have been substituted

by the increases in float-rate deposit products in the banking account. Other trust fees went down by ¥343 million or 0.7%. With respect to the volume of Pension Trusts, although the ending volume slightly increased from that in March 2001, the yearly average balance, upon which the fees are calculated, decreased from that in fiscal year 2000, which caused a sluggish growth in fee income from Pension Trusts. In addition, a large decline in the volume of Investment Trusts, attributable to the outflow of MMF by virtue of the Enron problem, was another reason for the decrease in other trust fees. However, as the volumes of other entrusted assets are steadily increasing, other trust fees would have resulted in a steady growth but for the two above-mentioned negative elements.

Trust Fees

YEARS ENDED MARCH 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2002	2001	Changes	2002
Net Trust Fees	¥80,421	¥95,807	¥(15,385)	\$604
Trust Accounts Credit Costs (Eliminated)	23,981	31,502	(7,520)	180
Trust Fees from Loan Trusts and Jointly-Operated Money Trusts	53,102	75,665	(22,563)	399
(before eliminating trust accounts credit costs)				
Profits and Losses on Sale of Securities	(7,395)	(17,156)	9,761	(55)
Other Trust Fees	51,300	51,643	(343)	385

Net Interest Income

Net interest income increased by ¥33.5 billion or 47.0% from fiscal year 2000. While the income from domestic business remained low due to a sluggish improvement of the loan-deposit margin (See page 46) and income from Japanese bonds

decreased due to the low-level Yen yield, income from U.S. dollar and Euro bonds significantly increased due to the recovered yields of these currencies. Such a boost in income from foreign bonds was the main factor of the increased net business profit.

Net Interest Income (Consolidated)

YEARS ENDED MARCH 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2002	2001	Changes	2002
Interest Income	¥329,927	¥346,568	¥ (16,641)	\$2,476
Interest on Loans and Discounts	141,296	152,207	(10,910)	1,060
Interest and Dividends on Securities	175,122	149,474	25,648	1,314
Interest on Deposits with Banks	8,703	23,533	(14,830)	65
Interest on Interest Swaps	518	1,069	(551)	4
Other Interest Income	4,286	20,284	(15,997)	32
Interest Expenses	225,083	275,270	(50,186)	1,689
Interest on Deposits	76,625	90,462	(13,836)	575
Interest on Borrowings and Rediscounts	6,443	8,207	(1,763)	48
Interest on Corporate Bonds	8,098	9,384	(1,285)	61
Interest on Convertible Bonds	34	89	(55)	0
Interest on Interest Swaps	37,403	39,397	(1,994)	281
Other	96,477	127,728	(31,251)	724
Net Interest Income	104,844	71,298	33,545	787

Net Other Operating Income

Net other operating income saw a slight decrease of ¥1.9 billion, or 4.5% from fiscal year 2000. Net capital gains on bonds resulted in ¥25.8 billion yen, down by ¥4.0 billion from fiscal year 2000. While the capital gains on U.S. dollar and Euro bonds improved, those on Japanese bonds significantly

decreased, on account of changes in the yields of these currencies. Net gains on financial derivatives resulted in ¥2.7 billion, up ¥3.4 billion from fiscal year 2000. Since such derivatives are mainly used for hedging bond positions, an inverse correlation between the gains on bonds and those on derivatives is observed.

Net Other Operating Income (Consolidated)

YEARS ENDED MARCH 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2002	2001	Changes	2002
Other Operating Income	¥192,192	¥218,280	¥(26,087)	\$1,442
Gains on Foreign Exchange Transactions	3,321	5,343	(2,022)	25
Gains on Sale of Bonds (1)	65,818	86,156	(20,338)	494
Gains on Redemption of Bonds (2)	—	—	—	—
Gains on Financial Derivatives	5,522	1,976	3,546	41
Other	117,530	124,803	(7,272)	882
Other Operating Expenses	151,112	175,256	(24,143)	1,134
Losses on Sale of Bonds (3)	35,309	53,745	(18,435)	265
Losses on Redemption of Bonds (4)	1,037	—	1,037	8
Losses on Devaluation of Bonds (5)	3,643	2,572	1,070	27
Losses on Financial Derivatives	2,815	2,711	104	21
Other	108,307	116,226	(7,919)	813
Net Other Operating Income	41,079	43,023	(1,944)	308
Net Gains (Losses) on Bonds [(1)+(2)-(3)-(4)-(5)](#)	25,828	29,838	(4,010)	194

Financial Section / Management's Discussion and Analysis of Operating Results

General and Administrative Expenses

Total general and administrative expenses decreased by ¥3.2 billion, or 2.3% from fiscal year 2000. This is mainly due to the reduction in personnel expenses, cut by ¥3.2 billion compared with fiscal year 2000. The Bank's efforts in cost-reduction have

been very successful. As of March 2002, the Bank's general and administrative expenses had been reduced to the target level to be achieved by March 2005, as was set up in the "Revised Plan for Restoring Sound Management," announced in August 2001.

General and Administrative Expenses (Consolidated)

YEARS ENDED MARCH 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2002	2001	Changes	2002
Personnel Expenses	¥ 69,133	¥ 72,425	¥(3,292)	\$ 519
Other (Non-Personnel Expenses)	60,081	60,054	27	451
Taxes Other Than Income Taxes	5,642	5,608	33	42
Total	¥134,857	¥138,088	¥(3,231)	\$1,012

Net of Other Income and Expenses

Net of other income and expenses decreased by ¥164.4 billion to minus ¥189.0 billion. The main factor was the significant decline in the net capital losses on securities, which was negatively influenced by the downward phase of the stock market. Above all, devaluation of "available-for-sale securities" amounted to ¥103.5 billion due to the lower prices of stocks we held as of

March 2002. Expenses relating to problem loans, which here represent the total of credit costs in the banking account and net transfer to general reserve, amounted to ¥86.0 billion, decreasing by ¥33.9 billion or 28.3% from fiscal year 2000. The Bank's credit costs have been continuously decreasing since fiscal year 1999, in contrast with the upward trend for other major banks (See page 20).

Net of Other Income and Expenses (Consolidated)

YEARS ENDED MARCH 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2002	2001	Changes	2002
Net of Securities Gains and Losses	¥(104,130)	¥ 45,105	¥(149,236)	\$ (781)
Gains on Sale of Shares and Other Securities	24,295	86,040	(61,744)	182
Losses on Sale of Shares and Other Securities	24,913	11,190	13,722	187
Losses on Devaluation of Shares and Other Securities	103,513	29,743	73,769	777
Expenses Relating to Problem Loans (Banking Account Credit Cost)	86,041	120,014	(33,973)	646
Claims Written-Off	31,862	67,670	(35,807)	239
Provision for Reserve for Possible Loan Losses	56,879	48,916	7,963	427
General Reserves	5,369	19,737	(14,367)	40
Specific Loan Loss Reserves	53,368	30,619	22,748	401
Reserves for Loans to Restructuring Countries	(1,857)	(1,440)	(416)	(14)
Losses on Sale of Loans to the CCPC	322	942	(620)	2
Losses on Bulk Sales	(3,443)	910	(4,354)	(26)
Reserve for Financial Support to Specific Borrowers	—	(354)	354	0
Other Credit Costs	420	1,929	(1,509)	3
Other Expenses	29,926	39,286	(9,360)	225
Other Gains	31,068	89,655	(58,586)	233
Net of Other Income and Expenses	(189,030)	(24,540)	(164,489)	(1,419)

Financial Condition

Total Assets

As of March 31, 2002, the Bank's total assets amounted to ¥16,704.0 billion, decreasing by ¥1,156.9 billion or 6.5% from March 31, 2001. The decrease in investment securities by ¥1,496.4 billion or 22.8% to ¥5,609.8 billion was the main reason for the decreasing total assets. Among investment securities, Japanese bonds decreased by ¥487.5 billion to ¥1,407.9 billion, stocks decreased by ¥313.2 billion to ¥1,018.1 billion, and "other securities," including foreign bonds and stocks decreased by ¥695.6 billion to ¥2,643.7 billion.

Total Liabilities and Stockholders' Equity

Total liabilities of the Bank as of March 31, 2002 amounted to ¥15,956.0 billion decreased by ¥1,052.1 billion or 6.2% from March 31, 2001. Deposits and negotiable certificates of deposits increased by ¥452.0 billion and ¥629.2 billion to ¥8,171.8 billion and ¥1,602.2 billion, respectively. On the other

hand, borrowed money from trust accounts decreased by ¥909.4 billion to ¥2,074.4 billion, and collateral for lending securities dropped by ¥1,421.7 billion to ¥876.7 billion.

The Bank's stockholders' equity fell by ¥102.0 billion or 13.4% to ¥659.6 billion. Revaluation reserve for land, net of tax, decreased by ¥17.8 billion to ¥5.8 billion, and retained earnings decreased by ¥30.0 billion to ¥195.0 billion. Besides, net unrealized losses on available-for-sale securities, net of tax, which had not been an item in stockholders' equity as of March 31, 2001, amounted to ¥57.0 billion.

Capital

BIS capital adequacy ratio and Tier I capital ratio declined by 0.55% and 0.64% to 10.86% and 6.16%, respectively. Net unrealized losses on available-for-sale securities, net of tax, included in Tier I from fiscal year 2001, reduced Tier I capital by ¥57.0 billion.

BIS Capital Adequacy Ratio

As of MARCH 31	Billions of Yen, except for percentages		
	2002	2001	Changes
Total Qualifying Capital	¥ 1,293.6	¥ 1,381.2	¥ (87.6)
Tier I Capital	734.1	823.6	(89.5)
Net Unrealized Losses on Available-for-sale Securities, Net of Tax	(57.0)	0.0	(57.0)
including: Non-cumulative Preferred Securities (*)	83.0	83.0	0.0
Tier II Capital	562.4	560.0	2.3
Upper Tier II	293.8	267.6	26.1
Subordinated Debts	205.5	170.6	34.8
General Reserve for Possible Loan Losses	84.0	79.5	4.4
Unrealized Gains on Land after 55% Discount	4.2	17.4	(13.1)
Lower Tier II	268.5	292.4	(23.9)
Deductive Items (-)	2.9	2.4	0.5
Total Risk-Adjusted Assets	11,908.0	12,098.2	(190.2)
On-Balance-Sheet Items	10,364.4	10,279.1	85.2
Off-Balance-Sheet Items	1,475.0	1,749.0	(274.0)
Market Risk Equivalents	68.5	70.0	(1.4)
Tier I Capital Ratio	6.16%	6.80%	(0.64)%
BIS Capital Ratio	10.86%	11.41%	(0.55)%

(*) For detailed information of Non-cumulative preferred securities, see "Summary of Description of the Non-cumulative Preferred Securities ("The Offered Securities")" on page 47

Financial Section / Management's Discussion and Analysis of Operating Results

Classified Assets under Financial Reconstruction Law

The total of "Bankrupt and Practically Bankrupt," "Doubtful," and "Substandard" (Banking Account and Trust Accounts combined) increased by ¥156.2 billion from March 31, 2001 to ¥689.0 billion. Especially, the volume of "Substandard" amounted to ¥217.5 billion, six times the amount at March 31, 2001 due to a stricter definition that the Bank applied for this category.

However, the percentage of these classified assets to the total amount of assets resulted in 6.1%, which is one of the lowest among Japan's major banks. Total coverage ratio, which indicates the percentage of assets covered by collateral, guarantees, or cash reserves, went down from 91% at March 2001 to 78% at March 2002.

Classified Assets under Financial Reconstruction Law

Banking Account (After Partial Direct Write-Off)

(Non-consolidated)

Classification	Billions of Yen							
	Balance		Coverage Ratio		Collateral/Reserve	Reserve Ratio		
	Mar.2002	Mar.2001	Mar.2002	Mar.2001		Mar.2002	Mar.2002	Mar.2001
Bankrupt and Practically Bankrupt (A)	34.0	70.3	100%	100%	Specific Reserve	4.9	100%	100%
					Collateral/Guarantee	29.1		
					Uncovered	60.6		
Doubtful (Kiken-Saiken)(B)	376.5	366.0	83%	95%	Specific Reserve	128.4	67%	89%
					Collateral/Guarantee	187.5		
					Uncovered	48.2		
Substandard (Yo-Kanri-Saiken)(C)	148.5	32.8	67%	71%	General Reserve	36.9	43%	30%
					Reserve for Financial Assistance to Specific Borrowers	—		
					Collateral/Guarantee	63.4		
Ordinary Assets (Seijo-Saiken)	8,878.7	8,360.4			General Reserve	45.5		
					Reserve for Losses to Restructuring Countries	1.2		
Total of (A), (B) and (C)	559.1	469.1						
Total	9,437.8	8,829.5						

Financial Section / Management's Discussion and Analysis of Operating Results

Trust Accounts
(Non-consolidated)

Classification	Billions of Yen					
	Balance		Coverage Ratio		Collateral/Reserve	Reserves
	Mar.2002	Mar.2001	Mar.2002	Mar.2001		
Bankrupt and Practically Bankrupt (D)	13.2	15.1	98%	100%	Collateral/Guarantee	0.3 Reserve for Loan Trust (Tokubetsu-Ryuhokin) 12.9
Doubtful (Kiken-Saiken)(E)	47.9	46.0	69%	90%	Uncovered	14.7 18.6
Substandard (Yo-Kanri-Saiken) (F)	68.9	2.6	59%	52%	Collateral/Guarantee	33.2 Reserve for JOMTs
Ordinary Assets (Seijo-Saiken)	1,749.1	2,255.0			Uncovered	27.8 (Saiken Shoukyaku)
Total of (D), (E) and (F)	130.0	63.8			Collateral/Guarantee	41.1 Junbikin) 0.7
Total	1,879.1	2,318.7				

Total Classified Assets
(Banking and Trust Accounts Combined)

Classification	Billions of Yen							
	Balance		Coverage Ratio		Collateral/Reserve	Reserve Ratio		
	Mar.2002	Mar.2001	Mar.2002	Mar.2001		Mar.2002	Mar.2002	Mar.2001
Bankrupt and Practically Bankrupt (G)	47.2	85.4	99%	100%	Uncovered	0.3		
					Specific Reserve	4.9	94%	100%
					Collateral/Guarantee	42.0		
Doubtful (Kiken-Saiken)(H)	424.4	412.0	82%	95%	Uncovered	75.3		
					Specific Reserve	128.4	63%	86%
					Collateral/Guarantee	220.7		
Substandard (Yo-Kanri-Saiken)(I)	217.5	35.4	64%	70%	Uncovered	76.1		
					General Reserve	36.9		
					Reserve for Financial Assistance to Specific Borrowers	—	33%	27%
					Collateral/Guarantee	104.5		
Ordinary Assets (Seijo-Saiken)	10,627.8	10,615.4			General Reserve	45.5		
Total of (G), (H) and (I)	689.0	532.8			Reserve for Losses to Restructuring Countries	1.2		
Total	11,318.9	11,148.3						

Financial Section / Management's Discussion and Analysis of Operating Results

Breakdown of Credit Costs (Non-Consolidated; Banking and Trust Accounts)

YEARS ENDED MARCH 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2002	2001	Changes	2002
Banking Account	¥ 81,431	¥115,311	¥(33,880)	\$611
Claims Written-Off	31,579	63,382	(31,802)	237
Provision for Reserve for Possible Loan Losses	52,940	49,811	3,131	397
General Reserves	6,223	21,113	(14,889)	47
Specific Loan Loss Reserves	48,574	30,138	18,436	365
Reserves for Loans to Restructuring Countries	(1,857)	(1,440)	(416)	(14)
Losses on Sale of Loans to the CCPC	322	942	(620)	2
Losses on Bulk Sales	(3,447)	116	(3,563)	(26)
Reserve for Financial Support to Specific Borrowers	—	(354)	354	0
Other Credit Costs	37	1,413	(1,375)	0
Trust Accounts	23,981	31,502	(7,520)	180
Claims Written-Off	22,827	27,687	(4,860)	171
Losses on Sale of Loans to the CCPC	1,666	3,525	(1,859)	13
Losses on Bulk Sales	(511)	289	(801)	(4)
Total Credit Costs	¥105,413	¥146,813	¥(41,400)	\$791

