

2006

ANNUAL REPORT

Year Ended March 31, 2006



Business Operations

Sumitomo Trust & Banking will facilitate its business activities putting the customer first by utilizing its strengths as a trust bank, which are its expertise in the trust, banking, and real estate businesses.

We will work hard to meet the various needs of our customers in order to become a “top quality trust bank group that puts the customer first”. We will achieve this by becoming a partner that stands on the same footing as each of our customers through utilizing our expertise in finance and trust functions.

Overview of the Corporation (as of March, 2006)

Trade Name	The Sumitomo Trust & Banking Co., Ltd.	Capital	287.2 billion yen
Head Office	5-33, Kitahama 4-chome, Chuo-ku, Osaka-shi, Osaka 540-8639, Japan	Common Shares Issued and Outstanding	1,672,892,956
Date of Establishment	July 1925	BIS Capital Adequacy Ratio	10.90% (consolidated)
Total Employable Funds	37,514.9 billion yen	Number of Employees	5,230
Total Assets	20,371.7 billion yen	Number of Domestic Offices	59 (51 branch offices; 8 satellite offices)
Loans	11,107.9 billion yen (combining banking a/c and principal guaranteed trust a/c)	Overseas Offices	4 branch offices; 4 representative offices
		Stock exchanges on which the company is listed	the First Section of the Tokyo Stock Exchange, the First Section of the Osaka Securities Exchange

Rating Information (as of July 31, 2006)

	S & P	Moody's	FITCH	JCR	R & I
L/T	A	A 2	A -	A A-	A
S/T	A-1	P-1	F1	—	a-1

Ethics Charter of Sumitomo Trust

1. Securing unwavering trust from society

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

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

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

3. Strict adherence to laws and social regulations

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

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

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

5. Strong stand against anti-social elements

Sumitomo Trust maintains a strong stand against any social elements which threaten public order and safety.

6. Transparency of management at all times

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

Social Activity Charter

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

1. Pursue sustainable social development

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

2. Create new levels of value and foster economic development

Responding swiftly to the expectations of society, we shall deliver high-quality financial products and services, as well as pursue highly ethical business practices, in order to create new levels of value and contribute to economic development.

3. Protect the natural environment

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

4. Respect human rights

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

5. Comply with regulations

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

Contents

Financial Highlights	2	
To Our Shareholders, Customers, and Employees	4	
Priority Strategies	7	Priority Strategies of Sumitomo Trust & Banking 8 Special Feature: Sumitomo Trust & Banking's Alliance Strategy 12
Overview of Operations	17	Description of Businesses 18 Wholesale and Retail Client Services Group/ Retail Financial Services Division 20 Wholesale and Retail Client Services Group/ Wholesale Financial Services Division 24 Global Markets Group 28 Fiduciary Services Group 30 Real Estate Group 34 Principal Subsidiaries and Affiliates 38
Management System	43	CSR Management 44 Personnel System 46 Corporate Governance 48 Compliance 49 Risk Management Structure 50
Financial Section	59	
Corporate Structure	114	International Network 114 Subsidiaries and Affiliated Companies 115 Board of Directors, Executive Officers, and Auditors 116 Organization 118 Corporate Data 119

A Cautionary Note on Forward-Looking Statements:

This Annual Report contains forward-looking statements about Sumitomo Trust ("the Bank") and its group'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.

Financial Highlights

Earnings

Consolidated results for fiscal year 2005 were affected by several favorable developments including higher net fees and commissions associated with the increase in commissions on sales of mutual funds and annuities and real estate brokerage fees, and the larger contribution to profits of consolidated subsidiaries and affiliates, particularly the newly consolidated Sumishin Matsushita Financial Services Co., Ltd. and First Credit Corporation. These gains boosted net business profit before credit costs, which represents real earnings capacity, by ¥35.1 billion year on year to ¥196.2 billion. As a result, net income increased ¥3.2 billion to ¥100 billion, setting a new record.

Financial Soundness

Sumitomo Trust has succeeded in improving financial soundness by rapidly responding to the problem of non-performing loans and by completely repaying public funds in January 2004. The balance of non-performing loans at the end of March 2006 declined by ¥74.8 billion from the preceding fiscal year to ¥109.4 billion (non-consolidated assets classified under the Financial Reconstruction Law). We maintained excellent asset quality with a non-performing ratio of 0.9% (the proportion of assets classified under the Financial Reconstruction Law to total loan balance), one of the lowest in the industry.

Capital

We maintained a consolidated BIS capital adequacy ratio at the end of fiscal year 2005 at a sufficient level of 10.90%, though this represented a decline of 1.60 percentage points from the preceding fiscal year owing to an active expansion of assets. Although our Tier I ratio, which indicates the ratio associated with stock capitalization, retained earnings, and other core equity capital components, was 6.21%, the quality of equity capital improved further as we posted a negative net amount of deferred tax assets and liabilities.

Dividend Policy

Based on our existing policy of setting a payout ratio relative to consolidated net income at a benchmark of 20% or more, the dividend for fiscal year 2005 was ¥12 per share of common stock (as the term-end dividend, we paid ¥6 deducting the ¥6 interim dividend). Looking forward, we plan to increase profit sharing with our stockholders and raise the consolidated payout ratio to about 30% over the medium term. Our dividend per share for fiscal year 2006 is expected to be ¥15.

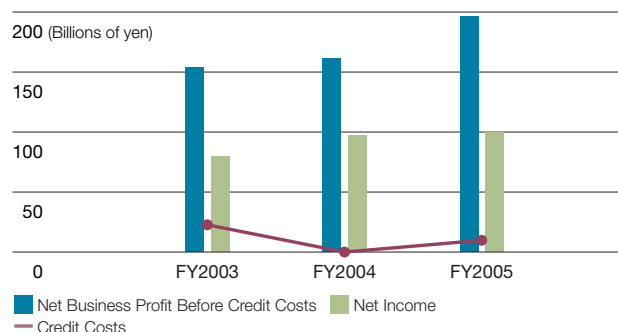
Financial Highlights for Fiscal Year 2005

(Billions of Yen)

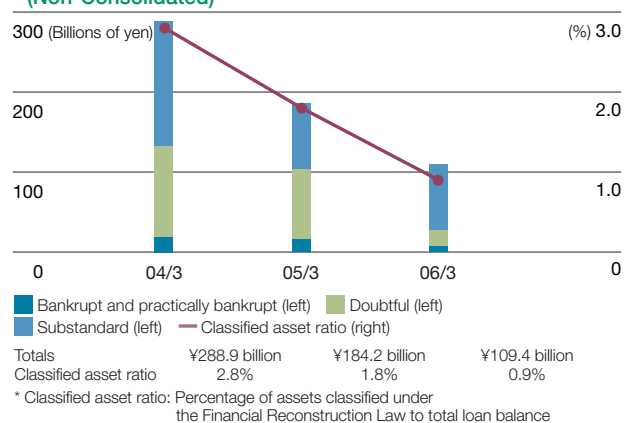
	FY2003	FY2004	FY2005	Year-on-Year	FY2003	FY2004	FY2005	Year-on-Year
	(Non-Consolidated)	(Non-Consolidated)	(Non-Consolidated)		(Consolidated)	(Consolidated)	(Consolidated)	
Net Business Profit Before Credit Costs (Note)	145.0	148.2	164.6	16.3	153.6	161.1	196.2	35.1
Credit Costs	21.8	(1.4)	9.7	11.2	22.7	(0.0)	9.8	9.8
Net Gains on Stocks	25.6	13.6	6.9	(6.6)	25.7	13.9	6.9	(6.9)
Operating Profits	122.1	120.5	148.2	27.7	135.6	134.1	171.9	37.7
Net Income	73.9	84.7	88.4	3.7	79.6	96.8	100.0	3.2

Note: Consolidated net business profit before credit costs (the figure that indicates real earnings for the consolidated group as a whole) is calculated by the following formula:
 Consolidated Net Business Profit Before Credit Costs = Non-Consolidated Net Business Profit Before Credit Costs + Operating profits of other consolidated subsidiaries (adjusted nonrecurring items) + Operating profits of equity method affiliates (adjusted nonrecurring items) x % ownership — Internal transaction (dividend payment, etc.)

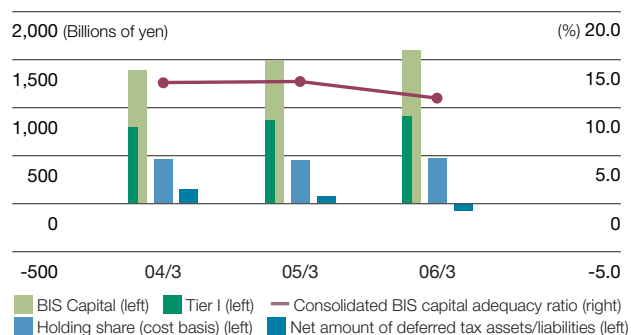
Consolidated Results



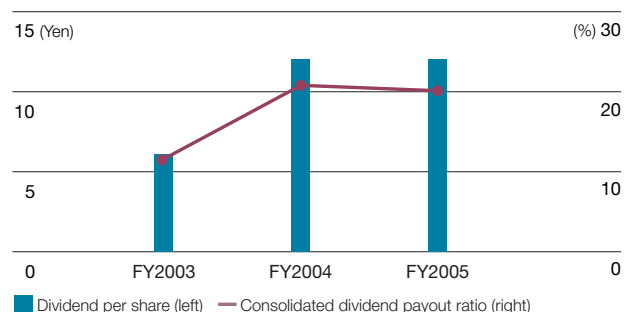
Assets Classified under the Financial Reconstruction Law (Non-Consolidated)



Capital/BIS Capital Adequacy Ratio (Consolidated)



Dividend per Share and Consolidated Dividend Payout Ratio



Dividends

	FY2003	FY2004	FY2005
Common Stock Dividends per Share	6 yen	12 yen	12 yen
Interim Dividend	—	—	6 yen
Consolidated Net Income	79.6 billion yen	96.8 billion yen	100.0 billion yen
Consolidated Dividend Payout Ratio (Note)	11.3%	20.6%	20.0%

Note: Consolidated Dividend Payout Ratio = $\frac{\text{Cash Dividends (Common Stock)}}{\text{Consolidated net income}} \times 100$

To Our Shareholders, Customers, and Employees



Yutaka Morita
President and CEO

A Look back at Fiscal Year 2005

Operating Environment—

A New Stage for Competition in the Financial Industry

The Japanese economy started to pick up in the middle of fiscal year 2005 and entered a phase of growth. Real GDP grew more than 3%, triggered by the recovery of both domestic and external demand. Corporate profits expanded for the fourth consecutive year despite the rise in raw material prices including oil. Against this backdrop, rising stock prices and increased dividends pushed up household income and the value of household financial assets. Consumer spending is now also gaining strength and the business confidence of consumption-related companies is also improving.

Stock prices have been on the rise since the middle of last year and the Nikkei Stock Average recovered to the 17,000 level at the end of last fiscal year. In the bond market, yields rose against the backdrop of expected interest rate increases following the recovery of the economy and stock prices. Moreover, with the Bank of Japan's termination of the quantitative easing policy, the long term interest rate increased, and at the end of last fiscal year, the yield for the 10 year JGB reached the mid 1.7% level.

In this environment, competition is intensifying in the banking industry. Mega-banks are following us in paying off public funds and are now shifting their business strategy to achieve growth. Also, an increasing number of players from other industries are entering the banking business. In the midst of such fierce competition, our company does not merely seek to enlarge the scale of our company as other mega-banks do. We recognize that our strength comes from our conviction to put the customer first while being flexible in our management. Thus, we have steadily implemented our basic strategy of swiftly making necessary investments and forming the alliances required to become a "Top quality trust bank group that puts the customer first".

Review of consolidated financial results for Fiscal Year 2005—Record high net income

In the fiscal year 2005, all of the 5 business sectors achieved growth in profit, and consolidated net business profit before credit costs increased 21.8% (an increase of ¥35.1 billion) to ¥196.2 billion from the previous fiscal year. Net income grew by 3.3% (an increase of ¥3.2 billion) to ¥100.0 billion, registering a record high for the third consecutive year. If we exclude an extraordinary item recorded in fiscal year 2004, a one-off recording of profit due to a change in the share holdings of subsidiaries, net income growth was essentially 10% year on year.

Increased fees and commissions were the main contributors to the growth in net business profit before credit costs, particularly driven by remarkable growth in sales of mutual funds and pension annuities to individual customers, as well as in real estate brokerages. Consolidated net fees and commissions increased 49.1% (an increase of ¥33.1 billion) to ¥100.5 billion. Net income per share and ROE are ¥59.8 and 9.9% respectively, and dividend per share for fiscal year 2005 was ¥12, consistent with our payout target of 20%.

The Sumitomo Trust & Banking Group's Management Vision and Management Model

We pursue a business model that maximizes and utilizes our advantages in banking, trust and real estate related business. It is built upon our strength in the trust business, and we will enhance our competitive edge with the following three areas as our growth engine: “distinctive retail financial services leveraging our trust functions,” “investment banking services leveraging our trust functions,” and “real estate related services”.

With regard to “distinctive retail financial services leveraging our trust functions”, we will provide a prod-

uct line up and services including consultation that utilize our strength as a trust bank in areas such as inheritance, preparation of wills, asset management, asset servicing, pension management and real estate related fields. We intend to enhance our profit by increasing the outstanding amount of deposits, increasing sales of mutual funds and individual annuities and expanding loans extended to individuals.

In “investment banking leveraging our trust functions,” we intend to strengthen profits while reducing risks by making full use of our expertise in the following areas: 1) raising funds to invest in securitization markets of real estate and other assets, sales of securitized products for investors; and 2) various securitized equity or credit investments in our own account.

In real estate related business, we intend to increase our profits further by stepping up our brokerage operations through alliances with financial institutions and real estate developers, beefing up consultation services, and pursuing full fledged development of private offering funds of real estate investment managed by our group company.

• Alliance Strategy

In addition to pursuing growth, we are reinforcing our alliance strategy with the aim of strengthening our business base as well as expanding our customer base, thereby improving the earning capacity of the Sumitomo Trust & Banking Group as a whole. In fiscal year 2005, we pursued the following M&As or alliances: 1) consolidation of Sumishin Matsushita Financial Services Co., Ltd.; 2) entering into business and forming a capital alliance with Financial Risk Management group, one of the leading hedge fund management companies based in the United Kingdom; 3) acquisition of First Credit Corporation; 4) announcement of the joint establishment of a new Internet-based bank together with a business and capital alliance with the SBI Group; 5) listing of a real

estate investment trust (J-REIT) with Top REIT Asset Management Co., Ltd., a joint venture with Nippon Steel City Produce, Inc., and Oji Real Estate Co., Ltd., and 6) entering into a business and capital alliance with The Yachiyo Bank, Ltd. Going forward, we will focus on pursuing full scale cooperation in activities carried out jointly with our business and capital alliance partners and on generating synergistic effects between these partners and companies within the Group. We will also continue to seek other opportunities to expand our base.

- Management System Reform

In fiscal year 2005, we established an office to make and monitor consolidated business strategy and risk management. In the current fiscal year, we have partially reviewed our business system, merged the Retail Financial Services Group and Wholesale Financial Services Group into the Wholesale and Retail Client Services Group, and reorganized our preexisting five business departments into one division and three business groups. In addition, we are working hard in areas such as the reinforcement of the Wholesale and Retail Client Services Division's compliance system, the expansion of the system for protecting the personal information of customers, and improved customer satisfaction, and the review of the Operational Risk Management Committee's operations, etc. Furthermore, we are complying with newly introduced risk management schemes such as the new capital adequacy requirements (Basel II), the revision of the Securities Exchange law (the implementation of the Japanese version of SOX , etc.), while also focusing on the completion and strengthening of our consolidated-based compliance and risk management system.

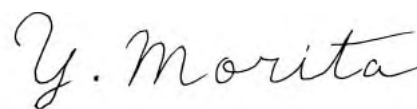
- In Conclusion

We will realize continuous growth by working proactively to maintain the company's financial sound-

ness. This will be achieved by accelerating growth of our existing businesses, extensively expanding the customer base and business base, and making efficient use of capital. These undertakings will be supported by our decision to place priority on stepping up our compliance/risk management system.

The starting point of all our activities aimed at realizing the above is our deep commitment to "place the customer first". We will make further efforts to propose an optimized solution plan to become a true partner and thereby meet the needs of each and every one of our customers.

Our goal for fiscal year 2006 is to reach ¥200 billion in consolidated net business profit before credit costs and ¥105 billion in consolidated net income. Also, we set the mid-term target for the payout ratio at 30%, up from the previous target of 20%. As for fiscal year 2006, we plan to pay a dividend per share of 15 yen, representing a payout ratio of 24%.



Yutaka Morita President and CEO



Priority Strategies

Priority Strategies of Sumitomo Trust & Banking	8
Special Feature: Sumitomo Trust & Banking's Alliance Strategy	12

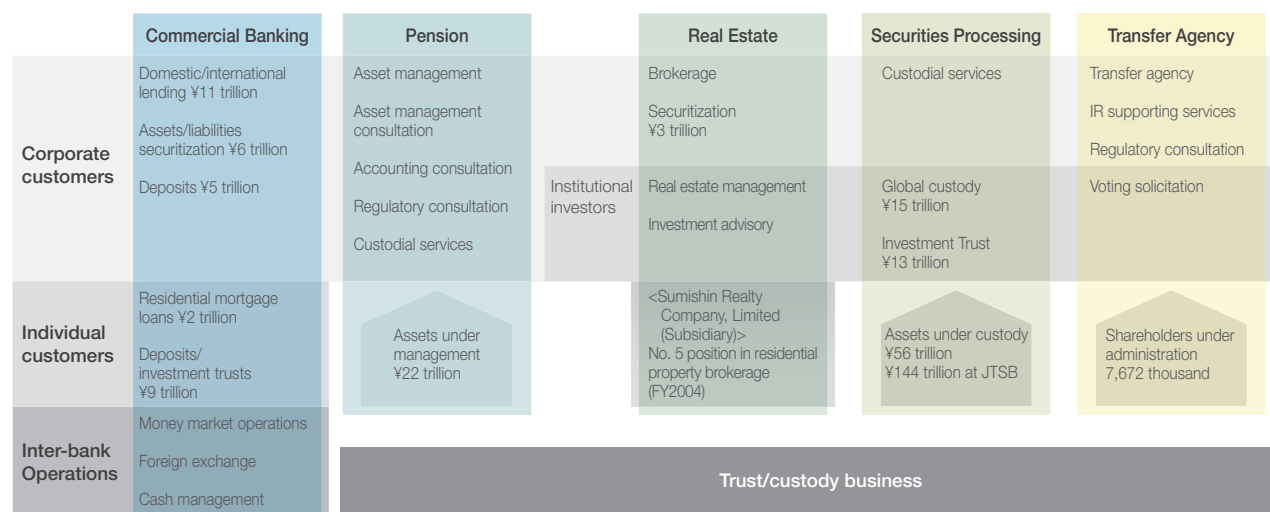
Priority Strategies of Sumitomo Trust & Banking

1. Overview of Sumitomo Trust's Operations

The Sumitomo Trust & Banking Co., Ltd., was established in 1925 as the Sumitomo Trust Company, initially concentrating solely on the trust business. Authorized to engage in commercial banking in addition to the trust business in 1948, the Sumitomo Trust Group today stands out in the Japanese banking industry as an independent financial institution with a unique business model, providing sophisticated and comprehensive financial services based on its integrated corporate strength.