Spread (Domestic Three Major Accounts)

Banking A/C	Percentage points		
	2002	2001	Changes
YEARS ENDED MARCH 31			
Average Yield on Interest-Earning Assets (a)	1.30%	1.55%	(0.25%)
Loans and Bills Discounted (A)	1.45%	1.66%	(0.21%)
Securities	1.14%	1.52%	(0.38%)
Average Yield on Interest-Bearing Liabilities (b)	0.34%	0.45%	(0.11%)
Deposits (B)	0.25%	0.37%	(0.12%)
Gross Margin (a)-(b)	0.96%	1.10%	(0.14%)
Loan-Deposit Margin (A)-(B)	1.20%	1.29%	(0.09%)

**Summary of 8,300 Floating Rate Noncumulative Preferred Securities,
Liquidation Preference ¥10 million per Security (the "Securities")
Issued by STB Preferred Capital (Cayman) Limited (the "Company")**

The Securities are intended to provide holders (i) with rights to dividends that are equivalent to, and (ii) with rights to liquidation preferences that are the same as, those to which holders would be entitled if they had purchased noncumulative nonvoting perpetual preferred stock issued directly by The Sumitomo Trust and Banking Co., Ltd. (the "Bank"), except that these rights are against the Company and not against the Bank. Accordingly, if the Bank's financial condition were to deteriorate, including the occurrence of a Liquidation Event or the delivery of a Supervisory Period Dividend Instruction or the delivery of an Insolvency Certificate, the Company and the holders of the Securities could suffer direct and materially adverse consequences, including suspension of noncumulative dividends on the Securities and, if a Liquidation Event occurs with respect to the Bank, loss by holders of the Securities of their investment. The Bank determined to include the proceeds from the sale of the Securities in its Tier I capital on a consolidated basis as a qualified core capital without limitation because of their terms and conditions including but not limited to non-step-up feature in terms of the dividend rate.

The Company

STB Preferred Capital (Cayman) Limited (the "Company"), a wholly owned subsidiary of the Bank with capital of ¥2,000 million incorporated in Grand Cayman, the Cayman Islands, which issued the Securities to investors and funded a perpetual ¥85,000 million subordinated loan to the Bank.

The Securities

8,300 floating rate noncumulative preferred securities, liquidation preference ¥10 million per security, issued on March 26, 1999 in the euro market.

Dividend

(General)

Dividends are payable at a floating rate of 6 months Yen LIBOR plus 3.00% per annum, semi-annually in arrears on the 25th day of January and July in each year.

(Dividend Limitation)

If the Bank declares less than full dividends on its preferred stock, the aggregate amount of dividends payable on the Securities will be limited to an amount representing the same proportion to the full dividends thereof as the proportion of so declared dividends to the full dividends on such preferred stock.

(Distributable Profits Limitation)

The dividends on the Securities are limited to the amount of the Bank's distributable profit after deduction of any dividends and other distributions declared to be paid on (a) any class of preferred stock of the Bank, (b) securities issued by the Bank's other subsidiaries ranking on a parity with any class of the Bank's preferred stock as to dividends rights, and (c) Dividend Parity Shares (if any). However, if the aggregate amount of (p) the full dividends on the Securities and (q) full dividends and other distributions on (b) and (c) exceeds the Bank's distributable profit after deduction of dividends on (a), the dividends on the Securities shall be reduced to the portion thereof representing the same proportion that (p) bears to (p) plus (q).

(Mandatory Dividends)

If the Bank pays any dividends on any of its common stock with respect to any financial year of the Bank, then the Company will be required to pay full dividends on the Securities for the applicable year, irrespective of whether a No Dividend Instruction or a Reduced Dividend Instruction is given, but subject to the condition under Insolvency Certificate, Distributable Profits Limitation, Supervisory Period Dividend Instruction, and Liquidation Period as described here.

(Liquidation Period)

The Company may not pay dividends on the Securities if a Liquidation Event has occurred and is continuing. A Liquidation Event shall occur if (a) a liquidation proceeding of the Bank under the laws of Japan is commenced or (b) a competent court in Japan shall have (x) adjudicated the commencement of the bankruptcy proceeding or (y) approved a preparation of reorganization plan for liquidation of the Bank.

(Insolvency Certificate)

In the event that the Bank becomes insolvent, the Bank shall promptly deliver to the Company an Insolvency Certificate and dividends may be suspended. Insolvency means that (x) the Bank is not or will not be able to pay its debts as they become due, or the Bank's liabilities would exceed its assets or (y) the Japanese administrative agency in charge of financial supervision determined that the Bank is insolvent.

(No Dividend Instruction / Reduced Dividend Instruction)

Except for dividends required to be paid as described under Mandatory Dividends above, the Bank may deliver to the Company (a) a No Dividend Instruction not to pay dividends or (b) a Reduced Dividend Instruction to limit the payment of dividends to a proportion less than 100% of full dividends. In such cases the Company shall not pay dividends on the Securities in excess of the Bank's instruction.

(Supervisory Period Dividend Instruction)

If the Bank's risk-adjusted total capital ratio or risk-adjusted core capital ratio were to decline below the minimum percentages required by Japanese banking regulations which are currently 8.0% and 4.0% respectively for Japanese banks engaged in international operation, the Bank may deliver a Supervisory Period Dividend Instruction to the Company, instructing it not to pay dividends on the Securities or limit them to less than 100%.

Redemption

The Securities may be redeemed in whole or in part on any dividend payment date on or after July 2009 at the option of the Company subject to the prior approval of the holders of the ordinary shares and applicable regulatory requirements. The Securities may not be redeemed prior thereto except in whole upon the occurrence of a Tax Event which will require the Company or the Bank to pay an additional tax amount with respect to the Securities, or a Capital Event in which the Securities are determined by the Bank, after consultation with the Japanese administrative agency in charge of financial supervision, not to be included in the core capital of the Bank. The redemption price is ¥10 million per security, plus unpaid dividends for the applicable dividend period.

Use of Proceeds

The proceeds to the Company from the sale of the Securities and the issuance of the ordinary shares were ¥85,000 million. The company used such proceeds to advance the Subordinated Loan to the Bank for the use of its general corporate purposes.

Subordinated Loan

The principal amount is ¥85,000 million. Interest is payable on the 25th day of January and July in each year, provided that any interest will not be due or payable and will be permanently forgiven if an Insolvency Certificate has been delivered. The Subordinated Loan will be repayable by the Bank at its option, subject to the approval of the Japanese administrative agency in charge of financial supervision, on any date on which the Securities are redeemed.

If a Liquidation Event shall be deemed to have occurred and is continuing, (i) the obligation of the Bank to make payments of interest will be suspended and (ii) the Subordinated Loan Agreement will represent or evidence a subordinated claim of the Company in the liquidation of the Bank. A Liquidation Event shall occur if (a) a liquidation proceeding of the Bank under the laws of Japan is commenced or (b) a competent court in Japan shall have (x) adjudicated the commencement of the bankruptcy proceeding or (y) approved a preparation of reorganization plan for liquidation of the Bank.

The Subordinated Loan Agreement does not provide for acceleration in any event even if an event of default occurs. An event of default shall be deemed to occur if the Bank fails to pay the full amount of interest on the Subordinated Loan.

The Subordinate Loan generates funds for distribution to the holders of the Securities.

Financial Section / CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEETS — The Sumitomo Trust & Banking Company, Limited at March 31, 2002 and 2001

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Assets:			
Cash and Due from Banks (Notes 2 and 29)	¥ 835,193	¥ 685,323	\$ 6,268
Call Loans and Bills Bought	98,378	95,880	738
Commercial Paper and Other Debt Purchased	51,009	11,900	383
Trading Assets (Notes 2,3,5 and 9)	515,827	640,568	3,871
Money Held in Trust (Notes 2 and 4)	59,665	75,614	448
Investment Securities (Notes 2, 5 and 9)	5,069,838	6,566,313	38,048
Loans and Bills Discounted (Notes 6 and 9)	8,922,465	8,193,779	66,960
Foreign Exchanges	7,656	11,861	57
Other Assets (Notes 2, 7, 9 and 25)	629,475	1,028,001	4,724
Premises and Equipment (Notes 2 and 8)	121,158	155,717	909
Deferred Tax Assets (Note 24)	250,365	204,413	1,879
Customers' Liabilities for Acceptances and Guarantees (Note 17)	364,550	379,695	2,736
Reserve for Possible Loan Losses (Note 2)	(221,562)	(188,057)	(1,663)
Reserve for Losses on Investment Securities (Note 2)	--	(7)	--
Total Assets (Note 27)	¥16,704,021	¥17,861,005	\$125,359
Liabilities:			
Deposits (Notes 9 and 10)	¥ 8,171,802	¥ 7,719,790	\$ 61,327
Negotiable Certificates of Deposit (Note 10)	1,602,252	973,014	12,024
Call Money and Bills Sold (Note 9)	627,512	417,997	4,709
Payable Under Repurchase Agreements (Notes 2 and 9)	928,407	--	6,967
Trading Liabilities (Notes 2 and 3)	203,045	199,068	1,524
Borrowed Money (Notes 9 and 11)	131,149	358,024	984
Foreign Exchanges	4,809	7,831	36
Corporate Bonds (Note 12)	433,498	443,609	3,253
Convertible Bonds (Note 13)	6,000	6,665	45
Borrowed Money from Trust Account (Note 14)	2,074,447	2,983,852	15,568
Collateral for Lending Securities (Note 2)	876,757	2,298,530	6,580
Other Liabilities (Note 16)	518,386	1,197,156	3,890
Reserve for Employee Bonuses (Note 2)	4,752	--	36
Reserve for Employee Retirement Benefits (Notes 2 and 15)	2,515	1,675	19
Reserve for Possible Losses on Loans Sold (Note 2)	250	3,379	2
Deferred Tax Liabilities (Notes 5 and 24)	45	167	0
Deferred Tax Liabilities on Revaluation Reserve for Land (Notes 8 and 24)	3,687	15,034	28
Negative Goodwill (Note 2)	2,212	2,766	17
Acceptances and Guarantees (Note 17)	364,550	379,695	2,736
Total Liabilities	15,956,082	17,008,260	119,745
Minority Interest	88,290	91,076	663
Stockholders' Equity:			
Preferred Stock (Note 18)	50,000	50,000	375
Common Stock (Note 18)	234,053	233,985	1,756
Capital Surplus (Note 18)	237,472	237,405	1,782
Revaluation Reserve for Land, Net of Tax (Note 8)	5,809	23,653	44
Retained Earnings (Note 18)	195,034	225,110	1,464
Net Unrealized Losses on Available-for-Sale Securities, Net of Tax (Note 5)	(57,022)	--	(428)
Foreign Currency Translation Adjustment	(1,465)	(6,315)	(11)
Treasury Stock (Note 18)	(4,233)	(2,170)	(32)
Total Stockholders' Equity	659,647	761,668	4,950
Total Liabilities, Minority Interest and Stockholders' Equity	¥16,704,021	¥17,861,005	\$125,359

	Yen		U.S. Dollars (Note 1)
Net Assets per Share (Note 2)	¥ 386.86	¥ 456.65	\$ 2.90

See accompanying notes.

Financial Section / CONSOLIDATED STATEMENTS OF OPERATIONS

CONSOLIDATED STATEMENTS OF OPERATIONS — The Sumitomo Trust & Banking Company, Limited for the years ended March 31, 2002 and 2001

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Income:			
Trust Fees	¥ 80,421	¥ 95,807	\$ 604
Interest Income:			
Interest on Loans and Discounts	141,296	152,207	1,060
Interest and Dividends on Securities	175,122	149,474	1,314
Other Interest Income (Note 19)	13,507	44,887	101
	329,927	346,568	2,476
Fees and Commissions	61,041	49,767	458
Trading Revenue (Note 20)	5,354	10,569	40
Other Operating Income (Note 21)	192,192	218,280	1,442
Other Income (Note 22)	55,364	175,695	415
Total Income (Note 27)	724,301	896,688	5,436
Expenses:			
Interest Expenses:			
Interest on Deposits	76,625	90,462	575
Interest on Borrowings and Rediscounts	6,443	8,207	48
Other Interest Expenses (Note 19)	142,013	176,600	1,066
	225,083	275,270	1,689
Fees and Commissions	24,668	17,881	185
Trading Expenses (Note 20)	655	34	5
Other Operating Expenses (Note 21)	151,112	175,256	1,134
General and Administrative Expenses (Note 23)	134,857	138,088	1,012
Other Expenses (Note 22)	244,394	200,236	1,834
Total Expenses (Note 27)	780,772	806,766	5,859
Income (Loss) before Income Taxes (Note 27)	(56,470)	89,922	(424)
Income Taxes: (Note 24)			
Current	4,543	4,368	34
Deferred	(22,516)	40,562	(169)
Minority Interest In Net Income	3,983	3,973	30
Net Income (Loss)	¥(42,480)	¥ 41,017	\$ (319)
	Yen		U.S. Dollars (Note 1)
Net Income (Loss) per Share (Note 2)	¥ (29.87)	¥ 27.88	\$ (0.22)
Net Income per Share (fully diluted) (Note 2)	—	27.54	—

See accompanying notes.

Financial Section / CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY ----- The Sumitomo Trust & Banking Company, Limited for the Years Ended March 31, 2002 and 2001

	Number of Shares of		Millions of Yen							
	Preferred Stock (Thousands)	Common Stock (Thousands)	Preferred Stock	Common Stock	Capital Surplus	Revaluation Reserve for Land	Retained Earnings	Net Unrealized Losses on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Common Stock in Treasury
Balance at March 31, 2000 -----	125,000	1,444,307	¥50,000	¥232,068	¥235,487	¥25,605	¥192,475	¥ --	¥ --	¥ (119)
Net Income -----							41,017			
Cash Dividends Paid -----							(10,860)			
Shares Issued upon Conversion										
of Convertible Bonds -----		7,670		1,917	1,917					
Net Change -----									(6,315)	(2,051)
Adjustment due to Sale										
of Revalued Property -----						(1,951)	2,477			
Balance at March 31, 2001 -----	125,000	1,451,977	¥50,000	¥233,985	¥237,405	¥23,653	¥225,110	¥ --	¥(6,315)	¥(2,170)
Net Loss -----							(42,480)			
Cash Dividends Paid -----							(5,451)			
Shares Issued upon Conversion										
of Convertible Bonds -----		270		67	67					
Net Change -----								(57,022)	4,849	(2,062)
Adjustment due to Sale										
of Revalued Property -----						(17,844)	17,856			
Balance at March 31, 2002 -----	125,000	1,452,247	¥50,000	¥234,053	¥237,472	¥ 5,809	¥195,034	¥(57,022)	¥(1,465)	¥(4,233)

	Millions of U.S. Dollars (Note 1)							
	Preferred Stock	Common Stock	Capital Surplus	Revaluation Reserve for Land	Retained Earnings	Net Unrealized Losses on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Common Stock in Treasury
Balance at March 31, 2001 -----	\$375	\$1,756	\$1,782	\$178	\$1,689	\$ --	\$(47)	\$(16)
Net Income -----					(319)			
Cash Dividends Paid -----					(41)			
Shares Issued upon Conversion								
of Convertible Bonds -----		1	1					
Net Change -----						(428)	36	(15)
Adjustment due to Sale								
of Revalued Property -----				(134)	134			
Balance at March 31, 2002 -----	\$375	\$1,756	\$1,782	\$ 44	\$1,464	\$(428)	\$(11)	\$(32)

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS — The Sumitomo Trust & Banking Company, Limited for the years ended March 31, 2002 and 2001

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Cash Flows from Operating Activities :			
Income (Loss) before Income Taxes and Minority Interest	¥ (56,470)	¥ 89,922	\$ (424)
Depreciation	7,100	7,920	53
Amortization of Negative Goodwill	(553)	(935)	(4)
Equity in Losses of Affiliates	8	64	0
Increase (Decrease) in Reserve for Possible Loan Losses	40,704	(161,262)	305
Increase (Decrease) in Reserve for Losses on Investment in Securities	(7)	7	(0)
Increase (Decrease) in Reserve for Possible Losses on Loans Sold	(3,128)	(2,623)	(23)
Increase (Decrease) in Reserve for Financial Assistance to Specific Borrowers	—	(18,203)	—
Increase (Decrease) in Reserve for Employee Bonuses	4,752	—	36
Increase (Decrease) in Reserve for Retirement Allowances	—	(18,281)	—
Increase (Decrease) in Reserve for Employee Retirement Benefits	1,048	1,665	8
Interest Income	(329,927)	(346,568)	(2,476)
Interest Expenses	225,083	275,270	1,689
Losses (Gains) on Securities	70,147	(116,994)	526
Losses (Gains) on Money Held in Trust	122	3,049	1
Losses (Gains) on Foreign Exchange	(225,442)	(98,995)	(1,692)
Losses (Gains) on Sale of Premises and Equipment	(2,249)	2,848	(17)
Net Decrease (Increase) in Trading Assets	124,741	(186,374)	936
Net Increase (Decrease) in Trading Liabilities	3,976	67,690	30
Net Decrease (Increase) in Loans and Bills Discounted	(768,949)	(453,487)	(5,771)
Net Increase (Decrease) in Deposits	452,011	1,278,292	3,392
Net Increase (Decrease) in Negotiable Certificates of Deposit	629,237	(252,357)	4,722
Net Increase (Decrease) in Borrowed Money	59,738	(13,010)	448
Net Decrease (Increase) in Due from Banks other than from Bank of Japan	274,416	150,177	2,059
Net Decrease (Increase) in Call Loans and Others	(41,607)	362,700	(312)
Net Decrease (Increase) in Collateral for Borrowing Securities	1,306	43,317	10
Net Increase (Decrease) in Call Money and Others	1,137,921	304,997	8,540
Net Increase (Decrease) in Collateral for Lending Securities	(1,421,772)	1,311,017	(10,670)
Net Decrease (Increase) in Foreign Exchange Assets	9,683	75,880	73
Net Increase (Decrease) in Foreign Exchange Liabilities	(3,021)	3,396	(23)
Net Increase (Decrease) in Corporate Bonds	—	(512)	—
Net Increase (Decrease) in Borrowed Money from Trust Account	(909,405)	(928,946)	(6,825)
Interest Income Received on Cash Basis	339,903	396,299	2,551
Interest Expense Paid on Cash Basis	(241,643)	(312,499)	(1,813)
Other-Net	(301,455)	106,337	(2,262)
Subtotal	(923,729)	1,569,803	(6,932)
Income Tax Paid	(4,929)	(1,926)	(37)
Net Cash Provided by (Used in) Operating Activities	(928,658)	1,567,876	(6,969)
Cash Flows from Investing Activities :			
Purchase of Securities	(8,104,083)	(17,891,821)	(60,819)
Proceeds from Sales of Securities	8,516,275	13,767,044	63,912
Proceeds from Redemption of Securities	877,043	2,615,201	6,582
Increase in Money Held in Trust	—	(42,600)	—
Decrease in Money Held in Trust	15,811	29,483	119
Purchases of Premises and Equipment	(10,401)	(5,716)	(78)
Proceeds from Sales of Premises and Equipment	39,339	6,814	295
Purchase of Stock of Newly Consolidated Subsidiaries	—	(159)	—
Cash Decrease due to Sale of a Subsidiary	(2,051)	—	(15)
Other	—	25,000	—
Net Cash Provided by (Used in) Investing Activities	1,331,933	(1,496,753)	9,996
Cash Flows from Financing Activities :			
Proceeds from Subordinated Borrowings	35,000	—	263
Proceeds from Subordinated Bonds and Notes	49,604	63,200	372
Redemption of Subordinated Bonds and Notes	(60,767)	(51,917)	(456)
Proceeds from Issuance of Stock to Minority Stockholders	—	462	—
Cash Dividends Paid	(5,446)	(10,852)	(41)
Cash Dividends Paid to Minority Shareholders	(2,869)	(2,866)	(22)
Purchases of Treasury Stock for Stock Option	(2,053)	(2,053)	(15)
Other-Net	(9)	2	(0)
Net Cash Provided by (Used in) Financing Activities	13,457	(4,025)	101
Effect on Exchange Rate Changes on Cash and Cash Equivalents	7,553	2,203	57
Net Change in Cash and Cash Equivalents	424,286	69,301	3,184
Cash and Cash Equivalents at Beginning of Year	240,229	170,927	1,803
Cash and Cash Equivalents at End of Year	¥ 664,515	¥ 240,229	\$ 4,987

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Financial Statements

The accompanying translated consolidated financial statements have been compiled from the audited consolidated financial statements that are prepared for Japanese domestic purposes in accordance with the Securities and Exchange Law of Japan, the Banking Law of Japan and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

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

The Bank, a Japanese corporation, maintains its records and prepares its financial statements in Japanese yen. The accompanying U.S. dollar financial statements have been translated from yen for convenience, and as a matter of arithmetical computation only, at the rate of ¥133.25 to U.S. \$1.00, the exchange rate prevailing at March 31, 2002. The convenience translations would not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

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

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

2. Significant Accounting Policies and Practices

(a) Consolidation

The consolidated financial statements include the accounts of the Bank and significant subsidiaries, which are controlled substantial-

ly by the Bank through the majority of voting rights or through the existence of certain conditions evidencing control of the decision-making of such subsidiaries by the Bank. The significant subsidiaries include The Sumitomo Trust Finance (H.K.) Limited and Sumitomo Trust and Banking Co. (U.S.A.), in the total of 20 subsidiaries for the year ended March 31, 2002. STB Leasing Co., Ltd., which had been consolidated until fiscal year 2000, was excluded from consolidated subsidiaries, because the Bank sold certain portion of its investment in the company at the year-end of fiscal year 2001. As a result, the statement of operation for the fiscal year 2001 was included, however, the balance sheet was not included in the consolidated financial statement of fiscal year 2001. All significant intercompany balances, transactions and profits have been eliminated in consolidation process.

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

The difference between the Bank's investments in subsidiaries and the Bank's share of the underlying net assets of the investees at the date of acquisition is recorded as Goodwill or Negative Goodwill. The goodwill is amortized over a reasonable period of time not exceeding twenty years, while immaterial differences are recognized entirely as expenses when incurred.

Investments in affiliates over which the Bank has ability to exercise significant influence on operating and financial policies of the investees, are accounted for by the equity method. The affiliates to which equity method applies are 4 affiliates in total, including Japan Trustee Services Bank, Ltd., as of March 31, 2002.

(b) Foreign currency translation

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

Balance sheets of consolidated overseas subsidiaries are translated into Japanese Yen at the year-end rate except for shareholders' equity accounts, which are translated at the historical rates.

The Bank had adopted the "New Foreign Exchange Accounting Standards in the Banking Industry" prior to the current fiscal year, however from the fiscal year 2001, the Bank adopted the revised "Accounting Standard for Foreign Currency Transactions", except for the application of the "Temporary Treatment for Accounting and Auditing Concerning Application of Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Auditing Committee Report No. 20). Due to the adoption, Other assets increased by ¥3,044 million and Other liabilities decreased by ¥36 million. Other expenses and losses before income taxes also decreased by ¥3,080 million.

The currency swap transactions which are conducted for fund raising or operations in different currencies and qualify for certain criteria defined in JICPA Industry Auditing Committee Report No. 20, are not valued at mark-to-market, and interest income or expenses arising from these transactions are recorded on accrual basis. Therefore, accrued interest income and expenses are recorded at fiscal year end.

(c) Cash and cash equivalents

In preparing the consolidated cash flow statements, Cash and due from Bank of Japan in the case of the Bank, and Cash and due from Banks in the case of the consolidated subsidiaries, are considered to be Cash and cash equivalents.

(d) Trading account activities

Trading account activities are conducted for short-term profit taking by market-making and sales arbitrages. Trading assets and liabilities include securities, commercial paper, and financial derivatives. The mark-to-market accounting method is adopted for these trading account activities for such financial products, all of which are stated at fair values as Trading assets or Trading liabilities in the balance sheets. Gains and losses realized on disposal and fluctuations of the fair market value are recognized as gains or losses in the period of the changes. Fair values are determined by quoted market prices for certain products which are traded on market and by internal models for other products including OTC financial derivatives.

(e) Evaluation for securities

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

Prior to April 1, 2001, Japanese stocks classified as available-for-sale securities were carried at cost using the moving average method, and debt securities classified as available-for-sale securities were carried at amortized cost using the moving average method.

Effective April 1, 2001, a new accounting treatment for financial instruments was applied to available-for-sale securities with fair market value. Equity securities classified as available-for-sale securities with fair market value are revaluated at the average fair market value of the final month in the fiscal year. Debt securities classified as available-for-sale securities with fair market value are revaluated at the year-end fair market value.

Net unrealized gains or losses on available-for-sale securities are recorded, net of income taxes, as a separate component of

stock-holders' equity and its amount of ¥57,022 million (\$428 million) is reported on the consolidated balance sheets.

Held-to-maturity debt securities are carried at amortized cost, using the moving average method. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities without fair market value are carried at cost or amortized cost using moving average method.

Securities included in money held in trust account are valued at fair market value.

Declines in the fair value of securities are charged to income statements, when declines are deemed to be other than temporary.

(f) Gensaki-transactions

Gensaki-transactions, which were previously accounted for as purchase and sales of securities in the year ended March 31, 2001, are accounted for as collateralized financing transactions prospectively in the year ended March 31, 2002, and these transactions are presented as receivable under resale agreements and payable under repurchase agreements on the balance sheet at March 31, 2002.

Security lending or borrowing transactions with cash collateral, which were accounted for as collateralized transaction by cash in the year ended March 31, 2001, are accounted for as collateralized transaction by debt securities prospectively in the year ended March 31, 2002.

(g) Derivatives and hedge accounting

Derivatives held for other than hedging purpose are valued at fair value and the fluctuations of their values are recognized currently in the statements of operations, at the year-end.

Most of the Bank's derivatives are used to reduce market risks. From the year ended March 31, 2001, the Bank adopted "Macro Hedge Accounting" as hedge accounting method, because the Bank manages the total interest rate risk arising from various financial assets and liabilities, such as loans, bills discounted, deposits etc., as a whole by using financial derivative transactions. This is a risk management by "Risk Adjustment Approach" which is stated in "Temporary Treatment for Accounting and Auditing concerning Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Auditing Committee Report No.15) under which the deferred hedge accounting is applied. The effectiveness of the hedge relationship is assessed by confirming that 1) the total interest rate risk exposure of financial derivative transactions as risk adjustment tools is controlled within the limit which is prescribed in the Bank's risk management policy and 2) the total interest rate risk exposure of hedged items is decreased by the hedge transactions. The Bank also adopts individual deferred hedge accounting for certain hedging relationship.

(h) Premises and equipment

Depreciation for buildings and equipment is primarily calculated as follows.

Buildings: Using the declining-balance method over the estimated useful lives from 3 to 60 years.

Equipment: Using the declining-balance method over the estimated useful lives from 2 to 20 years.

(i) Software

Expenses related to software for internal use are capitalized and subsequently expensed, using straight-line method over the estimated useful lives of these assets, which are mainly five years.

(j) Reserve for possible loan losses

For the Bank, Reserve for possible loan losses is provided as detailed below, pursuant to the internal rules for self-assessment of asset quality and the internal rules regarding reserves for possible credit losses.

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

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

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

The reserve for loans to borrowers in specific foreign countries (including the reserve for losses on overseas investments pursuant to Article 55-2 of the Special Taxation Measures Law)

is provided based on expected losses due to the political and economic situation of these countries.

All claims are assessed by the responsible branches and credit supervision divisions based on the internal rules for self-assessment of asset quality. The Risk Management Department, which is independent from branches and credit supervision divisions, subsequently conducts their audits of their assessments, and the reserve is adjusted to reflect the audit results.

For the consolidated subsidiaries, the reserve for possible loan losses is provided under the rules which are similar to the Bank's.

(k) Reserve for losses on investment securities

Reserve for losses on investment securities is provided against possible future losses on securities after writing off certain portion which is determined to be uncollectible based on the self-assessment of asset quality.

(l) Reserve for employee bonuses

Reserve for employee bonuses is provided in provision for payment of bonuses to employees, which are attributable to respective fiscal year. The provision had been included in accrued expenses prior to April 1, 2001, however, it was reported in Reserve for employee bonuses in the fiscal year 2001 in accordance with the previous set forth in "Concerning Financial Statement Titles to be used for Accrued Bonuses for Employees" (Research Center Release No.15 issued by JICPA). Accordingly, Other liabilities decreased by ¥4,752 million (\$36 million) and Reserve for employee bonuses increased by the same amount in the fiscal year 2001.

(m) Reserve for employee retirement benefits

Reserve for employee retirement benefits is provided based on the projected benefit obligation and the fair value of the plan assets at that date at the year-end.

The excess of the projected benefit obligation over the total of the fair value of pension assets and the liabilities for retirement benefits recorded as of April 1, 2000 amounted to ¥17,503 million, is amortized straight-line basis primarily over 5 years from the year ended March 31, 2001.

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

(n) Reserve for possible losses on loans sold

Reserve for possible losses on loans sold is provided based on the amount expected to be necessary to cover estimated possible losses with respect to real estate-collateralized loans sold to the Cooperative Credit Purchasing Company, Limited, considering the decline in fair value of the collateral of such loans.

(o) Accounting for leases

Finance leases where the ownership of the property is not transferred to the lessee are accounted for by the accounting treatment which is similar to operating leases.

(p) Amounts per share

Net assets per share are calculated by dividing net assets excluding the amount of preferred shares outstanding by the number of common shares outstanding at the year-end. Net Income (loss) per Share is computed by dividing net income (loss) attributable to common shares outstanding by the average number of common shares outstanding for each year.

Net Income (loss) per Share (fully diluted) is computed assuming all outstanding convertible bonds and preferred stocks are converted into common stocks of the Bank at the beginning of the fiscal year. For the fiscal year 2001, however, diluted net income per share was not available, since it was anti-dilutive.