Overview of Our Business and Business Group Management System

• Overview of Business



Breakdown of Profit by Business Group

• Operation Summary by Business Group

(Billions of yen)	Non-Consolidated						Consolidated		
	Gross business profit before credit costs			Net business profit before credit costs			Net business profit before credit costs		
	FY2005	FY2004	Change	FY2005	FY2004	Change	FY2005	FY2004	Change
Wholesale Financial Services Division*	93.8	87.8	6.0	72.1	67.1	5.0	93.1	72.8	20.2
Stock Transfer Agency Services	6.2	5.9	0.3	4.1	3.6	0.5	8.2	6.8	1.3
Retail Financial Services Division*	73.4	65.7	7.7	17.1	14.4	2.6	19.9	17.2	2.8
Global Markets Group*	48.6	47.3	1.3	39.4	38.2	1.3	39.4	38.2	1.3
Fiduciary Services Group	34.1	33.9	0.2	20.6	18.9	1.6	24.0	21.3	2.7
Pension Asset Management	27.9	28.8	-0.9	16.0	15.6	0.4	16.7	17.0	-0.3
Securities Processing Services	6.2	5.1	1.1	4.6	3.4	1.2	7.3	4.3	3.0
Real Estate Group	34.2	23.7	10.5	26.4	16.5	9.9	29.6	17.7	11.9
Others	2.2	4.2	-2.0	-11.0	-6.9	-4.1	-9.9	-6.0	-3.9
Total	286.2	262.5	23.6	164.6	148.2	16.3	196.2	161.1	35.1

* Each Section of the Wholesale Financial Services Division, Retail Financial Services Division and Global Markets Group changed its name at the end of June, 2006.

Sumitomo Trust & Banking: Features of Respective Businesses Structure of the Trust Business

In recent years, Japanese trust banks experienced large scale reorganization. Japanese trust banks can now be categorized into three types: 1) conventional comprehensive trust bank which conducts banking, trust and real estate business, 2) specialized trust banks which conduct asset management, and 3) specialized trust banks which conduct asset servicing.

Sumitomo Trust handles conventional comprehensive trust bank, and outsources asset servicing business to (or jointly conducts asset servicing business with) Japan Trustee Services Bank, Ltd (Sumitomo Trust holds 33.33% of its capital), which is one of the largest asset servicing specialized trust banks in Japan in terms of the value of its entrusted assets.

Sumitomo Trust's Key Business Operations and its Environment

1. Commercial Banking Business

(1) Retail Financial Services

<Business Operations>

- Deposits, loans, and other financial products (e.g. mutual funds, individual annuities)
- Will trust, estate settlement services
- Consulting on overall asset management and asset servicing

<Business Environment>

Against the backdrop of prolonged low interest rates and a buoyant stock market, the shift “from savings to investment” is progressing. In addition, the need for asset management and asset servicing are increasing, especially among individuals 50 and over, who are at an age where they are giving thought to retirement and inheritance.

(2) Wholesale Financial Services

<Business Operations>

- Deposits and other asset management products
- Loans and other financing products or structures (conventional loans, “market-based loans”*)
- Asset securitization arrangements, M&A advisory business and other corporate consulting
- Stock transfer agency services

* syndicated loans, non-recourse loans for real estate, investments in asset-backed securities (ABS), etc.

<Business Environment>

Favorable turnaround in corporate business results and a series of revisions to the legal system including the Corporation Law have led to a gradual increase in demand for

corporate financing, corporate consulting and M&A advisory.

(3) Global Markets Business

<Business Operations>

- Manages potential market related risks across Sumitomo Trust Group’s business operations and conducts investment operations on our own account to generate absolute profit
- Creates and sells market-oriented financial products to individual and corporate clients

<Business Environment>

In the fiscal year 2005, stock and commodity price rose globally. Against this backdrop, following the United States and Europe, Japan has also ended its accommodative monetary policy. The world has now entered the phase of interest rate rise.

2. Fiduciary Services Business

<Business Operations>

- Pension trustee services:** (1) Design and management of pension plans for corporate customers (2)Asset management and servicing (including provision of asset management products)
- Investment management services:** Provide various kinds of asset management services and investment advice to corporate and individual customers
- Securities processing services:** Provision of a multitude of custodial and settlement services related to securities management

<Business Environment>

Due to the economic/social environment and pension system reform, many companies have started to revamp their retirement allowance practices and pension plans, which is boosting demands of our qualified consulting services.

3. Real Estate Business

<Business Operations>

- Real estate transaction services, which include real estate brokerage
- Real estate investment trusts (J-REIT) and real estate private funds
- Real estate infrastructure services, which include trust and appraisal operations

<Business Environment>

While investors’ willingness to invest in real estate remains strong, premier real estate properties are supplied as a result of securitization, The combined effect of these has led to booming real estate investments through J-REIT and private real estate funds.

2. Overview of Fiscal Year 2005 (Priority Issues and Results)

1. Priority Strategies of Sumitomo Trust & Banking

Upon completely paying off public funds in January 2004, Sumitomo Trust quickly shifted its focus to “offensive management” and has aggressively channeled management resources into growth fields. From fiscal year 2005, we adopted the following as priority management issues: (1) accelerating the growth of existing businesses, (2) expanding our customer and business base, and (3) utilizing capital effectively. On this basis, we are moving ahead with efforts aimed to become a “top quality trust bank group that puts the customer first”.

With regard to our efforts to accelerate the growth of existing businesses, performance improved in all business departments. In particular, we focused our resources on our retail and real estate businesses as our engines of growth, and these areas achieved remarkable growth. We also pushed forward with the expansion of our business bases through strategic investment and alliances primarily in non-banking businesses. To utilize capital more effectively, we complemented the strategic investments described above with aggressive efforts to expand assets, particularly through lending. We also clarified our policy of increasing the return of profits to shareholders by setting our mid-term target for payout ratio. The following is a description of priority measures and their results in fiscal year 2005.

• Overview of Fiscal Year 2005 (Priority Issues and Results)

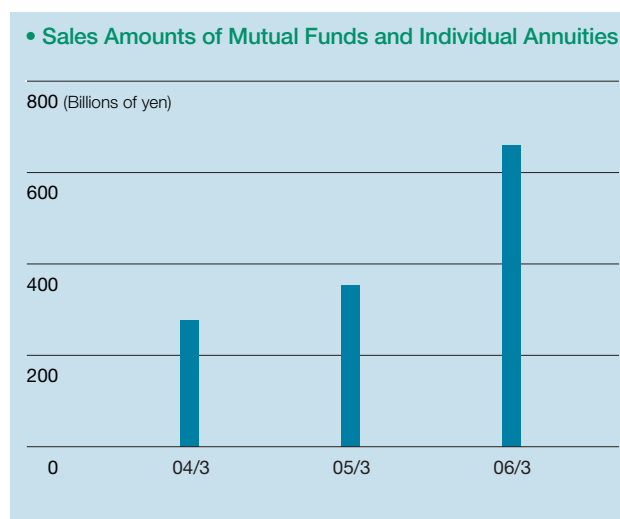
Priority Issues	Results
Accelerating growth of existing businesses	<ul style="list-style-type: none"> Consolidated net business profit before credit costs 22% increase (year on year) <ul style="list-style-type: none"> Retail business 16% increase (year on year) Real estate business 67% increase (year on year) Record consolidated net income for the third consecutive year
Expanding business base	<ul style="list-style-type: none"> Sumishin Matsushita Financial Services Co., Ltd. (leasing and credit card business) First Credit Corporation (real estate secured loan) New Internet-based bank (a business and capital alliance with SBI Holdings and E*Trade Securities Co., Ltd.) Business and capital alliance with Yachiyo Bank
Utilizing capital effectively	<ul style="list-style-type: none"> Strategic investments (expansion of business base) 23% increase in risk assets, etc. (year on year) Increase medium-term target for consolidated payout ratio to “approximately 30%”

2. Accelerating Growth in Existing Businesses

Retail Business

Depository assets* grew steadily in fiscal year 2005, reaching ¥9.1 trillion, a 5.8% year-on-year increase, thanks to an increase in sales of mutual funds as well as individual annuities. In addition, mortgage loans increased 67.9% year on year to ¥461.5 billion as a result of increasing the number of loans by setting competitive interest rates and expanding contact points with customers through channels such as housing sales companies.

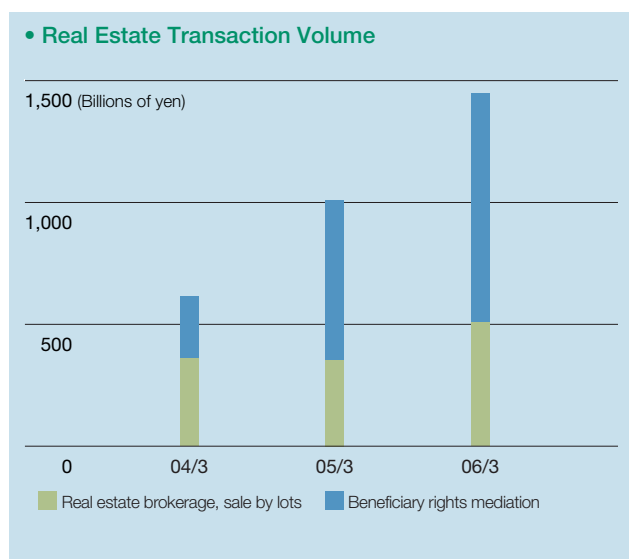
* The total of individual customers' deposits, loan trusts, mutual funds, and individual annuities.



Real Estate Business

Our overall real estate business is conducted through Sumitomo Trust, which performs brokerage services for large-scale commercial properties and real estate securitization related business, and Sumishin Realty Co., Ltd., which mainly conducts brokerage operations in housing sales. Against the backdrop of the booming real estate market, both achieved a substantial increase in transaction volume by successfully expanding business. In addition, Top REIT, Inc.—a real estate investment trust (J-REIT) company established for asset management by Top REIT Asset Management Co., Ltd., a joint venture by Nippon Steel City Produce, Inc., Oji Real Estate Co., Ltd. and Sumitomo

Trust—obtained a listing on the Tokyo Stock Exchange in March 2006. In other moves, STB Real Estate Investment Management Co., Ltd., which manages private funds, was established, and fiscal year 2005 saw our real estate management (investment advisory) operations make a full-fledged start as a new pillar of growth.



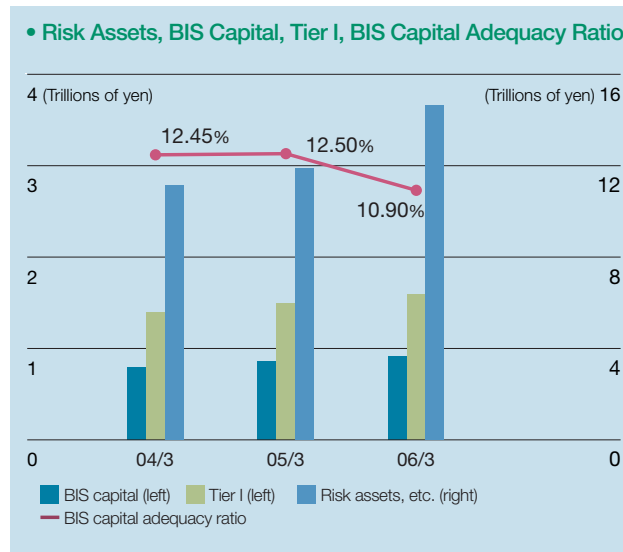
3. Enhancing Corporate Value through Effective Use of Capital

In addition to the strategic investments mentioned above, we actively expanded our assets, particularly through lending. In fiscal year 2005, we expanded our risk adjusted assets by ¥2.7 trillion, a 23% increase year on year. We gained ¥1.2 trillion from an increase in mortgage loans and market-based loans (lending, etc.) such as project finance and syndicated loans, and from an increase in domestic and foreign credit bonds. We also added ¥640 billion from the consolidation of Sumishin Matsushita Financial Services Co., Ltd., and First Credit Corporation.

As a result, our BIS capital adequacy ratio declined by 1.6 percentage points compared with the end of the preceding fiscal year, to 10.9%, which we believe is an sufficient level. In addition, the net amount of deferred tax assets

dropped into negative figures, further improving the quality of our capital. We believe that investment decision to achieve growth is one of the most significant management issues.

We also consider it to be equally important to return to our shareholders an appropriate level of profits in proportion to the improvement in our corporate value. From this viewpoint, we have adopted a policy of increasing returns to shareholders through dividend. In fiscal year 2006, we raised our target payout ratio to net income on a consolidated basis from the existing “20% or more” to “approximately 30%”.



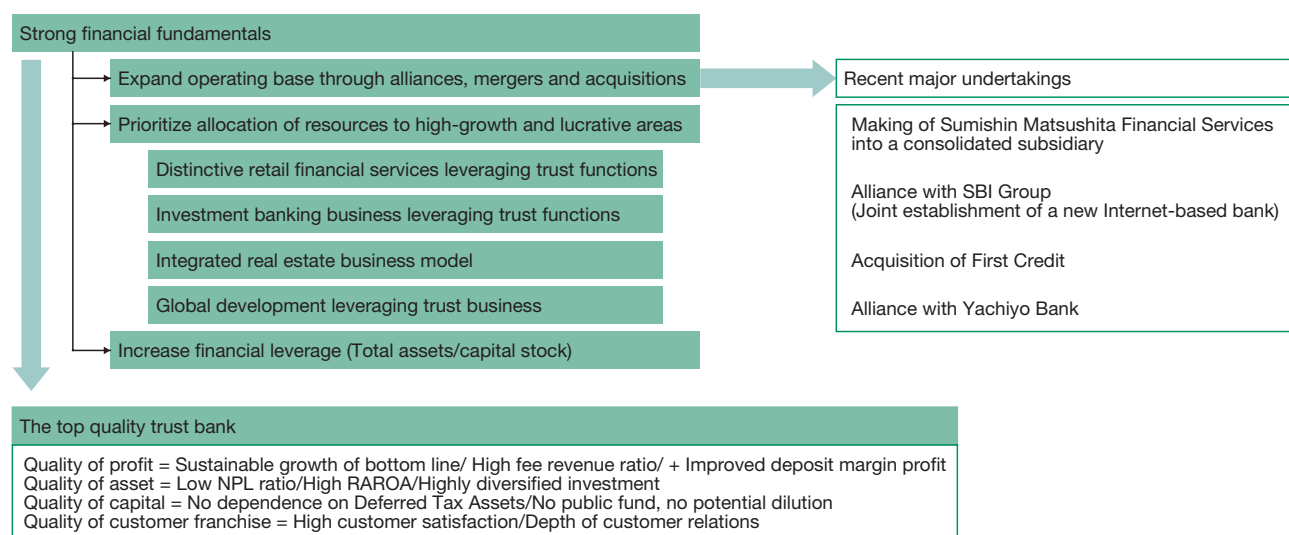
Sumitomo Trust aims to become a top quality trust bank pursuing "quality" in terms of profit, assets, capital, and customer base. In fiscal year 2005, we implemented various measures to advance three priorities: (1) accelerating the growth of existing businesses, (2) expanding our customer and business base, and (3) utilizing capital effectively.

In particular, in terms of enhancing our customer and business franchise, we have (1) made Sumishin Matsushita Financial Services Co., Ltd., into a consolidated subsidiary; (2) acquired all of the stock in

First Credit Corporation; (3) formed a multilateral business alliance with SBI Holdings, Inc.; and (4) entered into a business and capital alliance with Yachiyo Bank. Through such moves we are enlarging our customer base and expanding business opportunities.

This Special Feature explains the aims of each of these projects, our growth strategy and progress to date.

• Growth strategy



• Overview of major strategic investments

► Consolidation of Sumishin Matsushita Financial Services (April 2005)

Main business	Investment amt./ % ownership	Total assets	Expected income level		Amortization of goodwill
Lease Credit card	¥53.4 bn. 66%	¥496.1 bn. 2005/3	¥6.5bn. Net business profit 2005/3	¥4.1bn. Net income 2005/3	¥2.0bn. per annum for 5years

► Acquisition of First Credit (November 2005)

Main business	Investment amt./ % ownership	Target loan balance	Expected income level		Amortization of goodwill (estimation)
Real estate secured loans	¥130 bn. 100%	¥200 bn. 2010/3	¥15.0bn. Net business profit 2010/3 target	¥9.0bn. Net income 2010/3 target	¥5.0bn. per annum for 20years

► Alliance with SBI group (Joint establishment of new Internet-based bank : 1HFY2007 - Plan)

Main business	Investment amt./ % ownership	Target number of accounts	Expected income level	
Deposits and mutual funds SME loans Domestic & foreign exchange	¥10 bn. 50%	800,000 7th FY	¥5.0bn. Net business profit 5th FY	¥10.0bn. Net business profit 7th FY

1. Formation of Sumishin Matsushita Financial Services

Overview of Alliance

In April 2005, Sumitomo Trust acquired 66 percent of the stock issued by Matsushita Leasing and Credit Co., Ltd., a financial support service company of the Matsushita Group, and incorporated the firm as a consolidated subsidiary. The objective of this acquisition was to expand Sumitomo Trust's customer base by obtaining Matsushita Lease and Credit's broad franchise, and to provide wide-range financial support functions as well as our trust and other financial services.

Q & A

Q: What is the growth strategy of Sumishin Matsushita Financial Services (SMFC)?

A: Our strategy is to expand our business by increasing the product line-up. We aim to develop as a comprehensive financial services company by adopting more sophisticated leasing techniques and expanding our finance operations into such areas as loans for housing renovation, loans to small business related to Matsushita's products, and factoring (purchasing of receivables). In addition, through maximum utilization of the regional electrical store franchises of the Matsushita Group with

its 500 thousand corporate clients and 2 million individual customers nationwide, we plan to place the business on a path of growth.

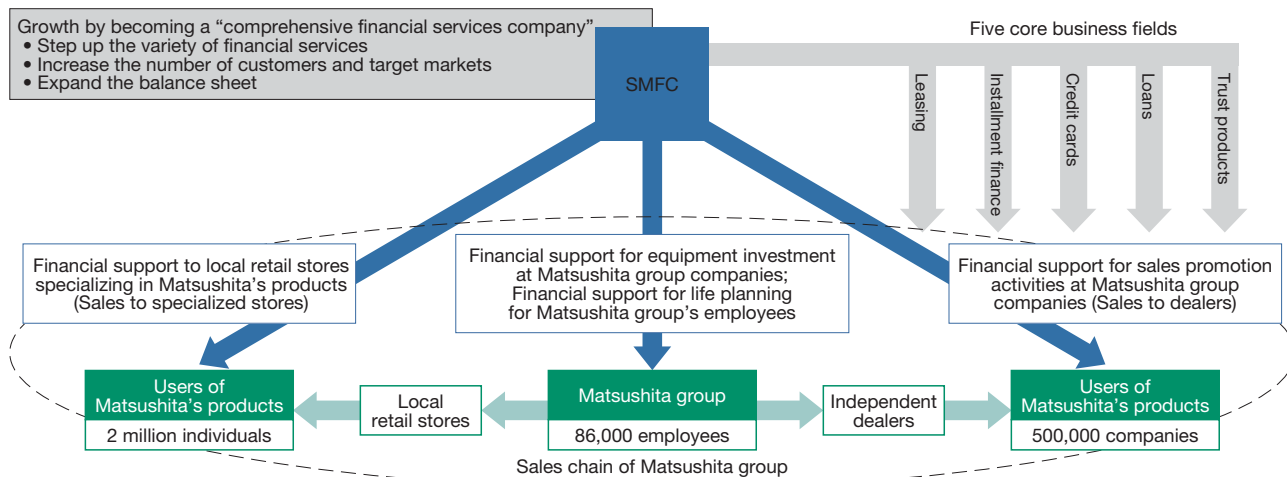
Q: How is your growth strategy progressing?