3. Trading Assets and Trading Liabilities

(a) Trading Assets at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Trading Account Securities	¥ 24,363	¥ 86,492	\$ 183
Trading-Related Financial Derivatives	198,843	209,399	1,492
Derivatives of Trading Securities	—	2	—
Derivatives of Securities Related to Trading Transactions	164	47	1
Other Trading Assets	292,455	344,626	2,195
Total	¥515,827	¥640,568	\$3,871

(b) Trading Liabilities at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Trading Account Securities Sold for Short Sales	¥ —	¥ 2,198	\$ —
Derivatives of Trading Securities	2	12	0
Derivatives of Securities Related to Trading Transactions	482	—	4
Trading-Related Financial Derivatives	202,560	196,857	1,520
Total	¥203,045	¥199,068	\$1,524

4. Money Held in Trust

Money Held in Trust for Trading Purpose at March 31, 2002 and 2001:

	Millions of Yen	
	Book Value	Net Unrealized Gain (Loss) Reflected in the Statement of Income
March 31, 2002		
Money Held in Trust for Trading Purpose	¥59,665	¥ (60)

	Millions of Yen	
	Book Value	Net Unrealized Gain (Loss) Reflected in the Statement of Income
March 31, 2001		
Money Held in Trust for Trading Purpose	¥75,614	¥(544)

5. Securities

Securities held at March 31, 2002 and 2001 consisted of the following:

(a) Trading Securities

Trading Securities are included in Trading Assets.

	Millions of Yen	
	Book Value	Net Unrealized Gain (Loss) Reflected in the Statement of Income
March 31, 2002		
Trading Securities	¥316,818	¥ (40)

	Millions of Yen	
	Book Value	Net Unrealized Gain (Loss) Reflected in the Statement of Income
March 31, 2001		
Trading Securities	¥431,119	¥546

Financial Section / NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Held-to-maturity debt securities are included in Investment Securities.

March 31, 2002	Millions of Yen				
	Book Value	Market Price	Net	Unrealized Gain(Loss)	
				Gain	(Loss)
Japanese Government Bonds	¥ —	¥ —	¥ —	¥ —	¥ —
Japanese Local Government Bonds	—	—	—	—	—
Japanese Corporate Bonds	—	—	—	—	—
Foreign Government bonds and others	29,833	30,425	592	898	(306)
Total	¥29,833	¥30,425	¥592	¥898	¥(306)

March 31, 2001	Millions of Yen				
	Book Value	Market Price	Net	Unrealized Gain(Loss)	
				Gain	(Loss)
Japanese Government Bonds	¥ —	¥ —	¥ —	¥ —	¥ —
Japanese Local Government Bonds	—	—	—	—	—
Japanese Corporate Bonds	—	—	—	—	—
Foreign Government bonds and others	33,401	33,679	278	495	(217)
Total	¥33,401	¥33,679	¥278	¥495	¥(217)

(c) Available-for-Sale Securities with Market Price

(For the Fiscal Year ended March 31, 2002)

Available-for-sale securities are included in Investment Securities.

March 31, 2002	Millions of Yen				
	Cost	Book Value	Net	Unrealized Gain(Loss)	
				Gain	(Loss)
Stocks	¥ 995,118	¥ 943,930	¥(51,188)	¥74,659	¥(125,848)
Bonds	1,401,254	1,407,922	6,667	11,998	(5,330)
Japanese Government Bonds	964,699	962,835	(1,863)	2,641	(4,505)
Japanese Local Government Bonds	92,110	94,652	2,541	2,861	(320)
Japanese Corporate Bonds	344,444	350,434	5,990	6,495	(504)
Foreign Securities and others	2,497,354	2,447,913	(49,441)	8,108	(57,549)
Total	¥4,893,728	¥4,799,766	¥(93,961)	¥94,766	¥(188,728)

Values in the balance sheet reflect fair market values calculated by using the average market prices during final month of the fiscal period as for Japanese stocks, and by using the market

prices at the end of the fiscal period as for the securities other than Japanese stocks.

(For the Fiscal Year ended March 31, 2001)

Investment Securities included in the schedule below are not evaluated on a Mark-to-Market basis.

Market Prices of such investment securities (available-for-sale securities with fair market price) are shown as below.

March 31, 2001	Millions of Yen				
	Book Value	Market Price	Net	Unrealized Gain(Loss)	
				Gain	(Loss)
Stocks	¥1,251,002	¥1,281,675	¥30,673	¥146,594	¥(115,921)
Bonds	1,895,444	1,916,502	21,058	22,487	(1,428)
Japanese Government Bonds	1,491,432	1,497,645	6,212	7,600	(1,387)
Japanese Local Government Bonds	66,686	70,224	3,537	3,540	(2)
Japanese Corporate Bonds	337,324	348,633	11,308	11,347	(38)
Foreign Securities and others	3,139,754	3,152,545	12,791	32,004	(19,212)
Total	¥6,286,200	¥6,350,724	¥64,523	¥201,086	¥(136,562)

Had these securities been stated at fair value at March 31, 2001, ¥38,542 millions of net unrealized gains, net of tax, ¥25,073 mil-

lions of deferred tax liabilities, and ¥977 millions of minority interest would have been recorded.

(d) Investment Securities without Fair Market Value

The following tables summarize main items of book values of securities with no available fair values at March 31, 2002 and 2001.

March 31, 2002	Millions of Yen	
	Book Value	
Trust Certificates of Loan Trust	¥101,589	
Unlisted Foreign Securities	62,215	
Unlisted Domestic Stocks, excluding stocks sold in public market	47,208	

March 31, 2001	Millions of Yen	
	Book Value	
Trust Certificates of Loan Trust	¥79,735	
Unlisted Foreign Securities	67,702	
Unlisted Domestic Stocks, excluding stocks sold in public market	54,139	

(e) Available-for-Sale Securities sold during the years ended March 31, 2002 and 2001

Year ended March 31, 2002	Millions of Yen		
	Amount Sold	Gain	(Loss)
Available-for-Sale Securities	¥8,534,668	¥89,666	¥(52,064)

Year ended March 31, 2001	Millions of Yen		
	Amount Sold	Gain	(Loss)
Available-for-Sale Securities	¥13,766,354	¥171,258	¥(22,865)

(f) Redemption Schedule of Bonds

The table for redemption schedule of bonds classified as Available-for-Sale Securities and Held-to-Maturity Debt Securities at March 31, 2002 and 2001 are as follows:

March 31, 2002	Millions of Yen			
	Book Value			
	Less than 1 year	More than 1 year but less than 5 years	More than 5 year but less than 10 years	More than 10 years
Bonds	¥402,721	¥ 492,996	¥ 475,730	¥ 36,523
Japanese Government Bonds	355,183	231,642	339,486	36,523
Japanese Local Government Bonds	903	42,429	51,319	—
Japanese Corporate Bonds	46,635	218,924	84,925	—
Others	181,444	654,488	1,488,985	221,648
Total	¥584,165	¥1,147,485	¥1,964,716	¥258,171

March 31, 2001	Millions of Yen			
	Book Value			
	Less than 1 year	More than 1 year but less than 5 years	More than 5 year but less than 10 years	More than 10 years
Bonds	¥460,707	¥ 532,310	¥ 856,909	¥ 45,516
Japanese Government Bonds	420,660	317,044	708,210	45,516
Japanese Local Government Bonds	1,993	8,330	56,362	—
Japanese Corporate Bonds	38,053	206,935	92,335	—
Others	246,384	1,676,104	1,225,086	98,122
Total	¥707,092	¥2,208,414	¥2,081,995	¥143,639

Financial Section / NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Loans and Bills Discounted

Loans and Bills Discounted at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Bills Discounted	¥ 32,151	¥ 39,816	\$ 241
Loans on Bills	1,327,289	1,454,021	9,961
Loans on Deeds	6,363,222	5,551,317	47,754
Overdrafts	1,199,801	1,188,623	9,004
Total	¥8,922,465	¥8,193,779	\$66,960

Under the Self-Assessment Rules of the Bank, the Bank classified loans to borrowers which were categorized as virtually bankrupt or potentially bankrupt, even if their interest payments were not overdue for more than six months, as "Delinquent Loans". The total of ¥281,857 millions of claims to the borrowers who are legally

bankrupt or virtually bankrupt which is determined to be uncollectible, after considering the amount expected to be collected through the disposal of collateral or execution, is directly written off from the claims in the fiscal year 2001.

Loans and Bills Discounted for 2002 and 2001 include the followings:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Loans in Bankruptcy Proceedings	¥ 13,401	¥ 38,090	\$ 101
Other Delinquent Loans	394,563	334,373	2,961
Loans More than Three Months Past Due	4,990	3,424	37
Restructured Loans	146,014	29,407	1,096

Notes: 1. Loans in Bankruptcy Proceedings are loans determined as nonaccrual status to borrowers who have begun bankruptcy proceedings under one or more of the laws pertaining to bankruptcy, or have had their transactions with the promissory note clearinghouse suspended.

2. Other Delinquent Loans are loans to borrowers categorized as virtually bankrupt or as potentially bankrupt in the Bank's Self-Assessment Rules but exclude loans to borrowers in legal bankruptcy.

3. Loans More than Three Months Past Due are those Loans for which principal or interest payment is more than three months past due from the date succeeding the due date and exclude those loans classified as Loans in Bankruptcy Proceedings and Other Delinquent Loans.

4. Restructured loans are those loans whose terms have been relaxed to support borrowers who are in financial difficulties, and to promote collections of such loans.

7. Other Assets

Other Assets at March 31, 2002 and 2001 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Prepaid Expenses	¥ 689	¥ 907	\$ 5
Accrued Income	88,683	99,688	666
Collateral Deposits on Securities Borrowed	1,004	2,311	8
Leasing Assets	—	250,829	—
Derivatives Other Than in the Trading Account	297,020	319,332	2,229
Deferred Hedge Losses	55,419	81,039	416
Other	186,658	273,893	1,401
Total	¥629,475	¥1,028,001	\$4,724

8. Premises and Equipment

Premises and Equipment at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Land	¥ 48,693	¥ 82,403	\$ 365
Buildings	106,414	111,670	799
Equipment	45,982	45,584	345
Other	22,568	19,807	169
Subtotal	223,659	259,467	1,678
Accumulated Depreciation	(102,501)	(103,749)	(769)
Net Book Value	¥121,158	¥155,717	\$ 909

In accordance with the Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land, the Bank recorded a ¥5,809 million of unrealized revaluation gain in stockholders' equity, of which ¥3,687 million of deferred tax was deducted from the gross surplus, as of March 31, 2002, based on the

evaluations as of March 31, 1999, after accounting for premises sold. As of March 31, 2002, it is estimated that current fair value of the land would be ¥7,186 million less than the above-mentioned gross surplus.

9. Assets Pledged

Parts of the assets are pledged as collateral and the detail is as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Assets pledged as collateral:			
Trading Assets	¥ 272,713	¥ —	\$ 2,047
Investment Securities	2,485,842	939,573	18,655
Loans and Bills Discounted	365,460	428,794	2,743
Other Assets	—	159,700	—
Corresponding liabilities of the assets pledged as collateral:			
Deposits	1,343	1,030	10
Call Money and Bills Sold	527,512	417,963	3,959
Borrowed Money	—	141,157	—
Payable under Repurchase Agreement	928,407	—	6,967
Collateral for Lending Securities	876,757	—	6,580

10. Deposits and Negotiable Certificate of Deposit

Deposits and negotiable certificate of deposit at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Current Deposit, Ordinary Deposit and Deposit at Notice	¥1,774,055	¥1,084,585	\$13,314
Time Deposits	5,935,426	6,346,643	44,544
Other	462,320	288,562	3,470
Subtotal	8,171,802	7,719,790	61,327
Negotiable Certificates of Deposit	1,602,252	973,014	12,024
Total	¥9,774,054	¥8,692,805	\$73,351

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11. Borrowed Money

Borrowed Money at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Subordinated Debt	¥ 95,000	¥ 60,000	\$713
Other Borrowed Money	36,149	298,024	271
Total	¥131,149	¥358,024	\$984

Average interest rates of the borrowed money were 2.11% and 1.63% for the year ended March 31, 2002 and 2001, respectively.

Years to Maturity

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Less than 1 year	¥87,262	¥139,747	\$655
More than 1 year but less than 2 years	753	131,614	6
More than 2 years but less than 3 years	5,126	41,202	38
More than 3 years but less than 4 years	3,000	25,683	23
More than 4 years but less than 5 years	0	15,013	0

12. Corporate Bonds

Corporate Bonds at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
(a) Series 1 Perpetual Subordinated Unsecured Bonds	¥100,000	¥100,000	\$ 750
(b) Series 1 Unsecured Redeemable Subordinated Bonds	100,000	100,000	750
(c) Euro Medium-term and Perpetual Subordinated Notes	233,498	243,609	1,752
Total	¥433,498	¥443,609	\$3,253

(a) Series 1 Perpetual Subordinated Unsecured Bonds were issued on March 30, 1998 under the Law Concerning Emergency Measures for Stabilizing Financial Functions, bearing interest at six month Yen LIBOR plus 1.10% p.a. until March 31, 2003, and 2.60% p.a. thereafter, payable semi-annually in arrear.

(b) Series 1 Unsecured Redeemable Subordinated Bonds were issued on March 30, 1999, pursuant to the Law Concerning Emergency Measures for the Early Strengthening of the Functions of the Financial System, bearing interest at six month

Yen LIBOR plus 1.53% p.a. until March 30, 2006, and 2.03% p.a. thereafter.

(c) Euro Medium-term and Perpetual Subordinated Notes were issued by the Bank and through a wholly-owned subsidiary, STB Finance Cayman Limited under the ¥500 billion Medium-term note programme.

In 2002, the Bank and its subsidiary have issued ¥49,800 million of notes under the programme, and exercised an option to redeem notes totaling ¥60,300 million.

13. Convertible Bonds

Convertible Bonds at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
0.5% Yen Mandatory Exchangeable Subordinated Notes due 2007	¥6,000	¥6,135	\$45
1.75% U.S.\$ Convertible Bonds due 2002	--	530	--
Total	¥6,000	¥6,665	\$45

Summary of conditions of the convertible bonds are as follows:

	Conversion Period	Conversion Price	Fixed Exchange Rate	Maturity
0.5% Yen Mandatory Exchangeable Subordinated Notes	Aug.1, 1997~Sep.25, 2007	500.00	1.00	Oct.1, 2007

14. Borrowed Money from Trust Account

Borrowed Money from Trust Account represents surplus funds in the Trust Account loaned to the Banking Account and utilized herein.

15. Reserve for Employee Retirement Benefits

The liabilities for the retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Projected Benefit Obligation	¥(162,831)	¥(160,380)	\$(1,222)
Plan Assets (market value)	123,429	150,423	926
Unrecognized Net Plan Assets	0	(903)	0
Unrecognized Net Transition Obligation	10,979	13,964	82
Unrecognized Net Actuarial Loss	43,401	23,374	326
Unrecognized Net Prior Service Cost	4,181	0	31
Prepaid Pension Cost	(21,675)	(28,154)	(163)
Amount Recognized in the Balance Sheet	¥ (2,515)	¥ (1,675)	\$ (19)

Retirement benefits expenses which are included in the consolidated statement of operations for the year ended March 31, 2002 and 2001 were comprised of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Service costs-benefits earned during the year	¥ 4,452	¥ 5,142	\$33
Interest Cost on Projected Benefit Obligation	5,352	5,276	40
Expected Return on Plan Assets	(6,521)	(6,404)	(49)
Amortization of Prior Service Cost	298	0	2
Amortization of Net Actuarial Loss	2,337	0	18
Amortization of Net Transition Obligation	3,948	3,538	30
Others	1,676	2,455	13
Amount Expensed in the Statement of Income	¥11,543	¥10,009	\$87

The discount rate and the rate of expected return on plan assets used by the Bank were 3.0% and 5.5%, respectively for the fiscal year 2001, which had been 3.5% and 5.5%, respectively for the

fiscal year 2000. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years.

16. Other Liabilities

Other Liabilities at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Accrued Expenses	¥ 54,621	¥ 73,549	\$ 410
Unearned Income	11,875	12,825	89
Derivatives Other Than for Trading	340,392	384,815	2,555
Other	111,495	725,965	837
Total	¥518,386	¥1,197,156	\$3,890

Other for 2002 and 2001 include Unpaid Expenses for Trading Account.

17. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees, other than those relating to Guaranteed Trusts, are included in "Acceptances and Guarantees."

As a contra account, "Customers' Liabilities for Acceptances and Guarantees" is shown as an asset on the balance sheets

and represents the Bank's right of indemnity from customers.

Regarding Guaranteed Trusts, the Bank guaranteed the principal amount of ¥913,544 million for Jointly-Operated Money Trusts and ¥3,154,240 million for Loan Trusts at March 31, 2002.

18. Stockholders' Equity

The numbers of authorized and issued preferred and common stock at the end of March 31, 2002 and 2001 were as follows:

	2002		2001	
	Authorized	Issued	Authorized	Issued
Preferred Stocks	250,000,000	125,000,000	250,000,000	125,000,000
Common Stocks	3,000,000,000	1,452,247,764	3,000,000,000	1,451,977,764

Under the Commercial Code of Japan, entire amount of the issue price is required to be accounted for as capital, although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as capital surplus.

The legal reserve of the Bank, which is included in retained earnings on the consolidated balance sheets, is provided in accordance with the provisions of the Banking Law of Japan, which require that an amount equivalent to at least 20% of cash dividends and bonuses to directors and statutory auditors be appropriated to a legal reserve

until the total of such reserve and capital surplus equals the stated capital in 2002, and the amount of common stock, in 2001, respectively. The capital surplus and legal reserve are not available for cash dividends, but may be used to reduce a deficit or be transferred to common stock.

The maximum amount that the Bank is able to distribute as dividend subject to the approval of shareholders is calculated based on the unconsolidated financial statements of the Bank in accordance with the Commercial Code of Japan.

Stock Option Plan

The Bank maintains stock option plans from 1999. Under the plans, options are granted at 105% of the average market closing price during the month immediately prior to the month when the options were granted. The shares of the Bank purchased under the plans

are included in Treasury Stock in the consolidated balance sheets. The following table summarizes information about stock options outstanding at June 27, 2002.

	2002	2001	2000
Type of stock	Common stock	Common stock	Common stock
Maximum number of shares granted	3,000,000	3,000,000	3,100,000
Number of eligible persons	450	374	331
Maximum shares per person	—	140,000	150,000
Exercise period	Jul.1, 2004 to Jun.30, 2006	Jul.1, 2003 to Jun.30, 2005	Jul.1, 2002 to Jun.30, 2004

19. Other Interest Income and Expenses

(a) Other Interest Income for the years ended March 31, 2002 and 2001:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Interest income on Deposits with Banks	¥ 8,703	¥23,533	\$ 65
Interest income on Interest Swaps	518	1,069	4
Other Interest Income	4,286	20,284	32
Total	¥13,507	¥44,887	\$101

(b) Other Interest Expenses for the years ended March 31, 2002 and 2001:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Interest expense on Corporate Bonds	¥ 8,098	¥ 9,384	\$ 61
Interest expense on Convertible Bonds	34	89	0
Interest expense on Payables under Repurchase Agreement	43,465	—	326
Interest expense on Interest Swaps	37,403	39,397	281
Other Interest Expense	53,011	127,728	398
Total	¥142,013	¥176,600	\$1,066

20. Trading Revenue and Expenses

(a) Trading Revenue for the years ended March 31, 2002 and 2001:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Revenue from Trading Securities and Derivatives	¥ 389	¥ 3,539	\$ 3
Revenue from Trading-Related Financial Derivatives Transactions	4,637	6,319	35
Other Trading Revenue	327	710	2
Total	¥5,354	¥10,569	\$40

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(b) Trading Expenses for the years ended March 31, 2002 and 2001:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Expenses on Securities and Derivatives Related to Trading Transactions	¥655	¥34	\$5
Total	¥655	¥34	\$5

21. Other Operating Income and Expenses

Other Operating Income for the years ended March 31, 2002 and 2001

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Net Gains on Foreign Exchange Transactions	¥ 3,321	¥ 5,343	\$ 25
Gains on Sale of Bonds	65,818	86,156	494
Revenue from Derivatives Other Than for Trading Account	5,522	1,976	41
Other	117,530	124,803	882
Total	¥192,192	¥218,280	\$1,442

Other Operating Expenses for the years ended March 31, 2002 and 2001:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Losses on Sale of Bonds	¥ 35,309	¥ 53,745	\$ 265
Losses on Redemption of Bonds	1,037	—	8
Losses on Impairment of Bonds	3,643	2,572	27
Expense from Derivatives Other Than for Trading Account	2,815	2,711	21
Other	108,307	116,226	813
Total	¥151,112	¥175,256	\$1,134

22. Other Income and Expenses

Other Income for the years ended March 31, 2002 and 2001:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Gains on Sale of Shares and Other Securities	¥24,295	¥ 86,040	\$182
Gains on Money Held in Trust	30	230	0
Gains on Dispositions of Premises and Equipment	4,750	425	36
Gains on Stock Derivatives Transactions	3,005	37,056	23
Gain on Contribution of Investment Securities to Employee Retirement Benefit Trust	—	25,377	—
Other	23,282	26,565	175
Total	¥55,364	¥175,695	\$415

Other Expenses for the years ended March 31, 2002 and 2001:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Provisions for Reserve for Possible Loan Losses	¥ 56,879	¥ 48,916	\$ 427
Claims Written Off	31,862	67,670	239
Losses on Sale of Shares and Other Securities	24,913	11,190	187
Losses on Impairment of Share and Other Securities	103,513	29,743	777
Losses on Money Held in Trust	153	3,280	1
Losses on Dispositions of Premises and Equipment	2,500	3,274	19
Other	24,572	36,161	184
Total	¥244,394	¥200,236	\$1,834

23. General and Administrative Expenses

General and Administrative Expenses for the years ended March 31, 2002 and 2001:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Taxes Other than Income Taxes	¥ 5,642	¥ 5,608	\$ 42
Personnel Expenses	69,133	72,425	519
Other	60,081	60,054	451
Total	¥134,857	¥138,088	\$1,012

24. Income Taxes

Income taxes, which consist of corporation, inhabitant and enterprise taxes, are calculated based on taxable income. The approximate statutory effective rates of income taxes were 38.83% and 38.86% for the years ended March 31, 2002 and 2001, respectively.

Due to the absence of taxable income resulting from the

deduction of the write-offs of loans, the Bank's current income taxes mainly consisted of inhabitant tax per capita for the years ended March 31, 2002 and 2001.

Deferred Tax Assets and Liabilities at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2002	2001	2002
Reserve for Possible Loan Losses (including Direct Write-offs of Loans with Guarantees or Collateral)	¥124,635	¥136,661	\$ 935
Net Operating Loss Carryforwards	31,411	60,277	236
Devaluation of Securities	56,436	20,387	424
Net Unrealized Losses on Available-for-Sale Securities	36,277	—	272
Other Addition	15,743	21,127	118
Valuation Allowance	(7,057)	(21,267)	(53)
Amount set off against deferred tax asset	(7,082)	(12,771)	(53)
Deferred Tax Assets	¥250,365	¥204,413	\$1,879
Deferred Tax Liabilities	¥ 45	¥ 167	\$ 0
Deferred Tax Liabilities on Revaluation Reserve for Land	¥ 3,687	¥ 15,034	\$ 28

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Reconciliation of Effective Tax Rate and ratio of Income Tax to taxable income after tax allocation:

	Percentage points	
	2002	2001
Statutory Effective Tax Rate (the Bank)	—%	40.09%
Effect of adoption of new enterprise tax legislature by the Osaka Prefectural Government	—	7.09
Other	—	2.79
Ratio of Income Tax to Income before Income Tax and Minority Interest after Tax Allocation	—%	49.97%

Figures in the table above are not available for the year ended March 31, 2002, due to Net Loss before Income Taxes and Others.

In June 2000, as the Osaka Prefectural Assembly passed a law to impose an enterprise tax based on a gross business profit

instead of a taxable income from 2001, and consequently, an enterprise tax for Osaka Prefectural government will not qualify as income tax, the statutory effective tax rate is reduced to 38.86% from 40.09% in the year ended March 31, 2001.

25. Lease Transactions

As lessor:

STB Leasing Co., Ltd., which engages in leasing business, was excluded from the consolidated subsidiaries in the fiscal year 2001, because the Bank sold certain portion of its investment in the company during the year. Accordingly there was no reporting item as lessor at March 31, 2002.

Leasing assets of consolidated subsidiaries were included in "Other Assets" in the consolidated balance sheet at March 31, 2001. Lease transactions, under finance leases where the ownership of the property is not transferred to the lessee at March 31, 2001 are as follows:

March 31, 2001	Millions of Yen		
	Equipment	Other	Total
Acquisition Cost	¥454,386	¥60,283	¥514,670
Accumulated Depreciation	238,509	26,330	264,840
Net Book Value	¥215,877	¥33,953	¥249,830

March 31, 2001	Millions of Yen
Receivable Fee (within one year)	¥ 87,624
Receivable Fee (more than one year)	168,203
Total	¥255,828

As lessee:

Total lease payments under finance leases where the ownership is not transferred to the lessee was ¥74 million (\$1 million) and ¥83 million (\$1 million) for the years ended March 31, 2002 and

2001, respectively, and the total of future lease payments to be paid under such finance leases at March 31, 2002 and 2001 were as stated below.

March 31, 2002	Millions of Yen	Millions of U.S. Dollars (Note1)
Payable Fee (within one year)	¥ 572	\$4
Payable Fee (more than one year)	451	3
Total	¥1,023	\$8

March 31, 2001	Millions of Yen
Payable Fee (within one year)	¥ 75
Payable Fee (more than one year)	132
Total	¥208

26. Subsequent Event

(a) On June 27, 2002, the stockholders of the Bank authorized the following appropriations of retained earnings as of March 31, 2002.

	Millions of Yen	Millions of U.S. Dollars (Note1)
Appropriations:		
Transfer to Legal Reserve	¥1,600	\$12
Cash Dividends for Preferred Stock (¥6.08 per share)	760	6
Cash Dividends for Common Stock (¥5.00 per share)	7,233	54

(b) On June 27, 2002, the stockholders of the Bank also approved the following:

The stock option plan allows eligible participants to purchase the Bank's common stock at 105% of the average market closing price on the granted date. The participants may exercise the option from July 1, 2003 to June 30, 2005.

27. Segment Information

The following tables present information attributable to domestic and overseas operations for the years ended March 31, 2002 and 2001, and identifiable assets of each operation at March 31, 2002 and 2001.

Year Ended March 31, 2002	Millions of Yen						Elimination	Consolidated
	Japan	Americas	Europe	Asia and Oceania	Total			
Total Income:								
Unaffiliated Customers	¥ 575,797	¥ 75,489	¥ 53,074	¥ 19,940	¥ 724,301	¥ --	¥ 724,301	
Intersegment	11,783	20,778	11,279	15,247	59,088	59,088	--	
Total Income	587,581	96,267	64,354	35,187	783,390	59,088	724,301	
Total Expenses	652,864	86,530	65,623	30,150	835,168	54,396	780,772	
Income (Loss)								
before Income Taxes	¥ (65,283)	¥ 9,736	¥ (1,268)	¥ 5,037	¥ (51,778)	¥ 4,692	¥ (56,470)	
AT MARCH 31, 2002								
Total Assets	¥16,042,098	¥1,201,039	¥898,660	¥843,023	¥18,984,822	¥2,280,801	¥16,704,021	

Year Ended March 31, 2001	Millions of Yen						Elimination	Consolidated
	Japan	Americas	Europe	Asia and Oceania	Total			
Total Income:								
Unaffiliated Customers	¥ 758,436	¥ 65,932	¥ 48,790	¥ 23,528	¥ 896,688	¥ --	¥ 896,688	
Intersegment	14,312	58,404	4,940	11,039	88,697	88,697	--	
Total Income	772,749	124,336	53,731	34,568	985,385	88,697	896,688	
Total Expenses	687,501	119,998	52,052	29,682	889,234	82,468	806,766	
Income (Loss)								
before Income Taxes	¥ 85,248	¥ 4,338	¥ 1,679	¥ 4,885	¥ 96,151	¥ 6,228	¥ 89,922	
AT MARCH 31, 2001								
Total Assets	¥16,679,942	¥2,843,759	¥1,162,742	¥948,031	¥21,634,476	¥3,773,470	¥17,861,005	

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Year Ended March 31, 2002	Millions of U.S. Dollars						
	Japan	Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
Total Income:							
Unaffiliated Customers	\$ 4,321	\$ 567	\$ 398	\$ 150	\$ 5,436	\$ —	\$ 5,436
Intersegment	88	156	85	114	443	443	—
Total Income	4,410	722	483	264	5,879	443	5,436
Total Expenses	4,900	649	492	226	6,268	408	5,859
Income (Loss)							
before Income Taxes	\$ (490)	\$ 73	\$ (10)	\$ 38	\$ (389)	\$ 35	\$ (424)
AT MARCH 31, 2002							
Total Assets	\$120,391	\$9,013	\$6,744	\$6,327	\$142,475	\$17,117	\$125,359

28. Market Value Information of Financial Derivatives

(a) Interest Related Transactions

Interest Related Transactions at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen							
	2002				2001			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Listed								
Interest Futures								
Sold	¥ 4,809,187	¥ 381,051	¥ (897)	¥ (897)	¥ 668,445	¥ 106,091	¥ (2,868)	¥ (2,868)
Purchased	4,423,293	348,049	(536)	(536)	709,963	93,324	2,609	2,609
Interest Options								
Sold	951,023	—	(112)	121	267,201	—	(45)	(7)
Purchased	959,958	—	115	(133)	231,916	—	69	19
Over-the-Counter								
Forward Rate Agreements								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Interest Rate Swaps								
Fix Rcv-FI Pay	10,232,630	8,190,257	240,017	240,017	9,019,486	7,791,431	230,796	230,796
FI Rcv-Fix Pay	9,686,264	7,829,844	(251,565)	(251,565)	8,533,122	7,269,438	(224,795)	(224,795)
FI Rcv-FI Pay	2,136,674	2,066,100	6,636	6,636	1,388,562	1,285,122	4,979	4,979
Interest Options								
Sold	486,026	416,071	(1,843)	1,522	627,342	462,920	(3,623)	1,909
Purchased	307,971	284,646	3,566	189	396,752	313,312	4,305	(276)
Other Interest Related								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total			¥ (4,618)	¥ (4,644)			¥ 11,427	¥ 12,366

1) Transactions listed above are evaluated on a Mark-to-Market basis and calculated net unrealized gains (losses) are reflected on the Statements of operations.

2) Derivative transactions subject to hedge accounting treatments are excluded from the schedule above.

(b) Currency Related Transactions

Currency Related Transactions at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen							
	2002				2001			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Over-the-Counter								
Currency Swaps	¥52,182	¥48,862	¥3,612	¥3,612	—	—	—	—
Forward								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Currency Options								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Other Currency Related								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total			¥3,612	¥3,612			—	—

1) Transactions listed above are evaluated on a Mark-to-Market basis and calculated net unrealized gains (losses) are reflected on the Statements of operations.

2) Derivative transactions subject to hedge accounting treatments are excluded from the schedule above.

In accordance with "JICPA Industry Auditing Committee Report No.20" (formerly "Temporary Treatment for Accounting of Continuous Application of Accounting Standard for Foreign Currency Transactions" issued by JICPA on April 10, 2000), trans-

actions of subjected to the accrual-basis accounting (e.g. cross-currency swaps, etc.) are excluded from the schedule above. Contract Value and other information on cross-currency swaps subject to accrual-basis accounting are as shown below.