A: In fiscal 2005, we made preparations for shifting to an offensive strategy by (1) introducing a new lease payment rate based on risk and return analysis, (2) establishing a credit rating and self-assessment system. We also entered the will trust field and initiated efforts to handle loans for housing renovation for individuals and syndicated housing loans with the Government Housing Loan Corporation. In addition, we will focus on selling properties of the Matsushita Group's PanaHome Corporation and Matsushita Investment and Development Co., Ltd., and expand finance services targeting individuals.

In the factoring area, we are in negotiations for the blanket purchase of accounts receivable from companies in the Matsushita Group as our first project. In the leasing area, we are currently considering syndicated leases with STB Leasing Co., Ltd., a subsidiary of Sumitomo Trust & Banking.

• Making of Sumishin Matsushita Financial Services into a consolidated subsidiary

- ▶ Acquire a direct sales channel to Matsushita group companies and customers
- ▶ Achieve growth by transforming it from a "financial support company under a manufacturing company" into a "Comprehensive financial services company"



2. Acquisition of All Issued Stock of First Credit Corporation

Overview of Alliance

In November 2005, Sumitomo Trust acquired all issued stock of First Credit Corporation, a company specializing in mortgage loans with real estate collateral to small-and medium-sized companies and individual business owners as well as individuals.

The Sumitomo Trust Group covers a wide range of real estate related services, customer bases and finance opportunities through Sumitomo Trust—which boasts strength in large-scale real estate brokerage and securitization and Sumishin Realty Co., Ltd.—the Group’s real estate brokerage firm. The Group plans to utilize these capabilities to further strengthen our real estate business (Integrated real estate business model).

Q & A

Q: What is your growth strategy for First Credit Corporation?

A: One of the special characteristics of First Credit is its ability to provide swift fund accommodation based primarily on accurate valuation of secured property to individuals, small-and medium-sized real estate companies, and emerging companies, who are having funding

difficulties and are failing to grasp business opportunities due to insufficient experience. (Decisions are made in about seven days from the time of application.)

First Credit will pursue a growth strategy of expanding its business scale by increasing staff and branches and using the franchises of the Sumitomo Trust Group, while maintaining its strengths such as a business model backed by expertise in small-scale real estate, competitive interest rates and large customer base.

Q: How is the growth strategy progressing?

A: In fiscal year 2005, establishing a self-assessment system and deciding to reorganize bases in the Tokyo metropolitan area, we put in place a system to facilitate active business expansion in the future. We also are expanding information exchange with Sumitomo Trust and Sumishin Realty at the workplace level.

In fiscal year 2006, we strengthened linkages with the Sumitomo Trust Group by (1) relocating the regional offices of First Credit to be in close proximity with the offices of Sumitomo Trust and Sumishin Realty, and (2) forming tie-ups with regional banks and credit unions via the Sumitomo Trust channel.

• Acquisition of First Credit Corporation: Integrated real estate business model

- ▶ Acquire financing function for small value loans other than mortgage loans → Increase interest income
- ▶ Acquire expertise and access to small value loans that bridge the gap between areas in which we are traditionally strong (i.e. large to medium loans and individual mortgages), → Increase fee income

		Real estate-related business					
		Brokerage	Lending	Securitization	Prop. investment/ Investment advice	Custody/Appraisal	
Client segmentation (Real estate owners)	Large Company Medium Company	住友信託銀行 *1	住友信託銀行 *1	住友信託銀行 *1		住友信託銀行 *1	
	Small Company Private Company Owner	住友信託銀行グループ *2 すみしん不動産	firstCREDIT *3 ファーストクレジット株式会社			+	住友信託銀行グループ *2 すみしん不動産
	Individual	住友信託銀行グループ *2 すみしん不動産	firstCREDIT *3 ファーストクレジット株式会社			住友信託銀行 *1	

➡ Now that real estate has become a financial instrument, shift to a new business model that provides the capability to gain revenue as well as access to all the opportunities in the real estate related business.

*1 The Sumitomo Trust and Banking Co., Ltd. *2 Sumishin Realty Co., Ltd. *3 First Credit Corporation

3. Multilateral Business Alliance with the SBI Group

Overview of Alliance

In October 2005, Sumitomo Trust formed a capital and business alliance with SBI Holdings Inc., and agreed to jointly establish a bank operating solely via the Internet, with business to commence in April 2007 or thereafter.

In January 2006, Sumitomo Trust announced this multilateral business alliance spanning the six fields of commercial banking, mortgage loans, private banking, mutual funds, securities brokerage or other trust products, and real estate related areas. Through cooperation between our Group with expertise in trust and real estate operations, and SBI Group with its strengths in venture capital and its Internet securities firm which is one of the largest in Japan, we aim to provide a new financial service combining banking, securities and trust via virtual and real branches.

Q & A

Q: Why did you choose the SBI Group as a partner?

A: We believe that the SBI Group is an optimal partner in terms of expanding customer and business bases.

The main customers for SBI E*TRADE SECURITIES Co., Ltd. are in their twenties to forties and are currently accumulating wealth. SBI E*TRADE SECURITIES will enjoy a mutually complementary

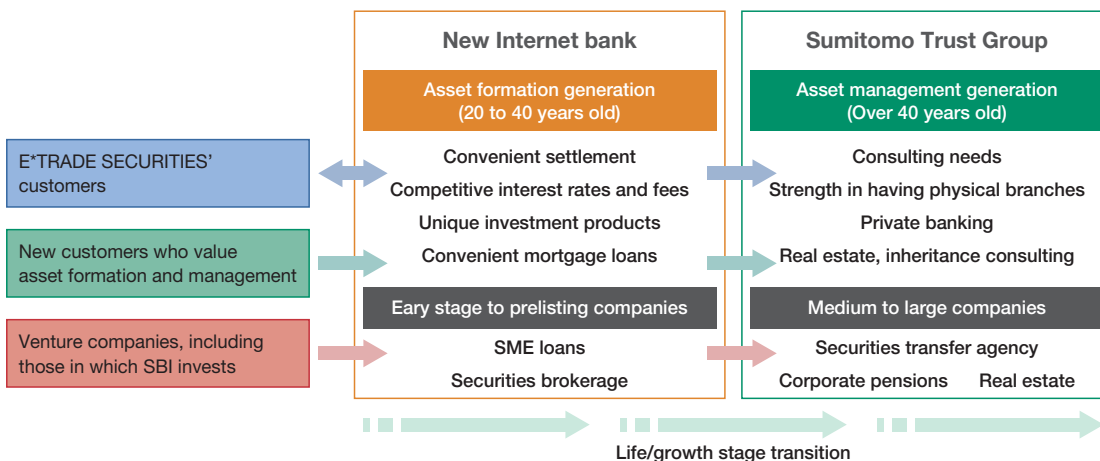
relationship with the Sumitomo Trust Group, whose main customer base is wealthy individuals in their fifties and over. In addition, the SBI Group invests in venture companies, and simultaneously, has these venture companies and their owners as clients. By providing services tailored to the life stages of both Sumitomo Trust Group and SBI Group's individual customers and the growth stages of corporate clients, we will expand our customer base through the two brands of the newly-established Internet bank and the Sumitomo Trust Group. To individual customers we will provide the settlement convenience of Internet banking and the consulting abilities of Sumitomo Trust, and to venture companies we will provide, in a manner tailored to their stage of growth, small loans and securities brokerage offered by Internet banking as well as Sumitomo Trust's various services such as stock transfer agency services, corporate pension products and real estate related services.

Q: Why are you establishing a bank operating solely via the Internet?

A: Due to the wide expansion of the Internet and acceleration of financial transactions via the Internet such as online securities trading, we believe that the number of

• Business and capital alliance with SBI Group: "Two-brand strategy"

- ▶ New internet bank offers services that appeal to 1) 20 to 40 year-old individuals and 2) emerging companies
- ▶ Cover all life and growth stages for individuals and companies with services provided by two banks



customers wishing to accumulate wealth and invest their assets through Internet banking will steadily increase and be attracted to the convenience of online settlement, real time transactions, and the variety of appealing products.

We believe we can create a totally new Internet bank combining the expertise of the Sumitomo Trust Group and the SBI Group in order to provide convenient settlement functions and competitive financial products such as deposit, mutual funds, and loans. In addition, the bank would provide (1) an integrated one-stop financial service combining banking and securities through a comprehensive tie-up with SBI E*TRADE

SECURITIES; (2) trust bank services and products that have never been provided by an Internet bank before such as money trust, will and estate settlements, and real estate; and (3) incubation banking products and services such as financing to venture companies.

Q: How is the preparation for the Internet bank progressing?

A: In April 2006, Sumishin SBI Net Bank Research Co., Ltd. was established to conduct market surveys and research marketing techniques for establishing an Internet-based bank. We plan to commence the operation in April 2007 or thereafter

4. Capital and Business Alliance with Yachiyo Bank

Overview of Alliance

In March 2006, Sumitomo Trust agreed to form a business and capital alliance with Yachiyo Bank. By acquiring ¥35 billion of Yachiyo Bank's public funds in the form of preferred shares as well as part of the* common stock issued, Sumitomo Trust will become the largest stockholder. Meanwhile, Yachiyo Bank will acquire common stock issued by Sumitomo Trust. The companies will work together to develop various joint operations, including the provision of financial products and services such as the Sumitomo Trust Group's will and estate settlement services, mutual funds, and real estate related services to customers in the Tokyo metropolitan area.

* Up to 5%

Q & A

Q: What is the objective of the business alliance with capital involvement?

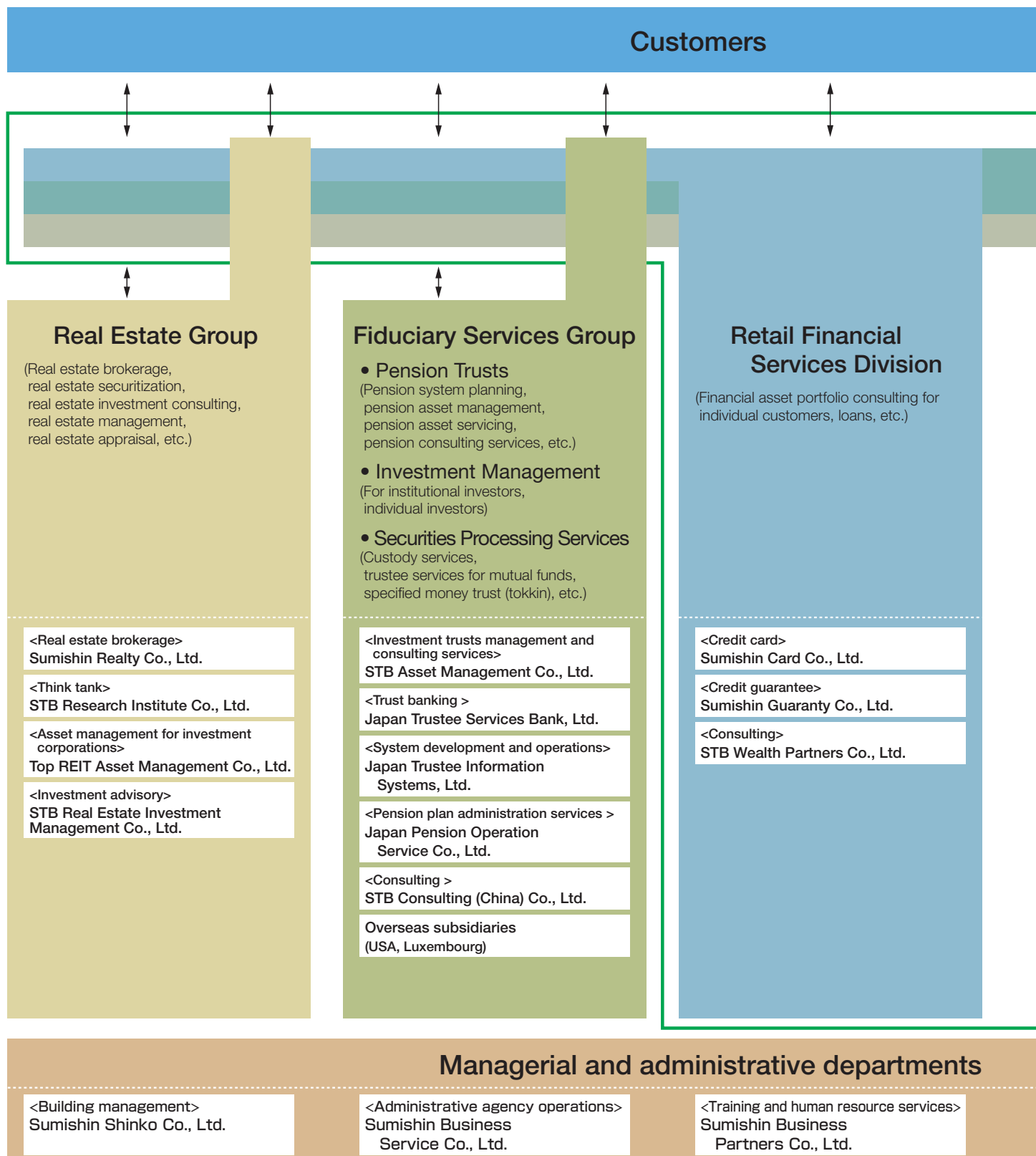
A: Our goal is to strengthen our business base in the Tokyo metropolitan area through Yachiyo Bank, which has an extensive office network and customer base in the western districts of Tokyo and in Kanagawa Prefecture, where we will provide an expanded array of financial services. To their individual clients, we will provide Sumitomo Trust Group's will and estate settlement services, real estate brokerage and asset management services. To their corporate clients, we will provide non-recourse loans for real estate, syndicated finance, real estate brokerage, and corporate revitalization services. Through these expanded services, we (both Yachiyo Bank and Sumitomo Trust) will strengthen our business relationship with our customers.

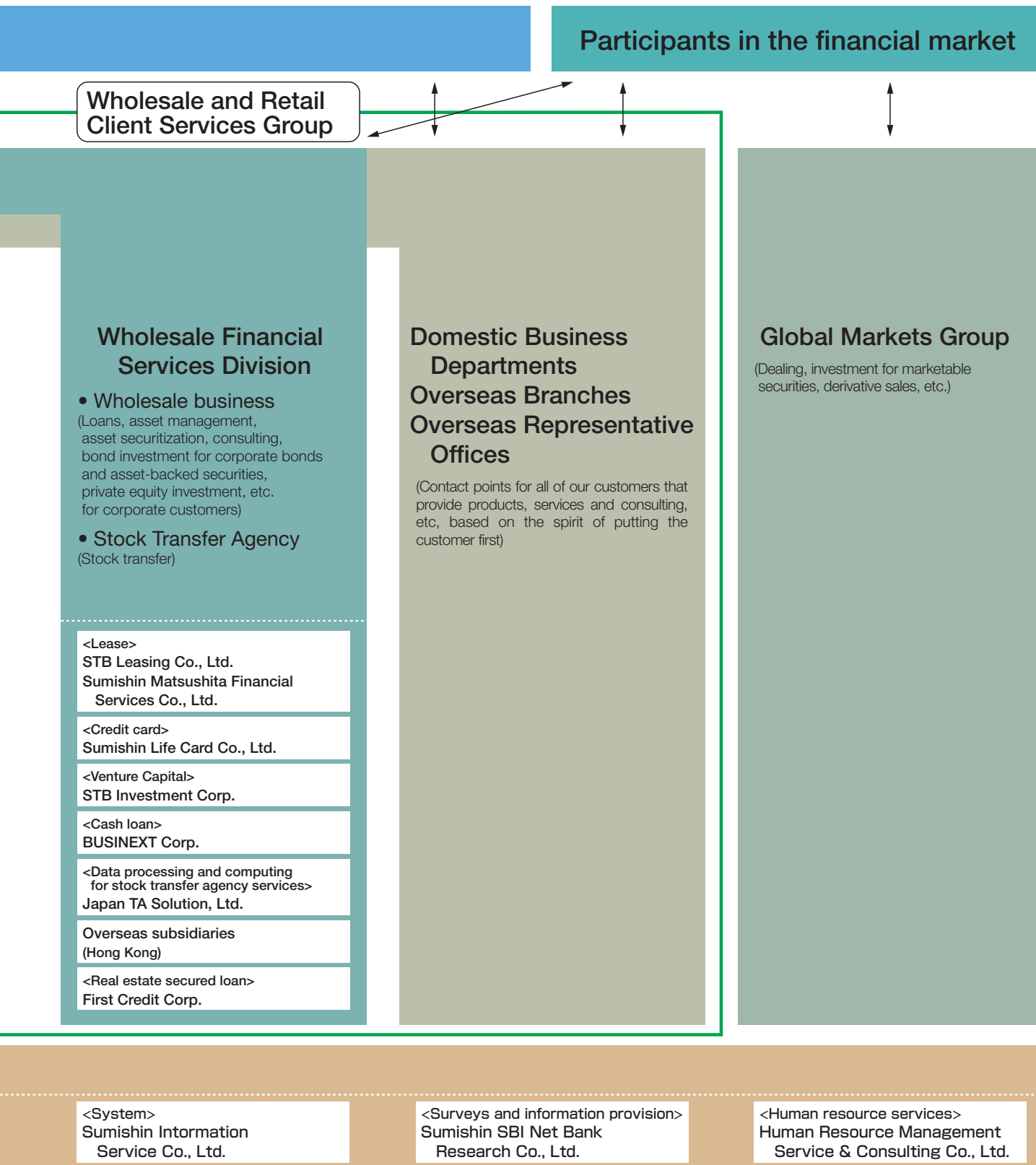


Overview of Operations

Description of Businesses	18
Wholesale and Retail Client Services Group/ Retail Financial Services Division	20
Wholesale and Retail Client Services Group/ Wholesale Financial Services Division	24
Global Markets Group	28
Fiduciary Services Group	30
Real Estate Group	34
Principal Subsidiaries and Affiliates	38

Description of Businesses







Masakiyo Inoue

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



Masahiko Nakai

Division President
Director, Managing Executive Officer

Business Operations

The Retail Financial Services Division provides individual clients with a broad array of financial products, ranging from banking products such as time deposits, foreign currency deposits, and loans, to mutual funds and individual annuities. We also offer trust and property management services such as will trust, and estate settlement services, as well as consultations in overall asset management and asset servicing. By utilizing our expertise in areas such as pensions and real estate, we provide a consulting business that places full emphasis on customer satisfaction and thus conduct a retail business leveraging trust functions. With our highly professional and knowledgeable staff, asset management advisors, and financial consultants, we provide wide-ranging services focusing on face-to-face relationships. We also provide an online channel via the Internet and direct telephone

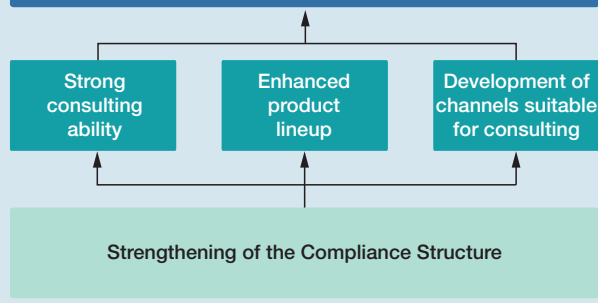
access for customers who desire convenience in conducting transactions.