	Millions of Yen					
	2002			2001		
	Contract Value	Market Value	Unrealized Gain (Loss)	Contract Value	Market Value	Unrealized Gain (Loss)
Currency Swaps	¥538,119	¥(1,195)	¥(1,195)	¥207,172	¥2,189	¥2,189

Forward Exchange Contracts and Currency Options whose unrealized gains (losses) are reflected on the Statements of operations after being evaluated on a Mark-to-Market basis as of March 31, 2001 and 2002, and such transactions accompanied

by foreign currency monetary claims or obligations, which are either reflected on the Balance Sheet as of March 31, 2001 and 2002 or eliminated therefrom in the process of consolidation, are excluded from this category.

Financial Section / NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contract Value of currency related derivative transactions subject to the Mark-to-Market evaluation is shown as below.

	Millions of Yen	
	2002	2001
	Contract Value	Contract Value
Listed		
Currency Futures		
Sold	¥ --	¥ --
Purchased	--	--
Currency Options		
Sold	--	--
Purchased	--	--
Over-the-Counter		
Forward		
Sold	3,455,681	2,440,714
Purchased	3,423,121	2,506,657
Currency Options		
Sold	151,605	64,230
Purchased	98,078	43,556
Other Currency Related		
Sold	--	--
Purchased	--	--

(c) Stock Related Transactions

Stock Related Transactions at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen							
	2002				2001			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Listed								
Stock Index Futures								
Sold	¥31,080	¥ --	¥ --	¥ --	¥5,646	¥ --	¥(89)	¥(89)
Purchased	--	--	--	--	507	--	29	29
Stock Index Options								
Sold	2,450	--	(21)	19	280	--	(3)	(2)
Purchased	--	--	--	--	280	--	3	(3)
Over-the-Counter								
Stock Options								
Sold	--	--	--	--	--	--	--	--
Purchased	--	--	--	--	--	--	--	--
Stock Index and Other Swaps								
Stock price index volatility receivable/ short-term floating interest rate payable	--	--	--	--	--	--	--	--
Short-term floating interest rate receivable/ Stock price index volatility payable	--	--	--	--	--	--	--	--
Others								
Sold	--	--	--	--	--	--	--	--
Purchased	--	--	--	--	--	--	--	--
Total			¥(21)	¥19			¥(60)	¥(65)

1) Transactions listed above are evaluated on a Mark-to-Market basis and calculated net unrealized gains (losses) are reflected on the Statement of operations.

2) Derivative transactions subject to hedge accounting treatments excluded from the schedule above.

(d) Bond Related Transactions

Bond Related Transactions at March 31, 2002 and 2001 consolidated of the following:

	Millions of Yen							
	2002				2001			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Listed								
Bond Futures								
Sold	¥199,253	¥ —	¥ (47)	¥ (47)	¥49,061	¥ —	¥72	¥72
Purchased	184,182	—	(270)	(270)	58,313	—	(22)	(22)
Bond Future Options								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Over-the-Counter								
Bond Options								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Others								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total			¥(317)	¥(317)			¥49	¥49

1) Transactions listed above are evaluated on a Mark-to-Market basis and calculated net unrealized gains (losses) are reflected on the Statements of operations.

2) Derivative transactions subject to hedge accounting treatments are excluded from the schedule above.

(e) Commodity Related Transactions

The Bank did not have any commodity related transactions at March 31, 2002 and 2001.

(f) Credit Derivative Transactions

The Bank did not have any credit derivative transactions at March 31, 2002 and 2001.

29. Statement of Cash Flows

Following table shows the reconciliation between Cash and Cash Equivalent in the statement of cash flows, and Cash and Due from Banks in the balance sheets at March 31, 2002 and 2001.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Cash and Due from Banks	¥835,193	¥685,323	¥6,268
Due from Banks (excluding Due from Bank of Japan)	(170,677)	(445,094)	(1,281)
Cash and Cash Equivalents	¥664,515	¥240,229	¥4,987

Significant non-cash transaction for the year ended March 31, 2002 and 2001 are provided as follows.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Increase in Capital due to conversion of convertible bonds	¥ 67	¥1,917	\$1
Increase in Capital Surplus due to conversion of convertible bonds	67	1,917	1
Decrease in Convertible Bonds	¥135	¥3,835	\$1

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

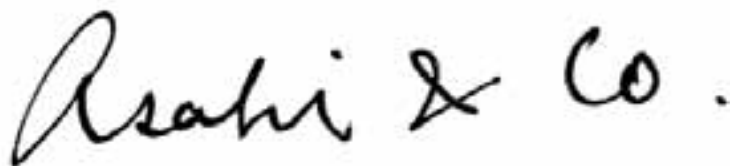
To the Shareholders and the Board of Directors of The Sumitomo Trust and Banking Company, Limited:

We have audited the accompanying consolidated balance sheets of The Sumitomo Trust and Banking Company, Limited (a Japanese corporation) and subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of The Sumitomo Trust and Banking Company, Limited and subsidiaries as of March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 2, The Sumitomo Trust and Banking Company, Limited and subsidiaries prospectively adopted new Japanese accounting standards for employees' severance and retirement benefits, financial instruments, and the revised Japanese accounting standards for foreign currency translation in the year ended March 31, 2001. In addition, as explained in Note 2, a new accounting requirement for available-for-sale securities with available fair market values was applied prospectively in the year ended March 31, 2002 under the accounting standards for financial instruments, which was adopted in the previous year.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

A handwritten signature in black ink that reads "Asahi & Co." with a period at the end. The script is cursive and fluid.

Tokyo, Japan
June 27, 2002

STATEMENTS OF TRUST ACCOUNT (UNAUDITED)

At March 31	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Assets:			
Loans and Bills Discounted	¥ 1,972,582	¥ 2,607,797	\$ 14,804
Securities	3,433,949	2,927,611	25,771
Money Held in Trust	38,002,542	37,926,250	285,197
Securities Held in Custody Accounts	1,868	2,847	14
Securities Lent	6,000	6,000	45
Money Claims	2,424,250	1,949,092	18,193
Premises and Equipment	1,691,527	1,385,532	12,694
Other Claims	127,316	234,034	955
Loans to Banking Account	2,074,447	2,983,852	15,568
Cash and Due from Banks	157,091	162,251	1,179
Total Assets	¥49,891,577	¥50,185,272	\$374,421
Liabilities:			
Money Trusts	¥17,939,003	¥16,704,918	\$134,627
Pension Trusts	5,551,957	5,398,553	41,666
Property Formation Benefit Trusts	11,694	12,580	88
Loan Trusts	2,986,125	4,274,930	22,410
Securities Investment Trusts	6,891,416	11,299,562	51,718
Money Entrusted, Other than Money Trusts	2,894,559	3,008,380	21,723
Securities Trusts	8,267,249	5,284,334	62,043
Money Claim Trusts	1,992,498	1,522,247	14,953
Equipment Trusts	6,968	8,049	52
Land and Fixtures Trusts	204,569	234,562	1,535
Other Trusts	3,145,533	2,437,153	23,606
Total Liabilities	¥49,891,577	¥50,185,272	\$374,421

Note: U.S. dollar amounts are translated solely for convenience at the rate of ¥133.25 to U.S.\$1.00, at March 31, 2002.

NOTES TO STATEMENTS OF TRUST ACCOUNT (UNAUDITED)

Basis of Presenting Financial Statements

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

Loans and Bills Discounted

Loans and Bills Discounted at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Loans on Deeds	¥1,696,613	¥2,192,947	\$12,733
Loans on Bills	275,969	414,850	2,071
Bills Discounted	--	--	--
Total	¥1,972,582	¥2,607,797	\$14,804

The balances of Guaranteed Trust Account Loans as of March 31, 2002 and 2001 were ¥1,879,071 million and ¥2,318,749 million, respectively, which included the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Loans in Bankruptcy Proceedings	¥ 6,441	¥ 6,924	\$ 48
Other Delinquent Loans	54,580	54,244	410
Loans More than Three Months Past Due	538	1,328	4
Restructured Loans	68,403	1,265	513

Note: Refer to page 58 for the definition of each item.

Securities

Securities held at March 31, 2002 and 2001 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Japanese National Government Bonds	¥ 982,460	¥ 837,670	\$ 7,373
Japanese Local Government Bonds	206,987	249,443	1,553
Japanese Corporate Bonds and Debentures	387,772	423,767	2,910
Japanese Corporate Shares	956,428	738,917	7,178
Foreign Securities	827,903	583,680	6,213
Other Securities	72,397	94,132	543
Total	¥3,433,949	¥2,927,611	\$25,771

Loans to Banking Account

When surplus funds have been generated through the management of trust assets, they are loaned to the Banking Account and entered there as Borrowed Money from Trust Account.

Balance of Jointly-Operated Money Trusts

The Bank makes provisions for possible loan losses from Jointly-Operated Money Trusts. Jointly-Operated Money Trusts are included in "Money Trusts" in the statements of trust account.

Funds in a trust account that are reinvested in other trusts man-

aged by the Bank are deducted from these other accounts to prevent duplication. The figures in the accompanying statements of trust account at March 31, 2002 and 2001 are calculated on this basis. However, the following figures include funds reinvested from other trusts managed by the Bank.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Assets:			
Loans and Bills Discounted	¥243,028	¥249,394	\$1,824
Securities	15,289	27,041	115
Other	656,626	722,076	4,928
Total	¥914,944	¥998,512	\$6,866
Liabilities:			
Principal	¥913,544	¥997,641	\$6,856
Reserve for Possible Impairment of Principal	731	751	5
Other	667	119	5
Total	¥914,944	¥998,512	\$6,866

Financial Section / NOTES TO STATEMENTS OF TRUST ACCOUNT (UNAUDITED)

Balance of Loan Trusts

The following figures include funds reinvested from other trusts managed by the Bank.

The balance of Loan Trusts at March 31, 2002 and 2001 was as follows:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Assets:			
Loans and Bills Discounted	¥1,636,042	¥2,069,355	\$12,278
Securities	266,478	312,668	2,000
Other	1,285,403	2,107,627	9,647
Total	¥3,187,925	¥4,489,652	\$23,924
Liabilities:			
Principal	¥3,154,240	¥4,427,727	\$23,672
Reserve for Possible Impairment of Principal	18,621	23,977	140
Other	15,063	37,947	113
Total	¥3,187,925	¥4,489,652	\$23,924

NON-CONSOLIDATED BALANCE SHEETS — The Sumitomo Trust & Banking Company, Limited at March 31, 2002 and 2001

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Assets:			
Cash and Due from Banks	¥ 822,915	¥ 654,527	\$ 6,176
Call Loans	80,063	73,717	601
Commercial Paper and Other Debt Purchased	44,261	11,900	332
Trading Assets	515,827	564,797	3,871
Money Held in Trust	59,665	75,614	448
Investment Securities	5,069,781	6,563,542	38,047
Loans and Bills Discounted	8,918,757	8,292,615	66,933
Foreign Exchanges	7,656	11,863	57
Other Assets	619,527	682,151	4,649
Premises and Equipment	109,882	148,691	825
Deferred Tax Assets	246,914	200,541	1,853
Customers' Liabilities for Acceptances and Guarantees	501,254	511,434	3,762
Reserve for Possible Losses	(217,066)	(207,330)	(1,629)
Reserve for Losses on Investment to Securities	(1,129)	(1,983)	(8)
Total Assets	¥16,778,313	¥17,582,082	\$125,916
Liabilities:			
Deposits	¥ 8,141,452	¥ 7,702,197	\$ 61,099
Negotiable Certificates of Deposit	1,607,512	977,858	12,064
Call Money	285,012	287,063	2,139
Payables under Repurchase Agreements	928,407	—	6,967
Bills Sold	342,500	130,900	2,570
Trading Liabilities	203,045	196,841	1,524
Borrowed Money	445,609	487,231	3,344
Foreign Exchanges	5,006	8,130	38
Corporate Bonds	202,000	200,000	1,516
Convertible Bonds	6,000	6,665	45
Borrowed Money from Trust Account	2,074,447	2,983,852	15,568
Collateral for Lending Securities	876,757	2,218,545	6,580
Unpaid Expenses of Trading Account	20,458	315,428	154
Other Liabilities	479,650	776,331	3,600
Reserve for Employee Bonuses	3,948	—	30
Reserve for Employee Retirement Benefits	817	295	6
Reserve for Possible Losses on Loans Sold	250	3,379	2
Deferred Tax Liabilities on Revaluation Reserve for Land	2,184	15,034	16
Acceptances and Guarantees	501,254	511,434	3,762
Total Liabilities	16,126,315	16,821,190	121,023
Stockholders' Equity:			
Preferred Stock	50,000	50,000	375
Authorized-250,000,000 shares			
Issued-125,000,000 shares			
Common Stock	234,053	233,985	1,756
Authorized-3,000,000,000 shares			
Issued-1,452,247,764 shares			
Capital Surplus	237,472	237,405	1,782
Legal Reserve	42,903	41,803	322
Revaluation Reserve for Land, Net of Tax	3,441	23,653	26
Retained Earnings	145,509	174,044	1,092
Net Unrealized Gains(Losses) on Available-for-Sale Securities, Net of Tax	(57,149)	—	(429)
Treasury Stock	(4,233)	—	(32)
Total Stockholders' Equity	651,997	760,892	4,893
Total Liabilities and Stockholders' Equity	¥16,778,313	¥17,582,082	\$125,916
<hr/>			
	Yen		U.S. Dollars (Note 1)
Net Assets per Share	¥ 381.57	¥ 455.16	\$ 2.86

See accompanying notes.

Financial Section / NON-CONSOLIDATED STATEMENTS OF OPERATIONS

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

--- The Sumitomo Trust & Banking Company, Limited for the years Ended March 31, 2002 and 2001

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Income:			
Trust Fees	¥ 80,421	¥ 95,807	\$ 604
Interest Income:			
Interest on Loans and Discounts	139,195	150,303	1,045
Interest and Dividends on Securities	176,823	152,287	1,327
Other Interest Income	13,512	44,894	101
	329,532	347,484	2,473
Fees and Commissions	45,346	35,672	340
Trading Revenue	5,354	7,215	40
Other Operating Income	73,771	91,927	554
Other Income	51,951	173,823	390
Total Income	586,377	751,931	4,401
Expenses:			
Interest Expenses:			
Interest on Deposits	75,250	88,791	565
Interest on Borrowings and Rediscounts	10,475	12,256	79
Other Interest Expenses	136,147	168,462	1,022
	221,874	269,509	1,665
Fees and Commissions	23,121	14,130	174
Trading Expenses	655	54	5
Other Operating Expenses	41,374	56,259	310
General and Administrative Expenses	123,249	128,551	925
Other Expenses	241,136	199,159	1,810
Total Expenses	651,411	667,664	4,889
Income (Loss) before Income Taxes	(65,034)	84,266	(488)
Income Taxes:			
Current	106	106	1
Deferred	(22,933)	41,517	(172)
Net Income (Loss)	¥ (42,207)	¥ 42,642	\$ (317)
		Yen	U.S. Dollars (Note 1)
Net Income (Loss) per Share	¥ (29.68)	¥ 28.96	\$ (0.22)
Cash Dividends per Share (Preferred Stock)	6.08	6.08	0.05
Cash Dividends per Share (Common Stock)	5.00	7.00	0.04

See accompanying notes.

Financial Section / NON-CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

NON-CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

--- The Sumitomo Trust & Banking Company, Limited for the years Ended March 31, 2002 and 2001

	Number of Shares of		Millions of Yen									
	Preferred Stock (Thousands)	Common Stock (Thousands)	Preferred Stock	Common Stock	Capital Surplus	Legal Reserve	Revaluation Reserve for Land	Retained Earnings	Net Unrealized Gains (Losses) on Available - for -Sale Securities	Treasury Stock		
Balance at March 31, 2000	125,000	1,444,307	¥50,000	¥232,068	¥235,487	¥39,618	¥25,605	¥141,969	¥	---	¥	---
Net Income								42,642				
Cash Dividends Paid								(10,860)				
Transfer to Legal Reserve						2,185		(2,185)				
Shares Issued upon Conversion of Convertible Bonds		7,670		1,917	1,917							
Adjustment due to Change in Effective Tax Rate and sale of Revalued Property							(1,951)	2,477				
Balance at March 31, 2001 ..	125,000	1,451,977	¥50,000	¥233,985	¥237,405	¥41,803	¥23,653	¥174,044	¥	---	¥	---
Net Income								(42,207)				
Cash Dividends Paid								(5,451)				
Transfer to Legal Reserve						1,100		(1,100)				
Shares Issued upon Conversion of Convertible Bonds		270		67	67							
Net Change										(57,149)	(4,233)	
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property							(20,212)	20,224				
Balance at March 31, 2002 ..	125,000	1,452,247	¥50,000	¥234,053	¥237,472	¥42,903	¥3,441	¥145,509	¥(57,149)	¥(4,233)		

	Millions of U.S. Dollars (Note 1)							
	Preferred Stock	Common Stock	Capital Surplus	Legal Reserve	Revaluation Reserve for Land	Retained Earnings	Net Unrealized Gains (Losses) on Available - for -Sale Securities	Treasury Stock
Balance at March 31, 2001	\$375	\$1,756	\$1,782	\$314	\$178	\$1,306	\$	\$
Net Income						(317)		
Cash Dividends Paid						(41)		
Transfer to Legal Reserve				8		(8)		
Shares Issued upon Conversion of Convertible Bonds		1	1					
Net Change							(429)	(32)
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property					(152)	152		
Balance at March 31, 2002	\$375	\$1,756	\$1,782	\$322	\$26	\$1,092	\$(429)	\$(32)

See accompanying notes.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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

1. Basis of Presenting Financial Statements

The accompanying translated non-consolidated financial statements have been compiled from the audited non-consolidated financial statements that are prepared for Japanese domestic purposes in accordance with the Securities and Exchange Law of Japan, the Banking Law of Japan and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

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

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

The Bank, a Japanese corporation, maintains its records and prepares its financial statements in Japanese yen. The accompanying U.S. dollar financial statements have been translated from yen for convenience, and as a matter of arithmetical computation only, at the rate of ¥133.25 to U.S.\$1.00, the exchange rate prevailing at March 31, 2002. The convenience translations would not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

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

2. Significant Accounting Policies and Practices

(a) The Bank adopted new Japanese accounting standards for employees' severance and retirement benefits and financial instruments in the year ended March 31, 2001, and new Japanese accounting standards for financial instruments on available-for-sale securities with fair market value in the year ended March 31, 2002.

(b) Treasury stocks, which were previously included in securities, are reported in stockholders' equity as a negative balance from the year ended March 31, 2002, in accordance with "Partial revision of the Enforcement Ordinance for the Banking Law", effective October 1, 2001. Accordingly, but total assets and stockholders' equity decreased by ¥4,233 million (\$32 million).

Refer to notes to consolidated financial statements for other than above.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

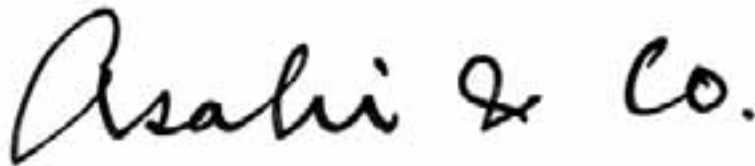
To the Shareholders and the Board of Directors of The Sumitomo Trust and Banking Company, Limited:

We have audited the accompanying non-consolidated balance sheets of The Sumitomo Trust and Banking Company, Limited as of March 31, 2002 and 2001, and the related non-consolidated statements of operations, stockholders' equity for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the non-consolidated financial statements referred to above present fairly the non-consolidated financial position of The Sumitomo Trust and Banking Company, Limited as of March 31, 2002 and 2001, and the non-consolidated results of its operations for the years then ended in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis during the periods, except as noted in the following paragraph.

As explained in Note 2, The Sumitomo Trust and Banking Company, Limited prospectively adopted new Japanese accounting standards for employees' severance and retirement benefits and financial instruments in the year ended March 31, 2001. In addition, as explained in Note 2, a new accounting requirement for available-for-sale securities with available fair market values was applied prospectively in the year ended March 31, 2002 under the accounting standards for financial instruments, which was adopted in the previous year.

Also, in our opinion, the U.S. dollar amounts in the accompanying non-consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

A handwritten signature in black ink that reads "Asahi & Co." in a cursive, flowing script.

Tokyo, Japan
June 27, 2002

Financial Section/ SUPPLEMENTARY FINANCIAL INFORMATION

SUPPLEMENTARY FINANCIAL INFORMATION

Loans by Industry (Consolidated basis)

(i) Banking Account

At March 31	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Domestic Offices (Excluding Offshore Loans):			
Manufacturing	¥1,286,448	¥1,046,485	\$ 9,654
Agriculture, Forestry, Fishing, and Mining	7,203	7,687	54
Construction	223,678	233,972	1,679
Energy	66,609	70,608	500
Transportation and Communication	539,150	382,822	4,046
Wholesale and Retail	796,095	754,669	5,974
Finance and Insurance	1,986,047	1,877,926	14,905
Real Estate	1,126,213	1,144,225	8,452
Services	1,235,792	1,125,474	9,274
Local Governments	51,122	22,134	384
Individuals and Others	912,755	861,728	6,850
Subtotal	8,231,112	7,527,734	61,772
Overseas Offices (Including Offshore Loans of Domestic Offices):			
Governments and Official Institutions	9,085	10,509	68
Banks and Other Financial Institutions	3,913	5,215	29
Others	678,353	650,319	5,091
Subtotal	691,352	666,045	5,188
Total	¥8,922,465	¥8,193,779	\$66,960

(ii) Trust Account

At March 31	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2002	2001	2002
Domestic Offices (Excluding Offshore Loans):			
Manufacturing	¥ 146,398	¥ 266,697	\$ 1,099
Agriculture, Forestry, Fishing, and Mining	1,040	1,170	8
Construction	53,126	91,909	399
Energy	187,645	222,896	1,408
Transportation and Communication	262,248	268,143	1,968
Wholesale and Retail	92,565	172,096	695
Finance and Insurance	348,876	543,506	2,618
Real Estate	304,066	419,819	2,282
Services	237,780	244,298	1,784
Local Governments	44,026	46,435	330
Individuals and Others	294,812	330,829	2,212
Total	¥1,972,582	¥2,607,797	\$14,804

FIVE-YEAR SUMMARY ----- The Sumitomo Trust & Banking Company, Limited at/for the Years Ended March 31

CONSOLIDATED STATEMENTS OF BANKING ACCOUNT	Millions of Yen				
	2002	2001	2000	1999	1998
AT YEAR-END					
Assets:					
Cash and Due from Banks	¥ 835,193	¥ 685,323	¥ 766,200	¥ 986,673	¥ 1,615,038
Investment Securities	5,069,838	6,566,313	4,864,909	3,694,469	3,577,030
Loans and Bills Discounted	8,922,465	8,193,779	7,728,968	7,374,575	8,701,427
Premises and Equipment	121,158	155,717	172,469	169,472	125,931
Customers' Liabilities for					
Acceptances and Guarantees	364,550	379,695	328,201	426,647	310,608
Other	1,612,377	2,068,240	2,007,671	2,406,732	1,345,862
Reserve for Possible Loan Losses	(221,562)	(188,057)	(345,639)	(462,642)	(700,445)
Reserve for Losses Investment securities	—	(7)	—	—	—
Total Assets	¥16,704,021	¥17,861,005	¥15,522,780	¥14,595,927	¥14,975,453
Liabilities:					
Deposits and Negotiable Certificate of Deposit	¥ 9,774,054	¥ 8,692,805	¥ 7,674,061	¥ 7,043,257	¥ 7,063,346
Acceptances and Guarantees	364,550	379,695	328,201	426,647	310,608
Other	5,817,477	7,935,759	6,695,223	6,334,764	6,968,234
Total Liabilities	15,956,082	17,008,260	14,697,487	13,804,669	14,342,190
Minority Interest	88,290	91,076	89,776	89,054	—
Total Stockholders' Equity	659,647	761,668	735,516	702,203	633,263
Total Liabilities, Minority Interest and Stockholders' Equity	¥16,704,021	¥17,861,005	¥15,522,780	¥14,595,927	¥14,975,453
FOR THE YEAR					
Income:					
Trust Fees	¥ 80,421	¥ 95,807	¥ 96,228	¥ 143,698	¥ 142,679
Interest Income	329,927	346,568	391,291	521,387	583,529
Fees and Commissions	61,041	49,767	43,887	40,830	46,362
Trading Revenue	5,354	10,569	6,102	4,663	10,009
Other Operating Income	192,192	218,280	216,598	276,670	117,170
Other Income	55,364	175,695	257,753	40,802	149,864
Total Income	¥ 724,301	¥ 896,688	¥ 1,011,861	¥ 1,028,054	¥ 1,049,617
Expenses:					
Interest Expenses	¥ 225,083	¥ 275,270	¥ 294,416	¥ 428,330	¥ 501,340
Fees and Commissions	24,668	17,881	9,677	9,845	14,747
Trading Expenses	655	34	95	—	262
Other Operating Expenses	151,112	175,256	213,232	205,521	73,468
General and Administrative Expenses	134,857	138,088	142,807	158,577	162,518
Other Expenses	244,394	200,236	271,476	408,785	360,021
Total Expenses	¥ 780,772	¥ 806,766	¥ 931,706	¥ 1,211,060	¥ 1,112,358
Income (Loss) before Income Taxes	¥ (56,470)	¥ 89,922	¥ 80,155	¥ (183,006)	¥ (62,741)
Net Income (Loss)	(42,480)	41,017	32,214	(136,742)	(50,146)
PER SHARE (Common Stock)					
Net Income (Loss) per Share (Yen)	¥ (29.87)	¥ 27.88	¥ 21.89	¥ (103.56)	¥ (40.30)
Net Assets per Share (Yen)	386.86	456.65	440.07	422.88	508.95

Financial Section/ FIVE-YEAR SUMMARY

FIVE-YEAR SUMMARY ----- The Sumitomo Trust & Banking Company, Limited at / for the Years Ended March 31

NON CONSOLIDATED STATEMENTS OF BANKING ACCOUNT	Millions of Yen				
	2002	2001	2000	1999	1998
AT YEAR-END					
Assets:					
Cash and Due from Banks	¥ 822,915	¥ 654,527	¥ 756,332	¥ 1,004,395	¥ 1,672,001
Investment Securities	5,069,781	6,563,542	4,856,061	3,674,312	3,516,453
Loans and Bills Discounted	8,918,757	8,292,615	7,777,439	7,415,150	8,680,697
Premises and Equipment	109,882	148,691	158,887	160,434	118,915
Customers' Liabilities for					
Acceptances and Guarantees	501,254	511,434	478,596	545,247	770,669
Other	1,573,916	1,620,586	1,487,697	1,819,551	884,923
Reserve for Possible Loan Losses	(217,066)	(207,330)	(290,035)	(406,769)	(700,250)
Reserve for Losses on					
Investment securities	(1,129)	(1,983)	--	--	--
Total Assets	¥16,778,313	¥17,582,082	¥15,224,977	¥14,212,320	¥14,943,411
Liabilities:					
Deposits and Negotiable Certificate of Deposit	¥ 9,748,964	¥ 8,680,056	¥ 7,653,422	¥ 7,057,617	¥ 6,997,840
Acceptances and Guarantees	501,254	511,434	478,596	545,247	770,669
Other	5,876,096	7,629,698	6,368,210	5,918,936	6,793,835
Total Liabilities	16,126,315	16,821,190	14,500,228	13,521,800	14,562,345
Stockholders' Equity:					
Capital Stock	284,053	283,985	282,068	277,005	182,053
Reserves and Surplus	367,944	476,906	442,681	413,514	199,013
Total Stockholders' Equity	651,997	760,892	724,749	690,520	381,066
Total Liabilities and Stockholders' Equity	¥16,778,313	¥17,582,082	¥15,224,977	¥14,212,320	¥14,943,411
FOR THE YEAR					
Income:					
Trust Fees	¥ 80,421	¥ 95,807	¥ 96,228	¥ 143,698	¥ 142,679
Interest Income	329,532	347,484	389,657	513,581	574,024
Fees and Commissions	45,346	35,672	32,659	30,943	36,489
Trading Revenue	5,354	7,215	4,735	3,241	9,982
Other Operating Income	73,771	91,927	107,945	185,211	116,196
Other Income	51,951	173,823	252,533	40,020	138,164
Total Income	¥ 586,377	¥ 751,931	¥ 883,759	¥ 916,696	¥ 1,017,536
Expenses:					
Interest Expenses	¥ 221,874	¥ 269,509	¥ 291,813	¥ 420,544	¥ 489,402
Fees and Commissions	23,121	14,130	6,744	8,611	8,552
Trading Expenses	655	54	409	40	317
Other Operating Expenses	41,374	56,259	111,930	128,116	72,546
General and Administrative Expenses	123,249	128,551	133,294	144,356	155,434
Other Expenses	241,136	199,159	262,839	398,556	362,695
Total Expenses	¥ 651,411	¥ 667,664	¥ 807,031	¥ 1,100,226	¥ 1,088,947
Income (Loss) before income Taxes	¥ (65,034)	¥ 84,266	¥ 76,728	¥ (183,530)	¥ (71,411)
Net income (Loss)	(42,207)	42,642	33,015	(107,122)	(71,683)
Cash Dividends	7,993	10,877	10,866	9,251	9,953
PER SHARE (Common Stock)					
Net Income (Loss) per Share (Yen)	¥ (29.68)	¥ 28.96	¥ 22.44	¥ (81.13)	¥ (57.61)
Cash Dividends per Share (Yen)	5.00	7.00	7.00	7.00	8.00
Net Assets per Share (Yen)	381.57	455.16	432.55	414.67	306.26

FIVE-YEAR SUMMARY ----- The Sumitomo Trust & Banking Company, Limited at Years Ended March 31

STATEMENTS OF TRUST ACCOUNT	Millions of Yen				
	2002	2001	2000	1999	1998
AT YEAR-END					
Assets:					
Loans and Bills Discounted	¥ 1,972,582	¥ 2,607,797	¥ 3,179,040	¥ 3,756,410	¥ 3,778,463
Investment Securities	3,433,949	2,927,611	19,887,162	16,486,602	15,290,730
Other Assets	44,485,044	44,649,862	18,887,301	15,851,199	14,917,566
Total Assets	¥49,891,577	¥50,185,272	¥41,953,504	¥36,094,212	¥33,986,760
Liabilities:					
Money Trusts	¥17,939,003	¥16,704,918	¥15,429,819	¥12,576,074	¥11,159,057
Pension Trusts	5,551,957	5,398,553	5,315,209	4,739,400	4,766,561
Property Formation Benefit Trusts	11,694	12,580	13,364	14,936	15,200
Loan Trusts	2,986,125	4,274,930	5,516,283	6,527,520	7,369,220
Other Trusts	23,402,795	23,794,289	15,678,827	12,236,279	10,676,720
Total Liabilities	¥49,891,577	¥50,185,272	¥41,953,504	¥36,094,212	¥33,986,760