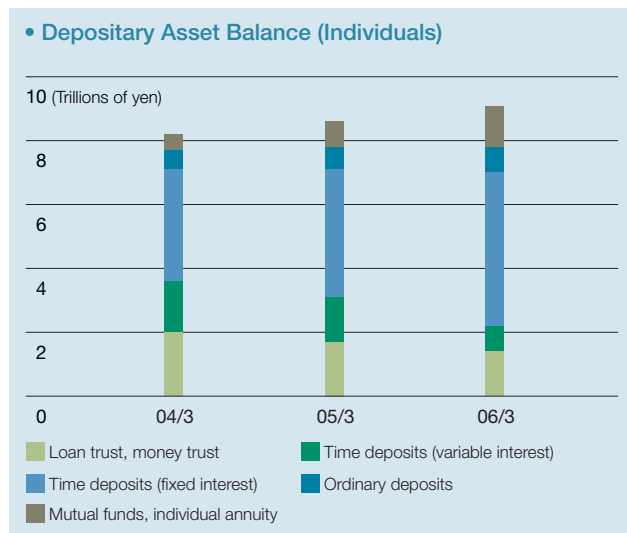
Basic Strategy

Against the backdrop of prolonged low interest rates and a buoyant stock market, the number of people managing their assets through stocks, mutual funds and other instruments has increased. At the same time, the orientation of customers is increasingly diversifying as demand grows for investment products that can deliver stable returns to supplement pensions amid apprehension regarding the public pension system. Looking ahead, we anticipate individuals 50 and over, particularly the baby-boom generation (We have named them the “Trust Generation”), to increasingly acquire relatively large amounts of financial assets due to retirement and inheritance. In addition to this “Trust Generation”, the second generation of baby boomers will be in their prime years for home buying and other asset formation. Together, these trends are likely to lead to a growing interest in asset management and asset servicing. To meet these diversifying customer needs, we provide effective solutions through our (1) strong consulting abilities, (2) extensive product and service lineup, and (3) channels suitable for consulting, thereby achieving the status of a bank that customers choose as their partner in asset management and asset servicing. In short, the basic strategy of the Retail Financial Services Division is to become the main bank for asset management and asset servicing.

• Retail Financial Services Division Business Model

A “main bank for asset management and asset servicing” that provides customer-orientated financial services primarily to the trust generation (the generation in their 50s or above)





Business Environment and Principal Strategies and Results in Fiscal Year 2005

In the latter half of 2005, the Japanese economy emerged from a period of stagnation, and since then stock prices have continued to rise, buoyed by expectations of economic recovery. In response to this market environment, the proportion of stocks and mutual funds is increasing in individual financial assets. In addition, with rising interest rates and land prices, individuals' propensity to purchase homes is growing, and demand for housing loans has correspondingly remained firm. The Retail Financial Services Division is meeting the needs of customers amid this environment by expanding its lineup of products such as deposits, mutual funds, and loans.

Consolidated net business profit before credit costs for fiscal year 2005 increased by 15.7% to ¥19.9 billion. Sales of mutual funds and individual annuities for fiscal year 2005 increased by 86.7% to ¥659.7 billion. Income from fees and commissions increased by 90.8% to ¥24.8 billion. Depository assets* have grown steadily to ¥9.1 trillion yen at the end of fiscal year 2005, reflecting increased sales of mutual funds that pay out their distributions on a monthly basis and of our enhanced lineup of time deposits.

* Depository assets include savings products (deposits, loan trusts, jointly operated money trust) + market performance-based products (mutual funds, individual annuities etc.)

1. Mutual Funds

The Retail Financial Services Division has developed an array of products that offer variety in terms of investment targets and risk-return level, ranging from products for diversified investment in global bonds and stocks to those for active investment in bonds or stocks specific to a region such as the USA or Europe. We also sell mutual funds tailored for direct banking to investment-savvy customers inclined toward active investment. Thanks to this broadened lineup, our sales of mutual funds in fiscal year 2005 rose 132.0% year on year to ¥492.9 billion.

• Monthly Dividend Funds

This distinctive fund pays out dividends calculated on a monthly basis. The product is suitable for customers who are new to mutual funds or customers who desire a monthly dividend. Sumishin Monthly Dividend Package Fund (nickname: Dividend Family), which merges seven types of monthly dividend funds into one package, has gained popularity and in the six months since its establishment in October 2005, the net asset balance has topped ¥100 billion.

• Socially Responsible Investment (SRI) Fund

As a result of the growing concern for corporate social responsibility (CSR), and good investment performance, the net asset balance of Sumitomo Trust's SRI Fund "STB SRI Japan Open" funds (nickname: Good Company) has reached the highest level for an SRI fund in Japan. It was also selected for the "Fund of the Year 2005" award by Morningstar Japan K.K.

• Other New Funds Developed in Fiscal Year 2005

We aggressively marketed several new products during fiscal year 2005. In February, we commenced sales of "Sumishin Asia Oceania Dividend Yield Stock Open" funds (nickname: Asia Dividend Story) for investment in Asia and Oceania stocks with favorable dividend yields, and also released "Sumishin Commodity Open" for investment aimed at world commodity markets as a mutual fund for direct banking users.

2. Deposits

We have enriched our lineup by marketing such new products as the competitive interest rate fixed-term deposit “Good Select”, the pension-type fixed-term deposit “Kisetsu No Tayori”, and the foreign currency fixed-term deposit “Gaika Kakumei”, which offers a choice of several currencies and deposit terms and convenient Internet transactions. As a result, the balance of individual deposits at the end of fiscal year 2005 reached ¥8,454.9 billion, representing a 7.5% year-on-year increase.

- Good Select

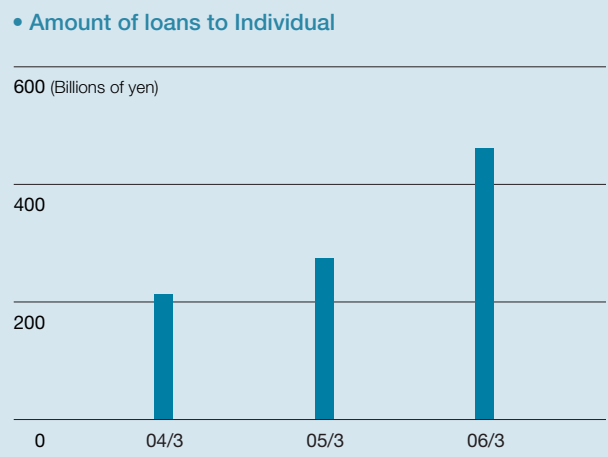
With this product, customers can opt for either a floating or fixed competitive interest rate and choose from three deposit terms, two years, three years or five years. At the end of fiscal year 2005, the balance of deposits reached ¥2,127.7 billion, a 110.5% year-on-year increase.

3. Loans

We have also increased our sales of consumer-type loans such as “Relay Plan Flex,” a highly convenient housing loan targeting the needs of customers buying, replacing or refinancing homes, and “Housing Card Loan,” a discretionary loan which can be used as security on the remaining property value for customers with housing loans. During fiscal year 2005, the amount of individual loans provided reached ¥461.5 billion.

- Relay Plan Flex

Sumitomo Trust’s housing loan “Relay Plan Flex” offers a repayment plan whereby customers can choose from three types with either floating, cap, or fixed interest rates. With this loan, customers can also arrange early repayment by a single telephone call and enjoy other conveniences. At the end of fiscal year 2005, the balance of housing loans reached ¥1,337.5 billion.



Growth Strategy

As the shift from “savings to investment” progresses, needs for asset management and asset servicing particularly among the “Trust Generation” should continue to increase. Competition in this market is likely to intensify since many financial institutions, including not only trust banks but also banks and securities companies, are responding to this trend by expanding their products and services and enhancing the convenience of transactions. To adapt to this changing environment, the Retail Financial Services Division will implement the measures outlined below to complement the strategy we developed in fiscal year 2005.

1. Channel Development

In addition to expanding our consulting functions and enhancing convenience, one key priority we have is increasing contact points with customers, and as in fiscal year 2005, we will continue to increase our business channels.

- Expanding Consulting Functions

We are currently opening new “consulting offices” with stronger consulting functions made possible by new office designs, varied business hours and the assignment of professional staff. (Five consulting offices as of July 2006.) We are also continuing to remodel our existing offices to create private consulting spaces for our customers.

- Expanding Direct Banking Functions

In order to attract customers who do not have a Sumitomo Trust branch nearby or who would like to make transactions without the time constraints of office visits, we have expanded our Internet and telephone banking service, Sumitomo Trust Direct. We plan to further enhance the functions and products available through this service by improving security and support and providing consulting and financial products available only via the Internet.

- Expanding Alliances and Trust Agencies

In our trust agency operations, we are increasing the number of will trust agreements by collaborating with will trust partners such as business firms and schools. In estate settlement operations, too, we plan to increase the number of agreements by further cultivating customers through other banks and trust agencies.

2. Asset Management-Type Packages

In order to meet the whole range of customer's asset management needs, we have commenced sales of Asset Management-Type Packages, products which combine high-interest fixed-term deposits and mutual funds. Asset Management-Type Packages offer two plans.

- Time Dispersal Plan

This plan combines time deposits with mutual funds. After the time deposit matures, the customer can buy additional mutual funds when desired using the deposit funds.

- Portfolio Plan

This plan combines the time deposit "Good Select" with mutual funds. A premium interest rate applies to the time deposit, providing a profitable medium- to long-term investment.

3. Will Trust and Estate Settlement Operations

The rapid ageing of the population has raised various social issues in Japan, one of which is how to address diversifying asset inheritance needs. To supple-

ment our existing will trust and estate settlement operations, from March 2006 Sumitomo Trust commenced handling of the inter vivos gift trust-type "Omoi-yari" and the will-type "Omoi-yari" in a set. We will continue to work actively toward expanding our product lineup to meet these manifold needs.

4. Private Banking

In addition to providing a wide range of asset management products including order-made products and asset servicing products useful for asset preservation and inheritance such as the blanket servicing trust and business inheritance trust, we are building a system which employs a full-time relationship manager to respond to various needs such as asset management, real estate utilization, and asset inheritance. We also provide non-financial services including guidance in medical consulting services, appraisal of artworks, and health support in partnership with specialist companies. In fiscal year 2006, we will enhance the attractiveness of our services by strengthening our consulting abilities through collaboration with professionals from many fields both inside and outside the company and by integrating our member services and improving product appeal.

5. Other Activities

In order to develop excellent products and services based on the opinions and preferences of customers, we introduced a customer monitoring system from November 2005 on a trial basis. We conduct questionnaire surveys of customers who have registered in advance, and analyze customer opinions gathered through "Customer Voice" cards located at office counters and special telephones, and use this information to improve service. In addition to our existing training system, we established the "Retail Open Academy" to support self-development by all employees of the Retail Financial Service Division. From April 2006, we began to offer courses for learning the skills necessary in the asset management and asset servicing business such as skills related to deposits and performance-based products, and for providing effective solutions.



Masakiyo Inoue
Group President of Wholesale and Retail Client Services Group
Director, Senior Executive Officer



Kiyoshi Mukohara
Division President
Director, Managing Executive Officer

Business Operations

To help our customers maximize their corporate value, we offer a broad range of loans apart from conventional corporate loans, such as “market-based loans” structured in domestic and overseas financial markets including syndicated loans and real estate non-recourse loans. We also provide services for asset securitization arrangements, M&A advisory, corporate consulting and stock transfer agency.

Basic Strategy

1. Strategy for Creating Customers’ Corporate Value

Based on a precise understanding of our customers’ business challenges, we provide high value-added proposals and financial services designed to solve management problems and boost corporate value.

Making full use of our strength in commercial banking, trust and real estate services, we seek to provide highly effective solutions and to build closer relationships with our customers through our newly established Corporate Advisory Department (set up in June 2006). With this Department, we intend to meet the needs of our customers in such areas as the acquisition of companies for reorganization purposes or as part of an anti-takeover strategy.

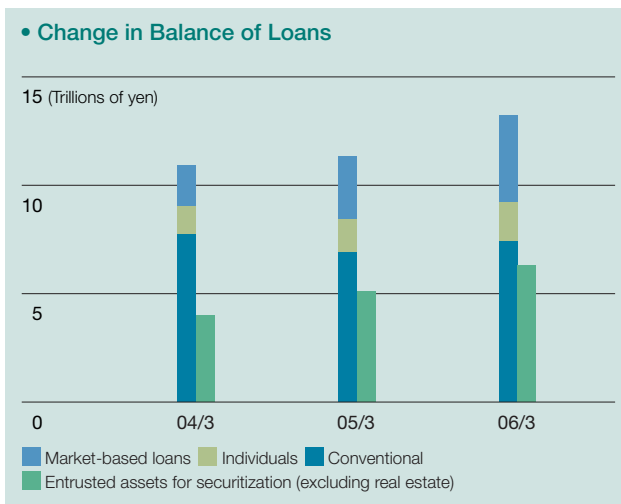
2. Financial Business Strategy

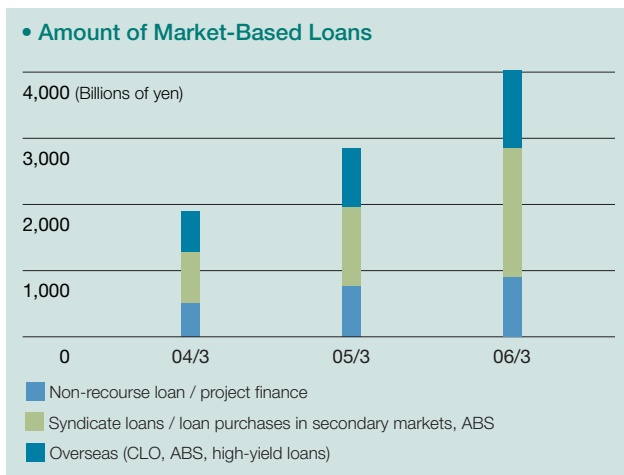
The lease, credit and other finance services provided by affiliated companies, including Sumishin Matsushita

Financial Services Co., Ltd. and First Credit Corporation, which have joined our group in fiscal year 2005, enable us to introduce a wide array of finance options to our Group’s customers. Moreover, we provide our Group’s products and services to the customers of these subsidiaries and affiliated companies, as well as the customers of our partners (financial institutions and corporations).

3. “Investment Banking Leveraging Trust Functions” Strategy

We enhance the scope of our business model i.e. “investment banking leveraging our trust functions” designed to manage risks and at the same time generate greater profits by utilizing our investment capabilities, know-how, expertise in risk-return analysis and risk



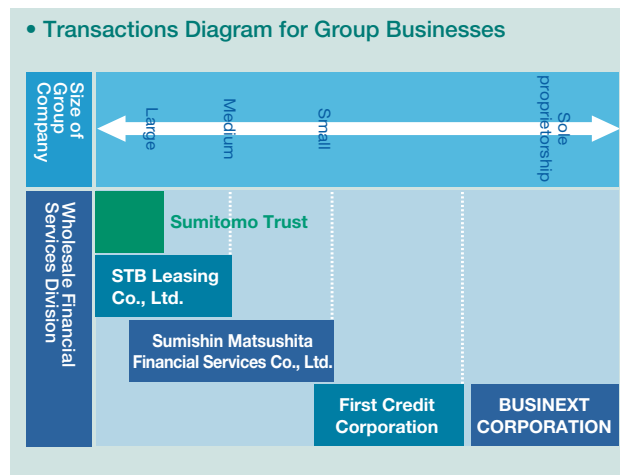


control, and other strengths, to enlarge our base of customers and the class of investment assets. To this end, we focus on two business areas in particular: (1) investment banking (arrangement of real estate & asset securitization-related funds, sales of securitized products to investors, etc.), and (2) investment operations (investments in various kinds of equity & credit assets on our own account).

Business Environment and Principal Strategy & Results in Fiscal Year 2005

Despite sentiment that the economy had hit bottom, demand for corporate financing remained weak and intense lending competition pushed gross margin down to low levels. Continuing from fiscal year 2004, we focused on a “portfolio reallocation strategy” designed to compensate for a decline in conventional corporate loans by actively extending market-based loans such as real estate non-recourse loans and domestic ABS & overseas investment. As a result, we achieved a steady expansion of the financing balance and profits. At the same time, we succeeded in increasing the number of our customers by offering trustee services for securitization, and cultivating new customers in need of financing.

Consolidated net business profit before credit costs increased by 27.9% from last year to ¥93.1 billion. Under the “portfolio reallocation strategy”, the outstanding amount for market-based loan increased by 41.3% to ¥4 trillion and the accompanying fee revenue from the service reached ¥10.1 bil-



lion. In addition, overall loans reached ¥13.2 trillion. This is partly due to our efforts to increase new customers for the traditional loan business. For fiscal year 2005, we have focused our efforts mainly in the following areas:

Business Sectors Where We Have a Competitive Edge

As in fiscal year 2004, we continued with our efforts to expand both our business base and earning opportunities by promoting capital tie-ups and various kinds of strategic investments to companies in non-banking sectors. Based on various marketing efforts through proposals, our group managed a steady increase in the balance of financing. Moreover, we made Matsushita Leasing & Credit a consolidated subsidiary in April 2005 and was renamed it Sumishin Matsushita Financial Services Co., Ltd. In November, we acquired First Credit Corporation, a major real estate secured loan company, which will help expand the range of products and services. Furthermore, we expanded our business in real estate non-recourse loans and ship financing, two market areas where we have established ourselves as a leading player.

Domestic Market-Based Loans

In the area of providing “syndicated loans” to corporate borrowers, in which a group of participating banking institutions (led by a lead bank [the “Arranger”]) form a syndicated group to jointly supply funds under the same conditions, large syndications and other positive developments resulted in major increases in the loan amounts handled and arranged.

Overseas Credit Business

We are also making a focused effort in overseas credit investments. We have increased the outstanding balances for fiscal year 2005 by further strengthening our efforts, particularly in our North American and European high-yield loan operations, where we have already been successful. Also, we pursued a “credit barbell portfolio” strategy based on ABS investments centered mainly on high-rating assets in addition to the high-yield loan operations, which produced greater capital efficiency and profitability.

Growth Strategy

Business Environment

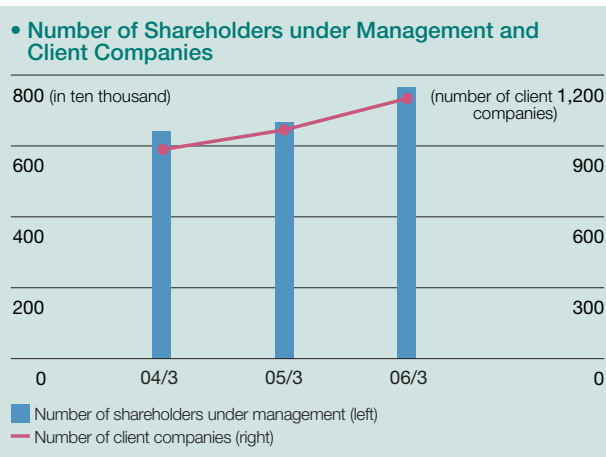
In March 2006 the Bank of Japan ended its quantitative easing monetary policy, a move expected to lead to higher market interest rates. Also, because a favorable turnaround in corporate business results and improved corporate financial fundamentals have led to more activity on the capital investment, business acquisition and M&A front, demand for corporate financing is increasing. Moreover, a series of revisions to the Commercial Code, the Corporation Law and other parts of the legal system have made increasing shareholder value a more important issue. In the midst of these developments, corporations are no longer clinging to their traditional “main bank” system. They are drawn to forming business partnerships with financial institutions capable of providing optimized solutions designed to increase corporate value such as business acquisitions, restructuring, expertise in anti-takeover strategies and delisting.