TOTAL EMPLOYABLE FUNDS	Millions of Yen				
	2002	2001	2000	1999	1998
AT YEAR-END					
Deposits	¥ 9,748,964	¥ 8,680,056	¥ 7,653,422	¥ 7,057,617	¥ 6,997,840
Money Trusts	17,939,003	16,704,918	15,429,819	12,576,074	11,159,057
Pension Trusts	5,551,957	5,398,553	5,315,209	4,739,400	4,766,561
Property Formation Benefit Trusts	11,694	12,580	13,364	14,936	15,200
Loan Trusts	2,986,125	4,274,930	5,516,283	6,527,520	7,369,220
Total Employable Funds*	¥36,237,746	¥35,071,038	¥33,928,098	¥30,915,549	¥30,307,880

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

INTERNATIONAL NETWORK

INTERNATIONAL NETWORK as of July 1, 2002

THE AMERICAS

UNITED STATES

New York Branch
527 Madison Avenue,
New York, NY10022, U.S.A.
Telephone: 1-212-326-0600
Facsimile: 1-212-644-3025
Telex: 222049, 421503

Sumitomo Trust and
Banking Co. (U.S.A.)
111 River Street,
Hoboken, NJ07030, U.S.A.
Telephone: 1-201-420-9470
Facsimile: 1-201-420-7853
Telex: 428538

EUROPE

UNITED KINGDOM

London Branch
155 Bishopsgate,
London EC2M 3XU, U.K.
Telephone: 44-20-7945-7000
Facsimile: 44-20-7945-7177
Telex: 8811041, 888924

LUXEMBOURG

Sumitomo Trust and
Banking (Luxembourg) S.A.
18, Boulevard Royal,
P.O. Box 882, L-2018, Luxembourg
Telephone: 352-4779851
Facsimile: 352-474608
Telex: 60232, 60233

ASIA

SINGAPORE

Singapore Branch
8 Shenton Way, #45-01,
Temasek Tower, Singapore 068811
Telephone: 65-62249055
Facsimile: 65-62242873
Telex: 20717

INDONESIA

Jakarta Representative Office
11th Floor, Summitmas I,
Jl. Jenderal Sudirman, Kaveling 61-62,
Jakarta 12069, Indonesia
Telephone: 62-21-5200057
Facsimile: 62-21-5200058
Telex: 60782

THAILAND

Bangkok Representative Office
15th Floor, Diethelm Tower A,
Suite 1502, 93/1 Wireless Road,
Pratumwan,
Bangkok 10330, Thailand
Telephone: 66-2-252-2302
Facsimile: 66-2-256-7799

PEOPLE'S REPUBLIC OF CHINA

The Sumitomo Trust Finance
(H.K.) Limited
Suites 704-706, 7th Floor,
Three Exchange Square,
8 Connaught Place, Central, Hong Kong
Telephone: 852-2801-8800
Facsimile: 852-2840-0496/0502
Telex: 63890

Beijing Representative Office

7th Floor, Chang Fu Gong
Office Building,
A-26, Jianguomenwai Dajie,
Chaoyang District,
Beijing 100022,
People's Republic of China
Telephone: 86-10-6513-9020
Facsimile: 86-10-6513-9243

Shanghai Representative Office

Room 602, Shanghai
International Trade Centre,
2201 Yan-An Road(West),
Shanghai 200336,
People's Republic of China
Telephone: 86-21-6219-2224
Facsimile: 86-21-6219-4320

REPUBLIC OF KOREA

Seoul Representative Office
100-716, 20th Floor,
Samsung Life Building,
#150, 2-ka, Taepyeong-ro, Chung-ku,
Seoul, Korea
Telephone: 82-2-757-8725/7
Facsimile: 82-2-757-8721

SUBSIDIARIES AND AFFILIATED COMPANIES

SUBSIDIARIES AND AFFILIATED COMPANIES* as of July 1, 2002

Japan

Name	Millions		Percentage points		Established
	Paid-in Capital		Ownership	Group Ownership other than Sumitomo Trust	
The Sumishin Shinko Company Limited	¥	50	100.0%	0.0%	June 1948
Sumishin Business Service Company, Limited	¥	50	100.0	0.0	June 1986
STB Personnel Service Co., Ltd.	¥	80	100.0	0.0	July 1995
STB Investment Corporation	¥	35	100.0	0.0	March 2000
Sumishin Loan Guaranty Company Limited	¥	5,190	100.0	0.0	November 1983
Sumishin Guaranty Company Limited	¥	7,100	98.8	0.3	August 1977
Sumishin Information Service Company Limited	¥	100	5.0	65.0	February 1973
Sumishin Card Company, Limited	¥	50	5.0	50.0	June 1983
Sumishin Realty Company, Limited	¥	300	5.0	70.0	January 1986
STB Asset Management Company, Limited	¥	300	5.0	95.0	November 1986
STB Research Institute Co., Ltd.	¥	300	5.0	95.0	July 1988
STB Leasing Co., Ltd.	¥	1,731	5.0	34.4	July 1985
Japan Trustee Services Bank, Ltd.	¥50,000		50.0	0.0	June 2000
Human Resource Management Service & Consulting Co., Ltd.	¥	260	49.5	0.0	May 2002
BUSINEXT CORPORATION	¥	3,000	40.0	0.0	January 2001
Japan Trustee Information Systems Ltd.	¥	200	5.0	45.0	November 1988

Overseas

Name	Millions		Percentage points		Established
	Paid-in Capital		Ownership	Group Ownership other than Sumitomo Trust	
The Sumitomo Trust Finance (H.K.) Limited	\$	45	100.0%	0.0%	July 1978
Sumitomo Trust and Banking (Luxembourg) S.A.	\$	30	100.0	0.0	April 1985
STB Finance Cayman Limited	\$	0.01	100.0	0.0	January 1993
FCSC Corporation	\$	0.1	100.0	0.0	April 1996
STB Cayman Capital Limited	\$	0.01	100.0	0.0	May 1997
STB Preferred Capital (Cayman) Limited	¥85,000		100.0	0.0	February 1999
Sumitomo Trust and Banking Co.(U.S.A.)	\$	82.9	100.0	0.0	May 2002

* As defined by the accounting principles accepted in Japan.

BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND AUDITORS

BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND AUDITORS as of July 1, 2002

Chairman of the Board

Hitoshi Murakami *

President & CEO

Atsushi Takahashi *

*Deputy President
Executive Officer*

Yutaka Morita *
Group President, Wholesale Financial Services

Senior Executive Officers

Fujio Ido *
Group President, Fiduciary Services

Eiichi Tanabe *
Headquarters of General Affairs Dept., Corporate Planning Dept., Financial Management Dept.,
Corporate Administration Dept., Systems Resources Management Dept.

Managing Executive Officers

Hirokazu Mizukami *
Deputy Group President, Wholesale Financial Services
Global Credit Investment Management Dept.

Takaaki Hatabe *
Group President, Treasury and Financial Products

Kazuo Miyakawa *
Planning and Coordination Dept.

Hideo Fujii *
Personnel Dept., Legal Dept., Risk Management Dept.

Takashi Nakamura *
Group President, Retail Financial Services

Masao Shibuya *
Group President, Real Estate

Ikuho Inoue *
Deputy Group President, Wholesale Financial Services and Retail Financial Services

Toshiharu Sakurai
Deputy Group President, Wholesale Financial Services
Global Credit Supervision Dept., Specified Credit Supervision Dept., Special Assets Management
Dept., Research Dept.

Sakae Yashiro
Deputy Group President, Fiduciary Services
Asset Management Business Dept., Asset Management Dept., Index Funds Management Dept.,
Trust Funds Investment Dept., Public Funds Investment Dept., Pension Investment Dept.

Jiro Araki
Deputy Group President, Wholesale Financial Services and Retail Financial Services

Executive Officers and General Managers

Jumpei Norimatsu *
General Manager, Corporate Administration Dept.

Shuichi Shimizu
General Manager, Corporate Business Dept 1, Osaka

Shoji Morii
General Manager, Kyoto Branch

Masaru Suzuki
General Manager, Planning and Coordination Dept.

Yukio Aoyama
General Manager, Nagoya Branch

Takashi Shingai
General Manager, Systems Resources Management Dept.

Kanae Kubota
President, Japan Trustee Information Systems Ltd.
(an affiliate of Sumitomo Trust; external assignment)

Masahiko Nakai
General Manager, Retail Business Planning Dept.

Zengo Tanoue
General Manager, Umeda Branch

Masakiyo Inoue
General Manager, Tokyo Corporate Business Dept 4

Akio Otsuka
General Manager, Corporate Trust Business Dept 1

Standing Statutory Auditor

Shigeru Tomoda

Statutory Auditors

Masao Inoue

Tsukasa Ooshima

Masahiro Tanaka

Tsuneo Hiroe

*Directors



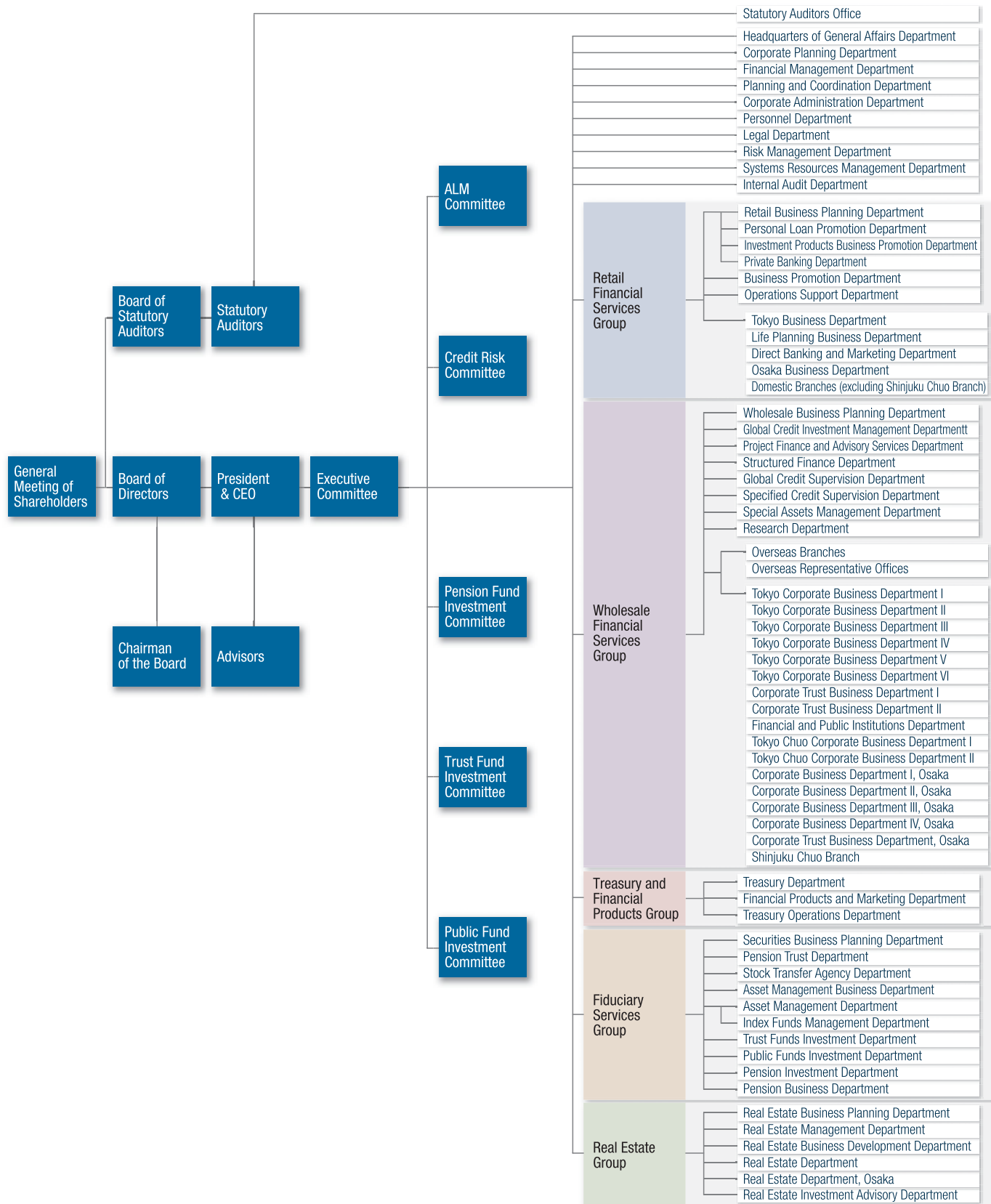
This English-version Annual Report is intended to provide clear explanations to our international shareholders, customers and employees on, among others, our independent strategy, the well-defined business models implemented by five business groups, and comparatively sound financial status among major Japanese banks.

Our IR activities place a high priority on maintaining high transparency of disclosure, as illustrated by the fact that, in the year 2001, the Security Analysts Association of Japan awarded us the "No. 1 Fair Disclosure Company" position among major Japanese banks. In this context, we welcome your comments and/or inquiries about this report.

As the executive in charge of Investor Relations, I hope this report will facilitate your understanding of Sumitomo Trust, and reinforce your confidence in its future prospects.

Hirokazu Mizukami

ORGANIZATION as of August 1, 2002



CORPORATE DATA

CORPORATE DATA as of March 31, 2002

Head Office

5-33, Kitahama 4-chome,
Chuo-ku, Osaka 540-8639, Japan
Telephone: 81-6-6220-2121

Tokyo Office

4-4, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-8233, Japan
Telephone: 81-3-3286-1111

Date of Establishment

July 1925

Paid-in Capital

¥284,053 million

Number of Employees

5,154

Independent Public Accountants

Asahi & Co.

Authorized Stock (Thousands)

Common Stock: 3,000,000

Preferred Stock: 250,000

Issued Stock (Thousands)

Common Stock: 1,452,247

Preferred Stock: 125,000

Number of Stockholders

Common Stock: 21,958

Preferred Stock: 1

Principal Stockholders

Common Stock

The 10 principal stockholders of the Bank and their respective holdings of shares at March 31, 2002, expressed as a percentage of the total number of shares then in issue, were as follows

	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue
The Mitsubishi Trust and Banking Corporation (Trust Accounts)	74,769	5.14%
Japan Trustee Services Bank, Ltd. (Trust Accounts)	53,008	3.65
UFJ Trust Bank Limited (Trust Account A) ---	40,579	2.79
Sumitomo Life Insurance Company	33,389	2.29
Sumitomo Mitsui Banking Corporation	32,304	2.22
Euroclear Bank S.A. / N.V. (Standing Agent : The Industrial Bank of Japan, Limited *1)	28,094	1.93
NEC Corporation	25,065	1.72
Kubota Corporation	23,984	1.65
The Sumitomo Warehouse Co., Ltd.	18,200	1.25
State Street Bank and Trust Company (Standing Agent : The Fuji Bank, Limited *2) -	17,236	1.18
Total	346,630	23.86%

*1. The Industrial Bank of Japan, Limited split and merged with The Dai-ichi Kangyo Bank, Limited and The Fuji Bank, Limited into Mizuho Corporate Bank, Ltd. on April 1, 2002.

*2. The Fuji Bank, Limited split and merged with The Dai-ichi Kangyo Bank, Limited and The Industrial Bank of Japan, Limited into Mizuho Corporate Bank, Ltd. on April 1, 2002.

Preferred Stock

	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue
The Resolution and Collection Corp.	125,000	100.00%
Total	125,000	100.00%

A Cautionary Note on Forward-Looking Statements

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

For further information, please contact:

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Financial Management Department

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