Growth Strategy in Fiscal Year 2006

In the face of this business environment, the Wholesale Financial Services Division will be guided by the fundamental features of its Corporate Value Creation Strategy, Financing Business Strategy and “Investment Banking Leveraging Trust Functions” Strategy, described below.

1. Corporate Value Creation Strategy

We are strengthening the Group’s consulting functions and ties with other divisions both inside and outside our company, given the growing need for busi-



ness restructuring, anti-takeover strategies, shareholder policies and other forms of business assistance tied to M&A and management buyout strategies. We believe that this will enable us to obtain new business and provide our customers with high value-added solutions. Specifically, in June 2006, we established a “Corporate Advisory Department” to serve as the center of our efforts to provide enhanced consulting functions, such as helping to identify our customers’ needs with regard to an M&A, buyout financing (financing the acquisition funds needed to purchase a company or business division, etc.) or anti-takeover strategy. Also, while forming stronger partnerships with foreign securities companies and investment funds, we intend to boost our clients’ corporate value through investments in securitized real estate equity and buyouts.

2. Financing Business Strategy

In addition to STB Leasing Co., Ltd. and BUSINEXT CORPORATION, Sumishin Matsushita Financial Services Co., Ltd. and First Credit Corporation joined our group in fiscal year 2005, which has further increased the company’s non-banking business capabilities and the size of its customer base (in terms of corporate scale and number). Leveraging this base, we will provide our group’s upgraded non-banking functions, such as sales financing, cooperative loans for housing renovation, real estate secured financing, leases and affinity/co-brand cards, to a larger number of customers. Also, the Group

is now in a better position to form more alliances with other companies in the industry.

3. “Investment Banking Leveraging Trust Functions” Strategy

We will meet our customers’ needs for fund raising and asset management and servicing. In addition to delivering solutions to customers based on business partnerships, which include risk-sharing investments from our own accounts, we will provide domestic and overseas institutional investors and other customers with asset management-related services. Using the expertise in risk-return analysis and risk control we have developed in such areas as credit investments, which includes investment of our own principal (own-account investments in equities and various other assets) and domestic/overseas ABS, in the current fiscal year we are preparing to initiate a master fund which focuses on equity investments in North American high-yield loan CLOs*. We plan to provide products related to this fund to domestic institutional investors. Also, we are moving to upgrade our ability to create products in cooperation with other divisions inside our company.

* CLO (collateralized loan obligation): A type of asset-backed security. CLO is constructed by securitizing a number of loans. The principal and interest is used as the collateral, and securities with different classes i.e. senior, mezzanine, and subordinate are generally issued. This securitization of loans result in relatively higher liquidity.

4. Stock Transfer Agency

Nowadays it is vital to take such actions as finalizing the shareholder register at an early date, not only due to the growing need for a corporate defense against hostile takeover, but also due to that for earlier holding of general shareholders’ meetings and earlier payments of dividends. Against this backdrop, corporations are already paying more attention to stock transfer agencies. Our next-generation stock transfer agency service system, NEO-CAROL, boasts one of the fastest processing speeds in the industry, which gives it an overwhelming competitive advantage in performing such tasks as early finalization of shareholder registration. By adding investor relations support services to this system, we believe we can continue to increase our number of corporate customers.

Fiscal Year 2006 Investment and Lending Strategy

Our policies in regard to investment and financing are as follows:

1. Additional Conventional Corporate Loans

The entire Group will focus on increasing loans to large, mid-sized and small companies as well as financing for real estate, etc. Furthermore, in view of the introduction of new BIS capital rules (Basel II) in March 2007, we will make further effort to achieve more optimized risk-return profile.

2. Moving Forward with Market-based Loans

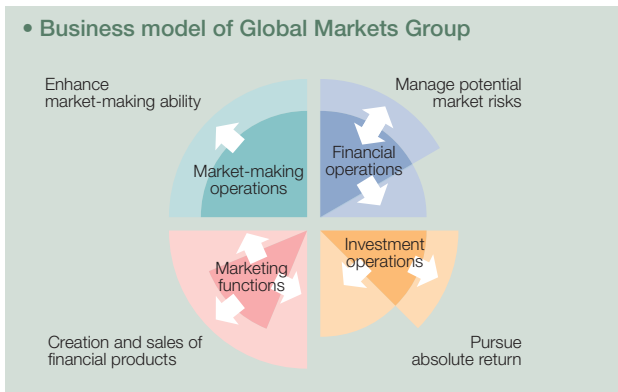
Using our abilities to access a wide range of information, and arrange and supply products to investors, we will continue to aggressively compete on the strength of our real estate non-recourse loans, syndicated loans, ABS and other forms of market-based loans. Also, we will pursue the total optimization of our portfolio by utilizing our current and new assets liquidation and securitization scheme, taking into consideration the change in market environment and the efficient use of capital for real estate non-recourse loans and high-yield loans that feature comparative superiority in terms of profitability, capital efficiency, and liquidity. At the same time, we will provide products consistent with the asset management needs of our customers.

3. Enhancing Our Business Base through Alliances

As of the end of March 2006, we had sales distribution arrangements with 57 financial institutions, companies and incorporated foundations. These arrangements allow us to provide customers with a variety of products, starting with trust services such as pension trusts, stock transfer agency services and will trusts. Together with our plan to increase the distribution arrangements especially with regional banks, we intend to conduct various measures to enhance product development to expand the benefits of our alliances.



Tomoaki Ando
Group President
Director, Managing Executive Officer



Business Operations

The business operations of the Global Markets Group consist of an investment business and a customer business. The investment business manages various market risks across Sumitomo Trust’s business operations and conducts investment operations on our own account. The customer business creates and sells market-oriented financial products to individual and corporate clients.

1. Investment business

The investment business consists of financial operations and proprietary investment activities.

- Financial operations

Constantly changing financial markets influence Sumitomo Trust’s balance sheet. Financial operations contribute to manage these market risks and thereby secure stable earnings.

- Proprietary investment activities

These operations view volatility in financial markets as positive earnings opportunities and respond to volatility through investment in diverse assets including bonds, stocks, credit, real estate and commodities.

2. Customer business

This business consists of marketing functions and market-making operations.

- Marketing functions

In our marketing functions, we cooperate closely with the Wholesale and Retail Client Services Group to develop financial products that meet the needs of customers. We also provide consulting services focused on corporate financial strategy and financial risk management.

- Market-making operations

We conduct a variety of market-making and brokerage activities linked to foreign exchange and interest rates, ranging from transactions conducted on our own account to transactions tailored to customers’ needs.

Basic Strategy

The Global Markets Group’s strengths come from our expertise in risk management and investment earned from many years of experience in financial markets and managing our own financial risk. Another selling point is our ability to develop and sell financial products. We intend to employ these strengths in our customer business through close cooperation with other Groups such as the Wholesale and Retail Client Services Group, with a view to achieving stable growth.

Business Environment and Principal Strategies and Results in Fiscal Year 2005

Fiscal year 2005 was marked by rising stock and commodity prices worldwide, and in response, Japan, like the

United States and Europe, shifted away from a financial easing policy, which led to a global rise in interest rates. In our investment business, we built a position (allocation of investment funds) anticipating a phase of rising shares prices and interest rates and conducted operations to ride these market trends. In addition, our efforts to assign staff to the customer business as a priority matter and step up investment in systems begun in past fiscal years brought notable results, including the expansion of our product lineup.

As a result, consolidated net business profit for fiscal year 2005 increased by 3.1% to ¥39.4 billion from last fiscal year.

Growth Strategy

We expect that it will be difficult to achieve high growth in our financial operations in the coming phase of interest rate increases. Thus, we will focus on strengthening our growth strategy in our investment operations, marketing functions, and market-making operations in fiscal year 2006, as outlined below.

1. Investment operations

We plan to push ahead with “three-dimensional diversified investment” which involves various combinations of assets for investment, investment span and investment technique. To select assets for investment, we will also explore new investment targets in addition to stocks, real estate and commodities, such as credit and assets (including currencies, bonds and stocks) in emerging markets such as Latin America, Southeast Asia, and Eastern Europe. Investment techniques will be applied in three ways: (1) flexible assignment of personnel taking advantage of the regional characteristics of the three financial centers, Tokyo, New York and London, and of the ability of investment managers, (2) the company’s own investment system built on the accumulation of investment know-how and data over more than 10 years, (3) “outsourcing” of investment for the purpose of absorbing investment know-how and employing outside expertise, for instance investment in funds managed by other institutional investors such as hedge funds.

2. Marketing functions

We plan to move forward with a market-oriented customer business driven by our marketing prowess and technical capabilities in finance. We will also improve our services by providing timely market information to customers and by originating products that meet our customers’ needs. We also seek to enhance our price competitiveness. For individual customers, we will enhance our efforts to sell “Gaika Kakumei”, fixed-term foreign currency deposits that were developed in fiscal year 2005 with the full-scale cooperation of the Retail Financial Services Division. For corporate clients, we will provide products that meet customers’ needs by consulting with our Wholesale Financial Services Division to provide financial and investment strategy consultation that counters management challenges such as rising interest rates and foreign exchange rate risks.

3. Market-making operations

In this area, we will secure trading profits and expand our lineup of interest rate and foreign exchange products that meet customer needs. We are also exploring new business strategies such as allocation of resources in businesses related to foreign exchange margin trust, with a view to expanding our business base.



Takaaki Hatabe
Group President
Deputy President Executive Officer

Business Operations

The Fiduciary Services Group's business consists of pension trust, investment management and securities processing services. The pension trustee business designs and manages pension plans for corporate customers and does asset management and servicing. It consults on ways of optimizing corporate pension system planning and provides a wide range of asset management products well suited to customer needs. The investment management business provides various kinds of asset management services and investment advice to corporate and individual customers. With some ¥21 trillion in assets under management, we are one of the largest asset management institutions in the domestic market. The securities processing services business works through our affiliate, Japan Trustee Services Bank, Ltd. (JTSB), to provide a multitude of custodial and settlement services related to securities management and to respond to various customer needs.

Basic Strategy

Against the background of changes in the economic and social environment and pension system reform, our role in providing asset management and asset servicing has steadily grown. For example, in the area of corporate pensions many companies have started to revamp their retirement allowance practices and pension plans. An increasing number of companies are now choosing financial institutions as their partners to provide them with a complete suite of services covering the range of assisting with pension plan rebuilding, introducing

new plans, to actual management. We will meet the increasingly sophisticated needs of our customers by providing highly professional solutions in the area of pension plans, asset management and asset servicing by applying the know-how we have developed over many years. The goal of the Fiduciary Services Group is to be a "dependable, advanced, comprehensive trustee institution which provides the best asset management and asset servicing" while constantly bearing in mind that one of Sumitomo Trust's core competencies is its trust business, and aiming for "sophisticated investment management and precise operations".

The Fiduciary Services Group's consolidated net business profit before credit costs for fiscal year 2005 was ¥24.0 billion, a 12.7% rise compared to the previous fiscal year. Within the Fiduciary Services Group, the pension and investment management business raised ¥16.7 billion, a decrease of 1.8% compared to last year. Consolidated net business profit before credit costs for securities processing services was ¥7.3 billion, an increase of 69.8% from the previous fiscal year. The volume of entrusted assets as of the end of fiscal year 2005 increased mainly in pension trust, mutual fund and securities trust and scored a 23.6% increase to ¥55.5 trillion. Outstanding assets under management increased by 28.6% to ¥21.6 trillion.

Pension Trustee Business

Business Operations and the Company's Strengths

The pension trustee business provides services, which widely range from retirement allowances and pension-related consulting to pension plan management. Examples for such services in regard to corporate pension plans, are (1) pension plan consulting, (2) asset management and servicing, and (3) management of plan subscribers and beneficiaries. Other operations include: handling valuation calculations of various kinds of pension obligation based on retirement benefits accounting standards and retirement benefit trustee responsibilities.

1. Pension plan consulting

The powerful advantages provided by our pension plan consulting are as follows:

- 1) A deep understanding of our (corporate) customers'

needs and their personnel & financial strategies and the ability to provide tailor made consulting and planning services designed to introduce optimized planning options (“multi plan” strategy).

- 2) The ability to provide not only consulting but also practical support for the introduction and management of plans capable of attending to labor-management bargaining, negotiating with government and regulatory authorities and other such functions.
- 3) The ability to provide the best products available including products from other financial institutions in addition to our own products for pension asset management.

Our pension plan consulting features a “Pension Consulting Department” which can propose the most suitable pension plans to customers in the case of both defined benefit and defined contribution pension plans. In addition, given increasing customer interest in recent years in defined contribution pension plans, in June 2006 we established a “Defined Contribution Pension Department” to better address the increasingly sophisticated and diverse needs of customers.

2. Asset management

Once we have finished consulting closely with a customer on the most appropriate course of asset management, we apply our specialized “multi-product” strategy of recommending the best possible combination of products available. This “multi-product” strategy takes advantage of our own excellent asset management products developed in-house and our strong expertise in evaluating and selecting asset management products available from other financial institutions. Our asset management goals are to improve portfolio performance and reduce risk not only through conventional stock and bond choices but also through aggressive investment in alternative products (hedge funds, real estate securitization products and so on) which serve as today’s new asset management strategies.

3. Management of subscribers and beneficiaries

As part of our corporate pension service business (corporate pension plan administration, subscriber and

beneficiary record-keeping administration, allowance payments and so on), in December 2004 together with Mizuho Trust and Banking Co., Ltd. we established Japan Pension Operation Service, Ltd. (JPOS), a company that can flexibly respond to increasingly diverse and complex customer needs in the area of corporate pension plans. JPOS combines our know-how and that of Mizuho Trust and Banking to deliver a higher level of pension plan administration.

Business Environment and Principal Strategies and Results in Fiscal Year 2005

As daiko henjo (returning to the government the public pension portion of corporate pension funds) draws near to the end, the size of the corporate pension field is increasing, mainly in defined benefit and defined contribution pension plans. Amid this unfolding situation, our active marketing development (which uses our consulting abilities) and our rich product line-up (multi-products) serve as the backdrop for discussions on asset management policies with customers and portfolio proposals suited to their best interests. As a result, outstanding pension trust at the end of fiscal year 2005 increased to ¥6,117.2 billion. Within this outstanding pension trust, the net increase due to reallocation among asset managers was ¥306.1 billion, showing that the number of customers choosing us is increasing steadily. The balance of entrusted assets in our business is growing due to the expansion of our high value added entrusted assets such as actively managed products and alternative products. Also, the defined contribution pension plan market keeps on steadily growing as the base of companies introducing the plan is broadening. In regard to the core elements of pension plan, which are plan administration and asset servicing, we provide a high level of service using our pension trustee business know-how, and have acquired top-class market share in the industry.

Growth Strategy

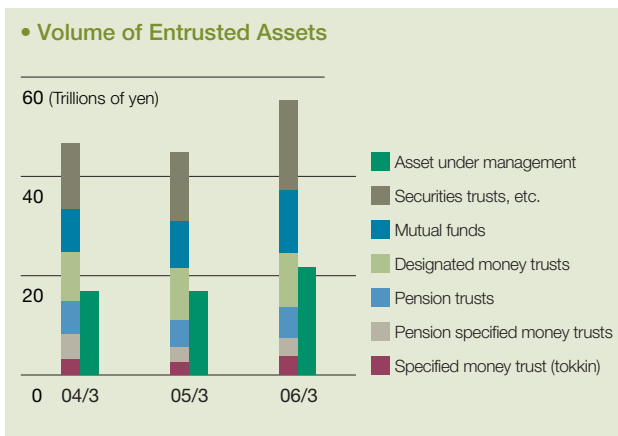
In the area of defined benefit pension plans, we are strengthening our “consulting” and our “multi-plan and multi-product” business model, advising on pension plan changes in anticipation of the termination of qualified retirement pension plans in 2012 and taking other business measures, all of which will enable us to continue to respond to

the needs of our customers. In the area of defined contribution pension plans, particularly the plan administration business, we will provide pension trustee business services by beefing up subscriber services such as upgrading our subscriber services such as (1) special call centers and website-based information and (2) systematically prepared easy-to-understand investment education, thereby responding to the various needs of both corporations and employees. Also, the Pension Trustee Business has been involved in the active development of a “Comprehensive Welfare Vision Service” that provides “Life Support Navi”, a comprehensive website-based guide which not only informs subscribers of the benefit amount they will receive but also will provide general information concerning asset formation, packaged with “Life Plan Seminars”, which offer useful information about post-retirement asset formation. These activities will enable us to expand defined contribution pension plan administration and other trustee operations as well as introduce retail products (mutual funds, zaikai [special tax-treatment savings plans for salaried employees] savings, loans, etc.) to employees at their workplaces in companies which have defined contribution plans. We also have an overseas strategy which is based on a consulting company established in China (STB Consulting (China) Co., Ltd.) that offers consultation on setting up corporate pension plans and does defined contribution pension system development. Our business actions in China position us to participate in the Chinese corporate pension market, which is expected to undergo explosive growth in the near future.

Investment Management Business

Business Operations and the Company’s Strengths

The Investment Management Business manages the entrusted assets of corporate and individual customers. Our development of asset management products supports our “multi-product” business model, one of the strongest elements in our pension trustee business, by using the strengths of our large number of highly experienced analysts and fund managers. Another focus is to upgrade our asset management product quality and development of new products. Using our own management know-how, our business also plays a role in offering expertise on selecting high-quality products available



from other financial institutions. Recently, in addition to corporate pensions, many investors have had to confront other asset management difficulties. Our response has been to use our competitive advantage in “multi-products” and asset management consulting to aggressively expand our trustee services. In particular, we focus on providing financial and non-profit corporations with pension trusts and other asset management services. For individual customers, we provide mainly mutual funds managed by our subsidiary, STB Asset Management, Co., Ltd.

Business Environment and Principal Strategies and Results in Fiscal Year 2005

Given conditions in the Japanese stock market, institutional investor clients are starting to become more selective about financial institutions on the basis of their asset management capabilities. Our company has already acted to increase its major product (Japanese stocks and bonds) asset management abilities and respond to the diverse wishes of our customers. We note that our active asset management, especially our domestic value stock investment fund (stocks which are undervalued in terms of profitability, value as asset and growth potential), has produced favorable results. Also, as for alternative investment, we have established business tie-ups and acquired capital in British hedge fund gatekeeper* Financial Risk Management Limited in order to strengthen our product supply capabilities and thereby maintain our lead in the market.

* A gatekeeper advises institutional investors on which funds to invest in.

Growth Strategy

In fiscal year 2006, we will continue to become more competitive by strengthening our asset management product development and asset management consulting. As risk tolerance levels are rising in light of the trend toward higher domestic stock prices, we leverage the appeal and superior performance of some funds including our domestic value stock investment fund to increase the volume of entrusted assets. As fiscal year 2005 was a year in which we started to add more financial and non-profit corporations to our base of customers, we are working harder on emphasizing products which feature absolute returns as the core.

Securities Processing Services Business

Business Operations and the Company's Strength

The Securities Processing Services Business conducts buying/selling settlements, interest & dividend collection and other services and produces reports on them for our institutional investor clients (such as life insurance companies) and other customers. Another focus is securities lending, or the loaning out of securities held in custody. In particular, given the critical investment needs in recent years of individuals shifting from “savings to investment”, our investment trust management (custody of securities, etc.) business has undergone remarkable growth. As part of making these businesses more efficient, in 2000 we made joint investment alongside Resona Bank and Mitsui Trust Holdings in creating Japan Trustee Services Bank, Ltd (JTSB), Japan's first trust bank specializing in securities processing services. JTSB has consolidated the assets of these three investments and is today providing efficient high-quality services through maintaining an entrusted assets base of ¥140 trillion.

Also, for those customers who have investments spanning multiple countries and markets, we provide a “Global Custody Service” which enables centralized securities custody management. Our “Global Custody Service” has created a three-branch system operating in Tokyo, the United States and Luxembourg (wholly owned overseas affiliates). For our Japanese investors we have a 24-hour Japanese-language service. As of the end of April 2006, and assets held by our global custody service had reached US\$130 billion (approximately

¥14 trillion), an impressive amount for a Japanese bank.

Business Environment and Principal Strategies and Results in Fiscal Year 2005

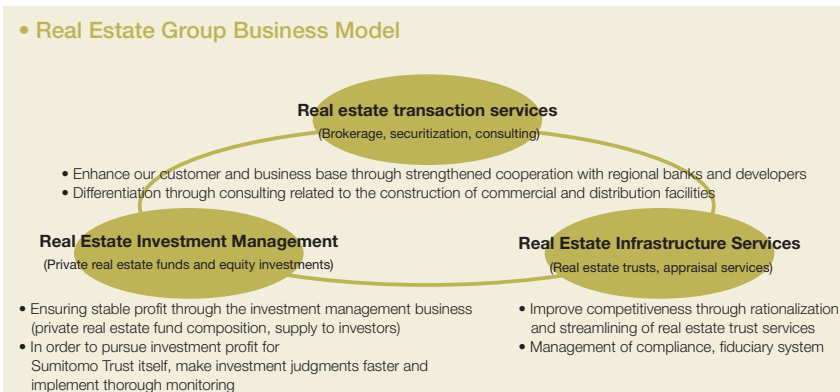
In fiscal year 2005, the significant shift from “savings to investment”, which included the expansion of defined contribution pension plans, along with the rise in stock prices symbolized a recovery in the investment climate. Against this background, we witnessed striking growth in our mutual fund balances. We note in particular that our newly created stock mutual fund has achieved a larger share in terms of both the number of funds and volume among the mutual funds in the industry.

Growth Strategy

As we did in fiscal year 2005, as part of responding to the mounting demand for setting up mutual funds we will continue to strengthen our relatively profitable stock mutual fund business. In particular, we will upgrade our marketing capabilities in order to increase the number of new mutual funds and their share of the market. At the same time, the Investment Management Business and the Securities Processing Services Business will work together to find ways to increase profits. For example, private-placement investment trusts that can meet the needs of our financial and non-profit corporate customers will be created and services will be provided by our subsidiary, STB Asset Management Co., Ltd., which will help enlarge the balance of entrusted assets. In Japan, there are three trust banks specializing in securities custody services, including JTSB (in which we have invested). In the future it appears that these banks will put greater emphasis on their specialized capabilities. JTSB will provide various schemes, not only retrust but also direct JTSB trust schemes, which can flexibly respond to customer needs. Also, it will offer customized reporting services in accordance with customer desires. These services will demand more highly trained staff and better business efficiency; therefore, we will start rebuilding our systems. With regard to the Global Custody Service, whose service was mainly provided by our affiliate in the US, we set up a new Japanese subsidiary (STB Global Investor Service Co., Ltd.). This is to provide even better service to, in particular, institutional investor clients by strengthening our staff and servicing, thereby improving our conveniences.



Masao Shibuya
Group President
Director, Senior Executive Officer



Business Operations

The Real Estate Group offers a range of real estate-related services in three general areas: real estate transaction services, which include real estate brokerage; real estate investment management, which handles real estate investment trusts (J-REIT) and real estate private funds; and real estate infrastructure services, which include trust and appraisal operations. These three business operations are conducted in collaboration with our subsidiaries and affiliates including Sumishin Realty Co., Ltd., STB Research Institute, Co., Ltd., Top REIT Asset Management Co., Ltd., and STB Real Estate Investment Management, Co., Ltd.

The Real Estate Group has three strong points.

1. A wealth of experience and expertise

The Real Estate Groups plays a key role in the Sumitomo Trust Group’s business model whose superiority is displayed in the synergies created by the combined operations of banking, trust and real estate. This role is to provide a total solutions service by means of professionals using expertise acquired over many years.

2. Aggressive involvement in new businesses

The Real Estate Group has up to now remained a step ahead of other companies in businesses such as land trust and real estate securitization. Recently, we have pursued involvement in new operations, establishing companies including STB Real Estate Investment

Management, Co., Ltd., Top REIT, Inc. (now listed) and the industry’s first Eco-land -Fund, a soil contamination improvement fund.

3. External network

The Sumitomo Trust Group has adopted an independent management strategy apart from megabanks, and conducts flexible and wide-ranging collaborative operations with other financial institutions, real estate developers and investors.

Basic Strategy

Real estate securitization as a means of meeting various corporate needs such as improving financial fundamentals, diversifying funding methods and adapting to changes in accounting systems remains strongly in demand, and as a result, premier properties are being supplied to the real estate market. Meanwhile, investors who are having difficulty finding good investment opportunities in the low interest rate environment are showing strong interest in real estate for investment purposes. The combined effect of these has led to booming real estate investments through J-REIT and private real estate funds. To make the utmost of this favorable trend, we will explore all profit-making opportunities by systematically linking our three business operations. At the same time, we will use our expertise in real estate to bolster our competitive edge in other service groups, including the Wholesale and Retail Client Services Group and Fiduciary Services Group.

Business Activities and the Group's Strengths

1. Real estate transaction services

- Real estate brokerage and securitization

The Group provides brokerage services relating to office buildings and sites, plants, warehouses and other distribution facilities, commercial facilities, housing development sites and real estate for investment purposes that is currently in use. In the rapidly expanding area of real estate securitization, we conduct operations in scheme arrangement and placement. Sumishin Realty Co., Ltd. offers housing brokerage for individuals and brokerage for small- and medium-sized commercial properties.

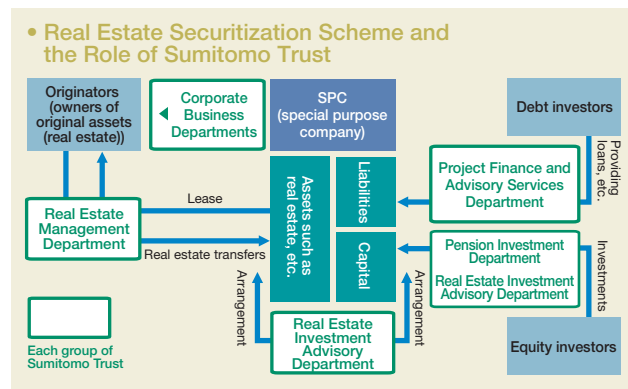
- Consulting on construction and the effective use of real estate

We provide comprehensive consulting services ranging from construction project plans for commercial and distribution facilities aimed at effective property use and extending to design and construction.

2. Real estate investment management

- Real estate investment advisory services

We provide real estate investment opportunities to investors and offer real estate investment advisory services including risk-return analysis and risk control, –through which we have established direct contact points with domestic and foreign investors, enabling us to track movements in the real estate investment market and ascertain investor needs. At the same time, as an institutional investor, we seek to increase investment returns for ourselves through real estate equity investment and private real estate funds. STB Research Institute, Co., Ltd., provides real estate investment indexes to support decision-making by investors and maintains a unique presence in survey and research activities. STB Real Estate Investment Management Co., Ltd. was established in November 2005 as a private real estate fund management company and launched a private real estate fund business. Meanwhile, Top REIT, Inc., established jointly by Nippon Steel City Produce,



Inc., Oji Real Estate Co., Ltd. and our company, was listed in March 2006.

3. Real estate infrastructure services

- Real estate-related trust operations

In the real estate securitization market, the need for trust services is increasing exponentially. In response, we are working to improve the efficiency of business and enhancement of capacity through staff increases. We are also directing effort into improving the soundness of the existing long-term lease land trust business by increasing occupancy rate, reassessing management costs, and other measures to enhance profitability. Other activities include the sell-off of property in the real estate-for-investment market following consultations with the client to take advantage of favorable market prices.

- Real estate appraisal operations

Effective utilization and inheritance of land requires information concerning appropriate real estate prices and tenant fees. However, as negotiated transactions are common, and open markets such as Internet auction sites are still developing, the amount of information being provided to ordinary people is extremely limited. The Real Estate Group has a large staff of certified real estate appraisers and performs appraisals using their expert knowledge and broad experience.

Business Environment and Principal Strategies and Results in Fiscal Year 2005

Against the backdrop of the booming real estate market, we have strengthened our ties with the investors and real estate developers we do business with, activated such existing channels as Daiwa Securities SMBC, Co., Ltd., and expanded our business base through new alliances with regional banks and others. We have also worked to expand our investment management business. As a result, the consolidated net business profit for fiscal year 2005 increased 67.2% from the previous fiscal year to ¥29.6 billion. In addition, Sumishin Realty Co., Ltd. succeeded in strengthening its alliance with the Group in joint brokerage operations and joint branch development with our business offices, and the consolidated net business profit reached ¥2.3 billion, twice as much as the previous fiscal year.

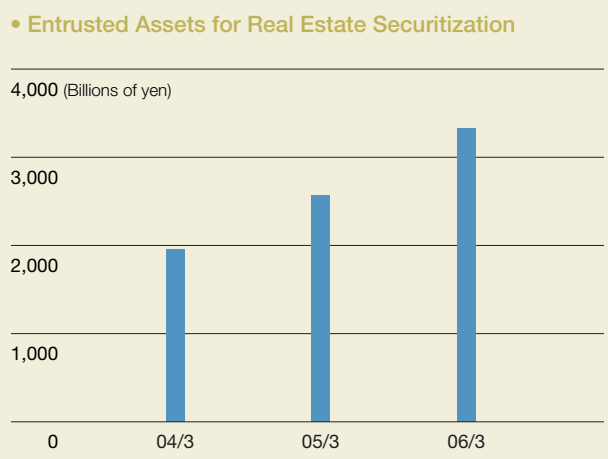
The following is an outline of the activities of each of our business areas.

1. Real estate transaction services

We have given emphasis to brokerage of major properties such as the head office buildings of major corporations located in central Tokyo, and as a result have increased the number of properties and amounts handled. Brokerage fee for commercial properties in fiscal year 2005 increased by 46.8% to ¥25.4 billion and bro-



Triton Building



kerage fee for residential and small- to medium-size business-use properties increased by 23.7% to 9.4 billion.

2. Real estate investment management

Funds operated jointly with regional banks and other financial institutions have contributed significantly to our results. We have also established our first Eco-land-Fund project for soil contamination improvement. Also, in fiscal year 2005, our efforts to launch real estate investment management bore fruit. This is evidenced by the growth in realized gain on real estate investment to ¥3.6 billion, which is six times as much as the previous fiscal year.

3. Real estate infrastructure services

By improving the soundness of land trust business, we have achieved the smooth cancellation and conclusion of a total of 25 trust contracts. Our administrative operations have also been substantially improved by developing and switching to a new processing system.

Growth Strategy

Competition for quality properties is intensifying in the market for business-use real estate. Although active business in brokerage operations is expected to continue from fiscal year 2005, the linkage with interest rates is strong. For this reason, we believe that during periods of interest rate hiking

situation in the future, transaction quantities may decline. Given this business environment, we will make an effort on providing properties suited to the investment needs of our customers. The following is an outline of the efforts we will undertake as the growth strategy of the Real Estate Group.

1. Expansion of information through business tie-ups

In the real estate market for individuals, the second generations of baby boomers in particular are actively seeking housing against the backdrop of low interest rates, and demand is expected to be strong. However, in order to be competitive with megabanks and leading housing brokerage companies, we must increase our customers and our information base. From this perspective, we have been expanding our real estate information base by strengthening alliances with existing business partners such as Sumitomo Mitsui Banking Corporation and by forming new alliances with regional banks and real estate developers. With regard to Yachiyo Bank, with which we formed a capital and business alliance in fiscal year 2005, we plan to provide a variety of real estate consulting services particularly through Sumishin Realty Co., Ltd. In addition, we will consider using our partnerships with First Credit Corporation and the SBI Group primarily to build up routes for acquisition of real estate trading information.

2. Strengthening networks

We intend to focus effort on acquiring property sale information by deepening our involvement with real estate investors and developers. Within the Real Estate Group, we will promote the sharing of knowledge and information through activities such as introducing examples of successful contract conclusions. We are also cooperating with the Wholesale Financial Services Division on finding M&A deals of real estate subsidiaries with a view to acquiring real estate information.

3. Full-scale development of investment management business and promotion of equity investment

Since the listing of Top REIT, Inc., investment prices have remained firm, and the company plans to

secure stable revenues through accumulation and replacement of assets. STB Real Estate Investment Management, Co., Ltd. is gearing up to form the first private real estate fund in 2006 and is now searching for investors. The company is also considering to strengthen management system of equity investment activities, such as acceleration of investment decisions and thorough monitoring of investing properties.

4. Expanding consulting operations

By using our experience and expertise in various types of real estate consulting, we will work with regional branches to expand the real estate investment target area to regional districts and acquire information and identify needs. In activities relating to the three urban development laws, we will explore promising former plant sites with a view to the expected revision of these laws. Our plans also include aggressive expansion of consulting for seismic retrofitting or rebuilding irrespective of property use and efforts to secure a new real estate business base and acquire real estate information. We are also considering development-oriented consulting services with a view to enhancing our ability to undertake projects and gather information.

5. Establishment of a trust operations system

We plan to provide accurate and practical advice in legal systems covering laws including the Trust Business Law, the Trust Law and the Financial Instruments and Exchange Law and strengthen compliance observance systems by reconfirming the obligations of trustees. Specifically, we intend to verify the legitimacy of projects at the time of entrustment and increase the stringency of examinations and thereby increase market trust in the Real Estate Group. Further, in order to increase the efficiency of operations relating to property management, including trust operations, we have introduced a total property management system. We are considering the sale of this system to institutions outside of the Real Estate Group in hopes of establishing it as an industry standard.

The Sumitomo Trust & Banking Group consists of Sumitomo Trust, 24 consolidated subsidiaries and 9 equity method affiliates. The Group provides a wide spectrum of financial services with trust banking at its core.

In fiscal year 2005, we added two new consolidated subsidiaries, Sumishin Matsushita Financial Services Co., Ltd., and First Credit Corporation, a real estate-secured loan company and thereby expanded our service line and customer base.

— RETAIL FINANCIAL SERVICES DIVISION —

Sumishin Card Company, Ltd. (Credit card—Consolidated subsidiary)

[Scope of Business]

Established in 1983 as a credit card company of the Sumitomo Trust Group, Sumishin Card Co., Ltd., is a member of the VJ Group (formerly, the Visa Japan Group), and has approximately 140,000 cardholders (as of March 2006). It offers highly refined credit services such as the “Sumishin VISA Point Club,” a co-op promotion by Sumitomo Trust and the company introduced in November 2005 whereby cardholders can accumulate points through transactions with Sumitomo Trust. The Company is also taking proactive steps to expand financial operations through

the introduction of new revolving payment services and purpose-free loans offered through the workplace of large corporate clients.

[Strategic Role in the Group]

Sumishin Card Co., Ltd., provides credit cards and various unsecured loans to Sumitomo Trust’s individual customers. In its mainstay credit card operations, the Company works closely with Sumitomo Trust’s Retail Financial Services Division to expand the retail operations base centering on the Sumishin VISA Point Club.

Sumishin Guaranty Company Limited (Loan guaranty operations—Consolidated subsidiary)

[Scope of Business]

Sumishin Guaranty Company Limited was established in 1977 to conduct guaranty operations for Sumitomo Trust’s individual loans. It provides guaranty services to customers using Sumitomo Trust’s housing loans and consumer-type loans for individuals.

[Strategic Role in the Group]

The principal operations of Sumishin Guaranty Company Limited are housing loan guaranty services for customers using Sumitomo Trust’s housing loans. In step with the expansion of Sumitomo Trust’s housing loan operations, the Company’s loan guaranty balance has been following an uptrend, with the balance of housing loan guaranty reaching ¥1,185.9 billion as of the end of March 2006.

STB Wealth Partners Co., Limited (Consulting operations for wealthy individuals—Consolidated subsidiary)

[Scope of Business]

STB Wealth Partners Co., Limited commenced operations in 2005 as a consulting company for Sumitomo Trust’s wealthy clients. It provides this customer segment wide-ranging consulting in inheritance and business succession and asset valuation services.

[Strategic Role in the Group]

Sumitomo Trust collaborates with STB Wealth Partners to provide highly professional private banking service to wealthy clients.

— WHOLESALE FINANCIAL SERVICES DIVISION —

STB Leasing Co., Ltd. (Leasing—Equity method affiliate)

[Scope of Business]

STB Leasing Co., Ltd., assists customers with capital investment not by selling but by leasing equipment and facilities. In October 2004, the Company acquired a controlling stake in Sumisei Leasing Co., Ltd., from Sumitomo Life Insurance Company. At the end of March 2006, its asset value was ¥524.6 billion.

[Strategic Role in the Group]

The Company takes an active role in enhancing the Sumitomo Trust Group's capacity to propose solutions that address the increasingly diverse financial needs of our corporate customers.

Sumishin Matsushita Financial Services Co., Ltd.

(Leasing, installment finance, credit cards and finance, trust-related operations—Consolidated subsidiary)

[Scope of Business]

Upon the capital participation of Sumitomo Trust, Sumishin Matsushita Financial Services Co., Ltd., became a joint venture company of Sumitomo Trust & Banking Co., Ltd., and Matsushita Electric Industrial Co., Ltd., in April 2005. The Company integrates the diverse know-how of the former Matsushita Leasing & Credit Co., Ltd., in manufacture's sales finance of leasing and installment finance with the financing and trust expertise of Sumitomo Trust to operate as a comprehensive financial services company providing new financial solutions to customers.

[Strategic Role in the Group]

The Company aims to maximize synergies by leveraging Sumitomo Trust's expertise in operating leasing, factoring (purchasing of receivables), and will trust and estate settlement agency services and by utilizing the customer bases of both companies through methods such as mutual introduction of products to customers. Through this cooperative approach, it plans to develop business in a variety of areas including housing loans.

First Credit Corporation (Real estate-secured loans—Consolidated subsidiary)

[Scope of Business]

First Credit Corporation specializes in real estate-secured loans. It meets the financing needs of individual and corporate customers by performing accurate valuations of real estate used as security.

[Strategic Role in the Group]

The Company plays an active role in Sumitomo Trust's comprehensive real estate business by utilizing the synergistic effect created by Sumitomo Trust's expertise in brokerage and financing of large-scale real estate projects and First Credit's strengths in financing small and medium sized projects.

BUSINEXT CORPORATION (Cash loan—Equity method affiliate)

[Scope of Business]

BUSINEXT CORPORATION is a loan company for small- and medium-sized companies as well as unincorporated private enterprises which was co-founded in January 2001 with the major consumer loan company Aiful Corp. The Company performs lending within authorized interest rate limits using its unique quantitative scoring method. BUSINEXT's balance of loans at the end of

March 2006 was ¥73.1 billion.

[Strategic Role in the Group]

BUSINEXT complements Sumitomo Trust's financial services for large corporations by providing loans to small- and medium-sized companies and unincorporated private enterprises, and thereby supports the business operations of a variety of customers.

Japan TA Solution, Ltd. (Data processing and computing—Consolidated subsidiary)

[Scope of Business]

Japan TA Solution, Ltd., was co-founded by Sumitomo Trust (holding 80% stake) and Japan Securities Agents, Ltd., (holding 20% stake) in August 2002, in order to improve the efficiency and competitiveness of stock transfer agency operations. The Company is entrusted by both parent companies to handle stocks on behalf of approximately 1,400 client companies. It carries out system development/operation and data processing for stock transfer agencies, and is the first company in the industry to adopt this type of business model. In January 2004, it began operation of the next-generation NEO-CAROL custody service system to

closely monitor trends in changing stock markets and information systems and then swiftly respond to customer needs. Taking these operations to a new level of competitiveness, this system allows quicker confirmation of stockholder identities and also enables the provision of a variety of documents over the Internet.

[Strategic Role in the Group]

Sumitomo Trust has outsourced its stock transfer agency operations to Japan TA Solutions. By accepting the participation of other companies, the Company promises to benefit from the advantages of scale.

— FIDUCIARY SERVICES GROUP —

Japan Pension Operation Service Co., Ltd. (Pension plan administration services—Equity method affiliate)

[Scope of Business]

Japan Pension Operation Service Co., Ltd., (JPOS) was established in December 2004 as a joint venture between Sumitomo Trust and Mizuho Trust & Banking Co., Ltd. JPOS handles administrative services related to corporate pension plans such as membership management and benefit payment of corporate pensions, and development/operation of systems. As of the end of March 2006, JPOS's two partner companies are entrusted with managing corporate

pension plans for approximately 2.3 million current and former employees.

[Strategic Role in the Group]

JPOS uses primarily the system developed by Sumitomo Trust and integrates the expertise of Sumitomo Trust and Mizuho Trust & Banking to provide more sophisticated pension trust services to customers.

Japan Trustee Services Bank, Ltd. (Trust banking—Equity method affiliate)

[Scope of Business]

Japan Trustee Services Bank, Ltd., (JTSB) was established in 2000 through a joint investment by Sumitomo Trust and Daiwa Bank (currently Resona Bank), and the Mitsui Trust Holdings Group acquired a stake in September 2002. JTSB specializes in asset servicing in pension trusts, stock mutual funds and other areas centering on assets entrusted from the three parent companies.

[Strategic Role in the Group]

JTSB pursues the advantages of scale provided by concentrating assets entrusted from the three companies. It supports the key operations of Sumitomo Trust’s Fiduciary Services Group through efficient and thorough management.

STB Asset Management Co., Ltd. (Mutual fund management and consulting—Consolidated subsidiary)

[Scope of Business]

STB Asset Management Co., Ltd., satisfies the investment management needs of individual and corporate customers through mutual fund management and investment advisory. It offers a wide spectrum of products ranging from active and passive management of domestic and foreign stocks and bonds to alternative investments such as the real estate investment trust (REIT), absolute return products, and balance funds. Using its product development and

management capabilities, the Company supports Sumitomo Trust’s multi-product strategy and the collective strength of the Group.

[Strategic Role in the Group]

The Company plays an active role in fund investment management, providing mutual funds sold by the Retail Financial Services Group and performing other services.

Sumitomo Trust and Banking Co. (U.S.A.) (Global custody services—Consolidated subsidiary)

Sumitomo Trust and Banking (Luxembourg) S.A. (Global custody services—Consolidated subsidiary)

[Scope of Business]

These companies provide global custody services in Japan, the United States and Europe (Luxembourg) as a centralized agent in securities settlement, servicing and tax payment primarily for institutional investors that invest directly in the world’s securities markets. As Japanese bank-affiliated custodians, they hold one of the largest amounts of assets in custody.

[Strategic Role in the Group]

These companies offer precise foreign securities servicing and facilitate foreign securities investment by Sumitomo Trust’s customers by providing detailed information in Japanese.

— REAL ESTATE GROUP —**Sumishin Realty Co., Ltd.** (Real estate brokerage—Consolidated subsidiary)

[Scope of Business]

Sumishin Realty Co., Ltd., began as the Sumitomo Trust Group's residential brokerage company in 1986. It now provides brokerage services in real estate for many purposes including residential, investment and commercial properties. With 61 offices in Japan (as of May 2006), the Company works in concert with Sumitomo Trust to conduct business on a nationwide scale.

[Strategic Role in the Group]

Sumishin Realty and Sumitomo Trust Group's Retail Financial Services Division offer collaborative services in fields extending from real estate brokerage to home mortgages. The Company is also establishing joint offices with the Retail Financial Services Division in order to create a system that facilitates collaboration (There are now 32 such branches as of May 2006). It is also strengthening linkages with the Real Estate Services Group in fields including joint brokerage of medium- to small-scale real estate for investment or commercial use.

STB Research Institute Co., Ltd. (Surveys, research and consulting—Consolidated subsidiary)

[Scope of Business]

STB Research Institute Co., Ltd., was established in July 1988 as a corporate think-tank. The scope of its business activities ranges from surveys, research, and consulting services for the real estate market, including supply and demand trends as well as market forecasts, to surveys regarding real estate investment (property investment eligibility evaluations and real estate investment market forecasts). In addition to real estate market, the Company also provides investment consulting services, such as investment evalua-

tions and quantitative analyses of risk concerning many types of real estate-related financial products. It also acts as a third-party evaluator of real estate investment funds in applying investment theory to actual investment operations.

[Strategic Role in the Group]

In addition to its role as a think-tank, the Company provides advice in evaluating the risk of properties to be acquired and the investment strategy when Sumitomo Trust and its customers purchase real estate investment funds.



Management System

CSR Management	44
Personnel System	46
Corporate Governance	48
Compliance	49
Risk Management Structure	50

Sumitomo Trust promotes corporate social responsibility (CSR) as a pillar of management in order to achieve sustainable growth for both society and our company, through unification of the achievement of social responsibility and our management philosophy and business model. We strive to implement CSR in our primary business of providing financial products and services by such efforts as placing importance on socially responsible investment (SRI) in our investments in corporations, by providing loans for houses that are environmentally friendly, and through project finance for wind power generation. Our CSR activities achieve results in our business, and raise our corporate value at the same time that they establish social value.

SRI Efforts

Sumitomo Trust has a full lineup of SRI funds, including products for corporate pension funds which were the first such products in Japan when they were first offered in July 2003, and for individuals and fixed benefit pension funds, and as of April 2006 the total under management had reached approximately ¥77 billion. Among them is the Sumishin SRI Japan Open fund (nicknamed “Good Company”) for individual customers, which has net assets of approximately ¥55 billion and has grown to be the largest SRI fund in Japan, and which received a “Fund of the Year, 2005” award for excellence from the investment information service Morningstar Japan K.K. in January 2006.*

* Morningstar Japan K.K selected it from among funds that were judged to have excellent overall operating results in fiscal year 2005, based on its own independent analyses.

CSR Efforts towards being a Global Corporate Citizen

Sumitomo Trust strengthened its CSR activities as the first Japanese trust bank to join the United Nations Environment Programme Finance Initiative (UNEP FI) in

2003, aiming to contribute to the achievement of sustainable society through our main business as a financial institution. In July 2005, we were also the first Japanese bank to participate in the United Nations Global Compact, an international initiative to support and practice principles of corporate activity regarding human rights, labor, the environment, and anti-corruption. Then in May 2006 we signed the “Principles for Responsible Investment” created jointly by UNEP FI and the United Nations Global Compact along with 33 pension funds and 15 management institutes. Those principles require that institutional investors consider the environmental policies, social responsibility and corporate governance of companies that they invest in as part of the investment decision process, and that appropriate disclosures be made for shareholders, with the objective of improving long-term investment results for beneficiaries. Our company will cooperate with other signatory institutions to spread and promote SRI to contribute to the development of a healthy economic society. In addition, we are striving to appropriately utilize and protect our customers’ information, and have made a declaration to protect personal information and have set up an organization within our company to do so.

Environmental Finance

Sumitomo Trust considers the development of environmental financial product services to be one of the most important elements of its CSR activities, and we are striving to make proactive contributions to society through our principal business.

Primary Activities in Fiscal Year 2005

Liquidation of illiquid, polluted land through investment in Green Earth’s “Eco-Land-Fund”

We invested in the first contaminated land cleanup fund in Japan (primary investor), and have begun positive efforts to invest in liquidation of purportedly as much as ¥5 trillion of illiquid, polluted land.

Tokyo Environmental Finance Project

We are actively supporting Tokyo's environmental guidance in this project, in which Tokyo banks are participating, and have developed loans which utilize the Tokyo apartment environmental performance disclosure system. Furthermore, our efforts were recognized when we received the governor's award of the Tokyo Environmental Prize in fiscal year 2006.

Preferential loans for environmentally friendly housing

Products for the Tokyo environmental finance projects are described above. We are attracting attention for our product design that provides preferential interest corresponding to the number of stars indicating an environmental performance level. In addition, results are improving solidly for our preferential loans for housing equipped with solar power generation systems sold by Sekisui Chemical Co., Ltd., and others which we introduced in fiscal year 2004.

Environmentally friendly project finance

In addition to the results we have achieved already in wind power generation and other projects, we are providing project finance for biomass ethanol using wood waste.

Research into real estate added environmental value

A research report by our employees on environmental added value in real estate received the grand prize for an essay commemorating the 10th anniversary of the establishment of the Tokyo Association of Real Estate Appraisers. Our company is actively engaged in this kind of basic research.

Contributions to Society

Sumitomo Trust is engaged in a broad range of activities contributing to society besides protection of the environment and social contributions through our business. We will introduce some of them here.

Example of a company-wide activity contributing to society: support for education in Africa

Our company contributed to construction funds for elementary schools in impoverished regions in Sub-Saharan Africa that are raising concern worldwide (Tanzania, Kenya, Uganda, and Zambia) along with Sumitomo Chemical Co., Ltd., Sumitomo Life Insurance Company and Mitsui Sumitomo Insurance Co., Ltd. Through this activity we hope to aid in the development of society in the region by supporting children's education, and we aim to open a school by the summer of 2006.

(Note) This activity is conducted in cooperation with the specified non-profit corporation World Vision Japan. World Vision Japan is an international non-governmental organization (NGO) that is recognized by and registered with the United Nations Economic and Social Council, and it is active in about 100 countries around the world in regional development and emergency aid, supporting about 2.4 million children.

Example of activities in support of education

We co-sponsored the "Children's Literary Grand Prix" in essay contests held by the Japanese Composition Education Research Center (Director: Mr. Toshihiko Miyagawa) in a number of cities including Musashino City in Tokyo, Fuji City in Shizuoka and Yamato City in Kanagawa, thus actively supporting efforts towards education for expression through composition.

Example of activities contributing to society in our branches: continuous support for vocational aid centers for handicapped people.

Sumitomo Trust's Himeji branch is engaged in continuing activities to support the recovery of used milk cartons and the purchase of hand made paper post cards and ema (votive picture of a horse) made from them. In 2005 the branch raised and contributed funds through bazaars, flea markets and internet auctions to cover expenses for equipment for a new project making handmade paper name cards.

The depth of our highly specialized human resources, who are also skilled at teamwork, is what sustains the competitiveness of Sumitomo Trust. We employ a fair and open personnel system based upon the conviction that encouraging each and every employee to have a sense of reward and satisfaction through his or her growth and self-fulfillment, in turn, leads to the sustainable growth of Sumitomo Trust overall.

Personnel System: Basic Philosophy

The scope of our business encompasses a wide variety of businesses, from private banking business such as savings deposits and foreign exchange to specialty businesses related to real estate (brokerage, appraisals, securitization, etc.) and pensions (system design, actuarial computation, etc.), and also to solutions businesses involving various types of consulting for individuals and corporations. Sumitomo Trust positions our actions placing value on the following basic approaches of the personnel system in order to employ and develop diverse and superior human resources that hold the key to our growth.

We also focus on the Principles of Personnel Conduct to ensure that each and every employee maintains an ever-present awareness of these basic principles and implements these principles in his or her daily conduct.

• Basic Approaches of the Personnel System

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

• Principles of Conduct of the Personnel System

1. Respect individuality

Sumitomo Trust aims to elicit each employee’s maximum capabilities by actively supporting an employee’s self-directing career path development while at the same time ensuring optimal human resource deployment, and offering guidance and training upon careful consideration of individual capabilities and attributes.

2. Promote self-reliance and the will to take on challenges

By proactively supporting each individual employee’s self-reliance and will to take on challenges, Sumitomo Trust aims at being an aggregate body of professional human resources that maintain a strong sense of confidence in their ability to provide customers with optimal added-value, accurately and properly understanding and taking to heart the company vision and strategy while remaining keenly aware of their own roles in it, who do not give up until they achieve results and continue to actively accept challenges, even after achieving the desired results.

3. Encourage open, interactive communication

Sumitomo Trust encourages open, interactive communication to foster an atmosphere of cohesiveness and cooperation surpassing “bias” such as sectionalism and rank-consciousness.

4. Provide fair evaluation and feedback

In addition to fair evaluation of each employee’s achievements and capabilities, Sumitomo Trust uncompromisingly provides convincing feedback, thereby instilling an employee’s motivation to achieve further growth.

Unique Characteristics of Our Personnel System

In October 2003, we abolished our former personnel system and introduced a new personnel system that is more equal and open. We stripped the restrictions of employment classification (career track, general clerical, etc.) and qualification from the old system and introduced a career system that permits an employee’s career plan to be determined through individual choice and commitment, and a work group system for human resource candidate groups with the goal of providing additional value to our clients by developing specialists in each area.

1) Career system

A system under which an employee can choose among three career paths in light of his or her business experience and self-improvement efforts, according to his or her personal objectives.

• All careers and roles, etc.

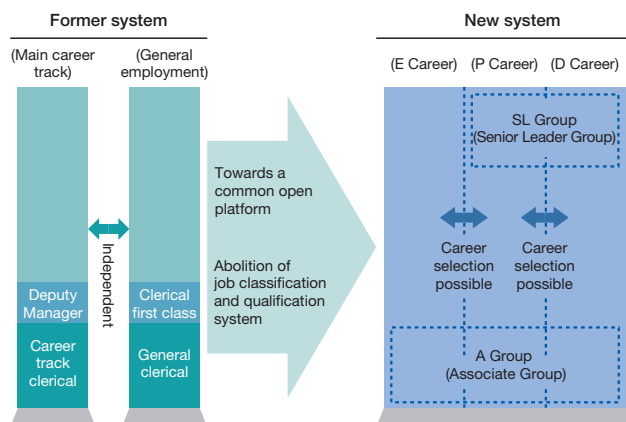
Career name	Business divisions	Roles to be expected in the future	Work locations
P Careers (Professional Careers)	Not specified	Undertaking management of entire company and all divisions	Not specified (possible transfers between locations)
D Careers (Division Careers)	Specified in principle*	Undertaking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

* From the point of view of the employee's career path, on the premise of a return to the employing business division, it is possible to be transferred to another business division for a set period of time.

2) Work Group system

A system shared among all careers. Work group signifies ranking according to the level of an employee's business skills and consists of associates, managers, leaders, and senior leaders. This work group system promotes free competition according to real capabilities and competence, regardless of age or gender.

• Work grouping system



Personnel Evaluation System

We introduced a personnel evaluation system in 1997 that allows the individual employee to participate in the evaluation process while hoping to become part of “an aggregate group of employees who take the initiative to create their own career paths and who ceaselessly pursue self-improvement”. We continue to thoroughly implement the following points for the personnel evaluation system under the new personnel system, keeping the individual employee's participation as the focal point.

- Determine compensation based upon a fair evaluation of an employee's role and performance.
- Evaluations that provide an impartial and accurate grasp of each person's status and level and that benefit the employee's personal improvement.
- Maintain a close correlation between an employee's performance evaluation and the management objectives, issues and goals facing the company, branch or division, section and team.
- Rigorously enforce merit-oriented evaluation.

Personnel Strategy Supporting the Business Division System

Sumitomo Trust attaches importance to flexibility in executing the strategy of our various business groups and ensures that the assignment and compensation of mid-career hires and staff reflects the opinions and interests of our business groups as well. We have introduced an appropriate compensation system for careers according to the intrinsic nature of the division. The system places a high value on human resources who possess high-level, specialized skills and adjust to the business strategy and unique attributes of each business division. In tandem with the regular transfer system, Sumitomo Trust has implemented a job transfer system where employees can recommend themselves for transfer. Once they pass the screening process, they can move to their new position. Our basic policy to develop human resources is through on-the-job training; however, we actively supplement this with training and e-learning to improve business skills, and offer a variety of courses, overseas exchange programs and work assignments to promote improvement of management skills, reinforce teamwork, and manifest leadership. We have established an induction training program and an internal trainee system for mid-career employees to enable them to share their own experiences and know-how and quickly make the greatest contribution possible as an integral member of Sumitomo Trust. We have also prepared a course challenge system for prospective employees who pass special tests and interviews, etc., as they begin their corporate life, offering specialized courses for real estate appraisers, pension actuaries, investment managers and quantitative specialists, according to their personal goals.

We have positioned corporate governance as a mechanism for management decision-making, execution and supervision that is designed to ensure our sustainable corporate growth and development through highly efficient and transparent management. To this end, we are constantly striving to upgrade our corporate governance system.

Basic Stance

Since its foundation, Sumitomo Trust has adhered to two core principles: “confidence and integrity” (the essence of the trust business) and “placing prime importance on credibility and sound management” (basic Sumitomo Trust business principle). These principles are based on the belief that our business activities are in close association with the economy and society and require a strong sense of public service. Therefore, in fulfilling our social and community responsibilities, it is essential that we gain the unshakable trust of all stakeholders, including customers, shareholders, employees and society at large.

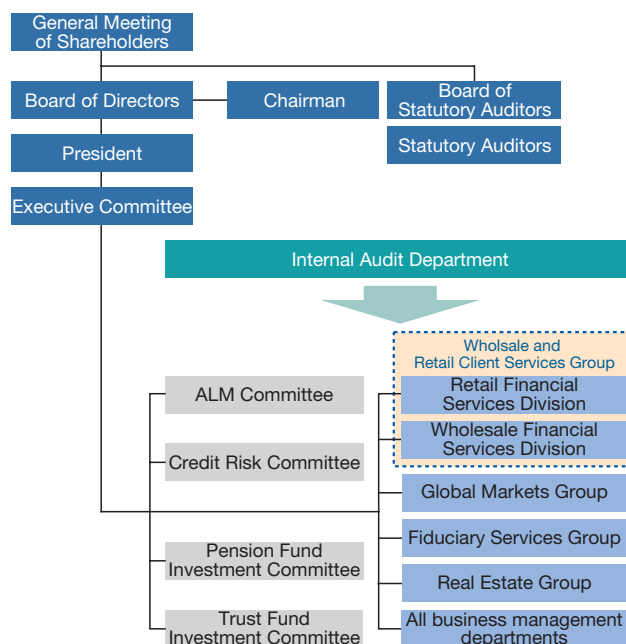
System for Decision Making and Business Execution

The Board of Directors (which meets at least once a month) makes decisions on important business matters, including basic management policies, and also supervises business execution by directors and executive officers. Under the Board of Directors, we have established the Executive Committee, which meets every week to make decisions on matters related to management policies and other matters of importance concerning business strategies and risk management. We also have a host of committees, including the ALM Committee, the Credit Risk Committee, the Pension Fund Investment Committee and the Trust Fund Investment Committee, to discuss and decide on important matters related to business strategies and risk management. In order to speed up business execution, we have adopted the executive officer system as well as the business group management system.

Auditing System

We have adopted the corporate auditor system. The Board of Statutory Auditors consists of five auditors—three full-time auditors (of whom one is an outside auditor) and two part-time auditors (outside auditor)—and we also have the Statutory Auditors Office as the Board’s secretariat. In order to ensure the objectivity and impartiality of the management oversight function, we have a three-tier auditing system in place, combining the corporate auditor system with the business operations audit and the accounting audit, and are working to strengthen their cooperation. Auditors conduct audits according to auditing policies and auditing plans formulated by the Board of Statutory Auditors. Specifically, auditors audit the status of the performance of duties by directors, including development of the internal control system, by attending meetings of the Board of Directors and other important meetings, receiving reports from directors and executive officers on the status of execution of their job duties, examining important documents, and conducting on-site audits at head office as well as domestic and overseas branch offices. They are also striving to gain an accurate understanding of the conditions of subsidiaries with full-time auditors concurrently sharing posts as part-time auditors at domestic consolidated subsidiaries and by conducting on-site audits at overseas consolidated subsidiaries.

• Internal control system: Business execution, supervision, etc.

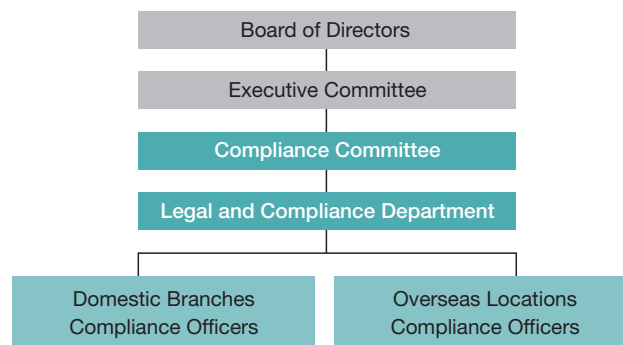


Trust banks are engaged in an array of activities such as banking as well as trust and other financial services that contribute to the stability of Japan’s financial system, the development of the national economy, and the enhancement of social welfare. Accordingly, in order to fulfill our responsibilities toward society and maintain solid public confidence, we formulated an Ethics Charter in April 1998 outlining proper behavior for our management and employees. As stated in the Ethics Charter, we envision compliance activities as one of our 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”. We work to achieve these goals by strengthening our compliance structure and implementing various compliance measures as described below.

1. Compliance Structure

Our compliance structure is operated mainly by the Board of Directors, the Compliance Committee, the Legal and Compliance Department and compliance officers. Along with checking on the situation related to our compliance structure, the Compliance Committee (chaired by the director of the Legal and Compliance Department) investigates and solves problems concerning compliance and when necessary, makes reports and gives advice to the Board of Directors regarding the handling of problems. The Legal and Compliance Department acts as the business office of the Compliance Committee and is in charge of planning and promotion related to the compliance structure. It also conducts centralized management of compliance-related policies in cooperation with related departments. Furthermore, we have posted compliance officers (persons-in-charge of compliance matters) at our head office and at all operating branches in Japan and overseas. These compliance officers work to ensure compliance at each of their respective branches, liaise with employees and serve as a point of contact with the Compliance Office. We have also established a Compliance Hotline through which employees can report directly to management.

• Compliance System



2. Compliance Measures

- 1) We have a Compliance Standards manual that contains the fundamental policies that all employees must be familiar with in order to carry out their daily business activities in conformity with all relevant regulations.
- 2) Our Compliance Program provides an annual plan for compliance structure improvement and compliance promotion activities. Each department also formulates a plan of action of its own and continuously improves it.
- 3) 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) We have allocated sufficient time for explaining compliance-related issues during our 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 the customer’s point of view, we have established and disclosed “Promises to our customers”, our solicitation guideline. We also educate employees on necessary regulations and provide training. Furthermore, we have made a declaration on the protection of personal information and are making continued efforts toward the adequate protection and utilization of customer information by further improving our in-house structure in line with the declaration.

1. Basic Stance on Risk Management

Business opportunities for financial institutions have expanded dramatically due to the deregulation and globalization of financial markets as well as the growing sophistication of financial technology. However, financial institutions also face an increasingly diverse and complicated range of risks. In this environment, ensuring that the risk management structure can effectively handle these risks has become a central management issue for financial institutions. We have placed a high priority on making our risk management more sophisticated and work continually to enhance our structure for identifying and analyzing various types of risks, determining the appropriate risk exposure, carrying out proper management and control measures, and ensuring compliance with all relevant regulations.

1. Risk Management Structure

Along with deciding upon our basic plan for risk management at the Board of Directors, we have established departments which control risk by category. These departments consist mainly of managerial and administrative sections that were spun off from the business groups responsible for generating earnings. Specifically, the departments that have been assigned the task of controlling risk are (1) the Corporate Risk Management Department, which oversees credit, market, and liquidity risk, as well as overall operational risk, (2) the Legal and Compliance Department, which is in charge of compliance, (3) the IT & Business Process Planning Department, which is in charge of business processing risk as well as information security risk and risk related to computer system problems and damage to hardware stemming from accidents and breakdowns, and (4) the Corporate Administration Department which covers event risk, with each of them monitoring and analyzing risks as well as plan-

ning and promoting the most appropriate risk management structure. The Corporate Risk Management Department and the Corporate Planning Department are responsible for cross-company adjustment regarding overall operation and management of these various types of risk. Moreover, the Internal Audit Department verifies the appropriateness and effectiveness of the internal control system, including the departments in charge of risk management. The Board of Directors regularly receives reports on the situation related to the control and management of each type of risk.

2. Overall Risk Management

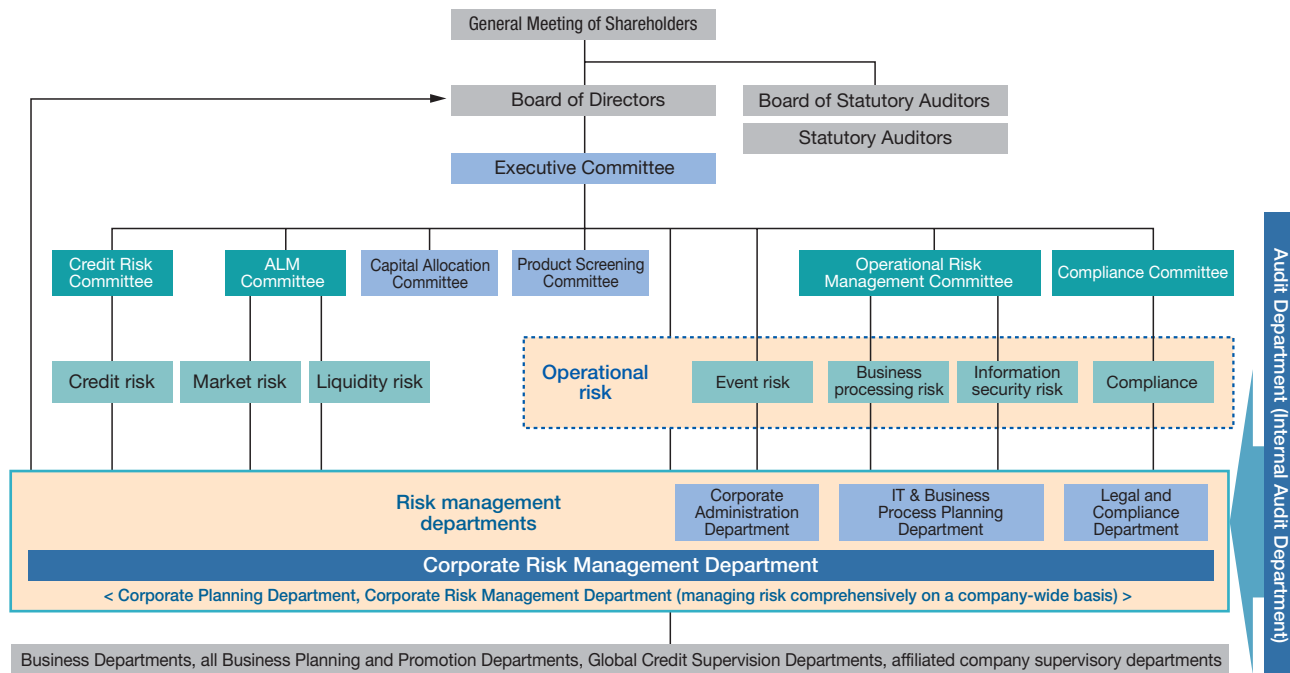
Overall risk management is a series of activities to ensure soundness through controlling risk within the range of a company's financial strength, looking at the various risks that a company faces with a common perspective in an integrated manner. We control the risk of capital being damaged by determining the overall possible risk burden based on our financial strength and setting an upper limit for each risk unit and department that is commensurate with operation plans. We carry out efficient and appropriate risk operation as a result of our introduction of management indicators, such as overall Value at Risk (VaR)*, as pillars of overall risk management. Moreover, we have a structure in which our Capital Allocation Committee, which is an advisory board of our Executive Committee, examines and verifies our capital adequacy, and gives advice and recommendations to the Executive Committee.

* Overall Value at Risk (VaR): The greatest amount of loss forecast within the range of a certain probability based on an integrated level of risk, taking into account the correlation of the risk of each risk unit.

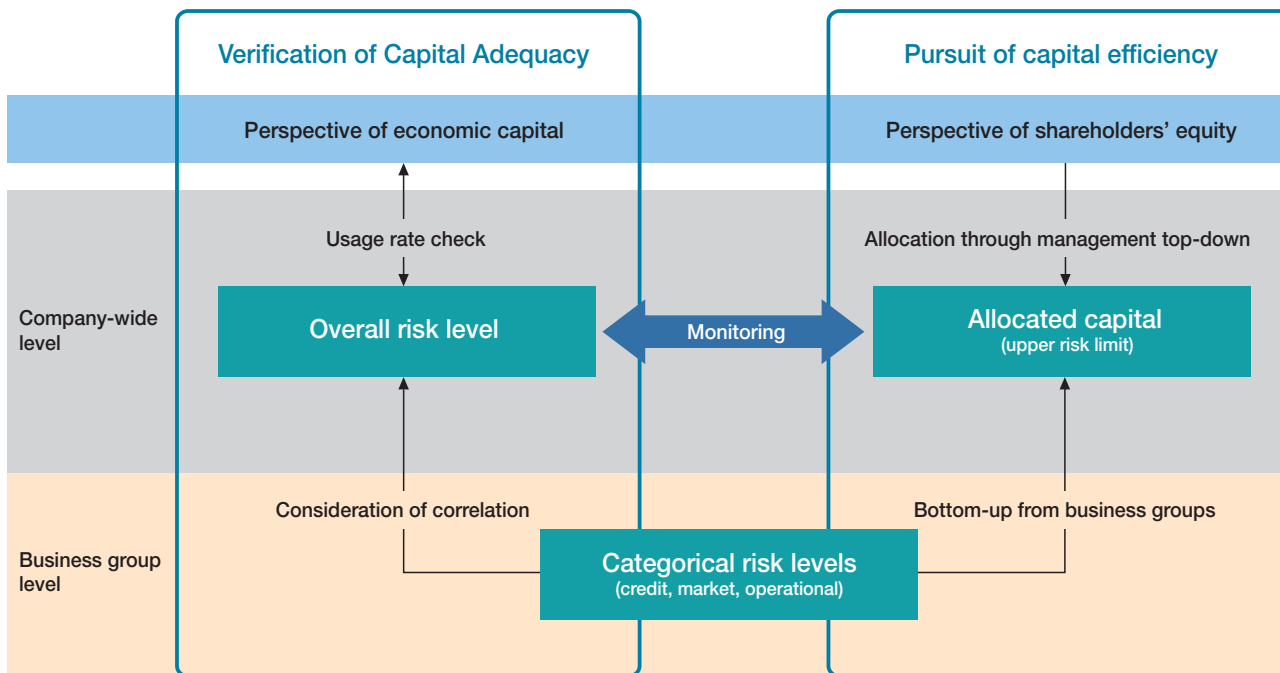
3. Crisis Management

We have devised a system for sustaining business operations even in emergency situations, such as natural disasters and riots, through measures that include setting up an emergency headquarters. We have developed a contingency plan and regularly carry out integrated training to ensure its effectiveness.

• Risk Management System



• Overall Risk Management Framework



2. Credit Risk

Credit risk is the risk of partial loss or the 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. This risk is a natural accompaniment to the provision of credit, which is the core function of the banking business. Credit risk can be said to be the most basic risk related to finance. We carry out an efficient and optimal risk operation through a quantified measurement of risk while paying close attention to our control over the provision of credit. In addition to the individual management of credit risk through loan screening and self-assessment, we use portfolio management to reduce "concentration risk" (i.e., risk related to providing too much credit to one client) to diversify and optimize the portfolio.

1. Credit Risk Management Structure

We have established a credit risk management structure wherein the branches and various related Head Office departments cooperate closely and cross-examine each other's credit risk in order to control credit risk to the fullest possible extent. Specifically, the branches and departments assume the following roles based on the credit policies and credit risk management policies formulated by the Board and the Credit Risk Committee:

- 1) The branches carry out the appropriate initial assessment and management of loans based on various internal regulations.
- 2) The Global Credit Supervision Department carries out strict loan screening, provides appropriate guidance to branches, and conducts complementary assessment of loans.
- 3) The Research Department conducts industry analysis and assigns credit ratings based on quantitative analysis.
- 4) The Corporate Risk Management Department manages portfolios through the measurement of credit risk and monitoring and also audits a self-assessment procedure of loans.

2. Credit Exposure

We control our credit exposure (i.e., the total amount of credit provided) by borrower or by group of affiliated firms as a whole, irrespective of the type of transaction exposed to credit risk. Off-balance-sheet transactions are monitored on a current exposure basis (i.e., the actual market value of the credit amount). In addition to the credit exposure of each counterparty, we control our credit exposure by country (i.e., the aggregate amount loaned to borrowers located in the same country) as a measurement of country risk.

3. Credit Rating System

We have our own credit rating system which provides basic data on individual loan assessments and overall credit portfolio management. Credit ratings indicate the credit situation of borrowers in terms of the level of risk they present. Our credit rating method combines the statistical quantitative model and the qualitative assessment ascertaining characteristics of individual borrowers. We are striving to further improve and upgrade the rating method with a view to the introduction of the new capital adequacy regulations (Basel II). Our rating system assigns ratings from 1 through 10 to a wide range of credit recipients, from all corporate borrowers, including banks, to project finance (loans to be repaid with funds generated from financed projects) and structured finance. To maintain a sound credit portfolio, we also write off bad loans and set aside loan loss reserves every fiscal year after assessing individual loans. The credit rating system and individual loan assessments are smoothly managed in a consistent manner that reflects the level of each borrower's credit risk appropriately.

• Self Assessment

Credit ratings	Self assessment	
	Classification of borrowers	Categories
1	Sound (Ordinary)	Not categorized
2		
3		
4		
5		
6		
7	Requiring careful monitoring	II
8		
9	At risk of bankruptcy	III
10	Legally bankrupt and virtually bankrupt	IV

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

4. Appropriate Return for Risk

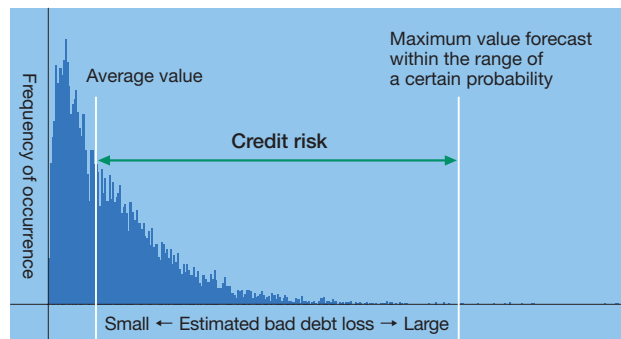
We seek to acquire loan spreads that justify the credit risk involved as well as to diversify our credit portfolio and to maintain and improve our financial strength. We measure profitability levels in view of expense ratios and expected loss ratios for each credit rating, and price individual loans in a manner commensurate with their risk level.

5. Credit Risk Quantification

Accurately calculating credit risk is extremely important for financial institutions. With our sophisticated risk analysis systems, we statistically analyze potential default rates and losses by simulating 100,000 scenarios based on default rates and the recovery ratio for each credit rating. The amount of credit risk that we measure this way forms the basis for our

distribution of capital to the business groups in charge of providing credit. By regularly monitoring the amount of credit risk in our overall credit portfolio—both in Japan and overseas—we ensure that we have made an appropriate distribution of capital and can check the health of our business operations. The results of this monitoring are reported regularly to the Board of Directors and the Credit Risk Committee. Measurements are always carried out using estimates based on historical data. On the other hand, it is important for us to supplement our risk measurement efforts by conducting simulations of situations that differ from our projections. These simulations are called stress tests. We set up several stress scenarios and conduct simulations to determine the amount of risk each of these situation presents. The results of these tests are reported directly to management. We continue to apply the results of our quantification of credit risk and aims to maximize the overall earnings of our credit portfolio while keeping the amount of risk within certain bounds through diversification. Furthermore, in order to measure the amount of credit risk more efficiently, we are expanding our basic data on default rates and the recovery ratio as well as developing more precise methods of measuring credit risk.

• Credit Risk



3. Market and Liquidity Risk

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 conduct transactions promptly at the appropriate price.

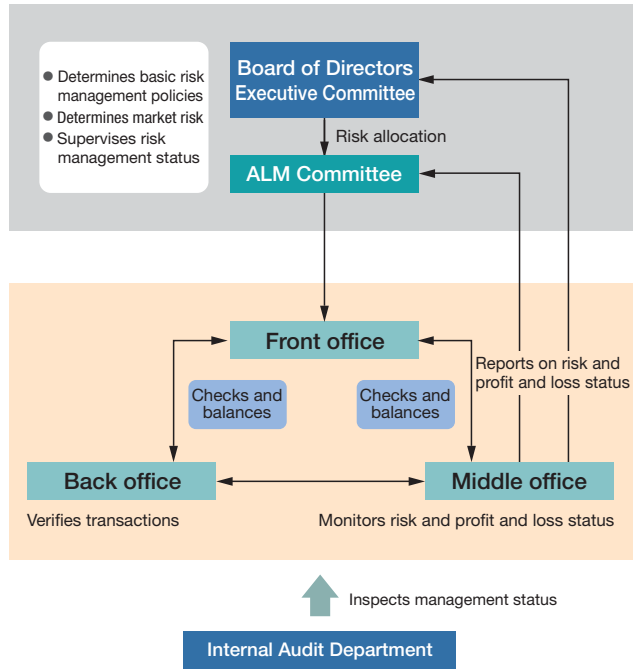
1. Risk Management Structure

The Board of Directors determines the allocation of capital for market risk on a semi-annual basis, taking into consideration our financial strength and the tradeoff between risk and return. We have set up an Asset and Liability Management (ALM) Committee to manage and control market and liquidity risks. We have also appointed upper management, including directors, as members of the Committee to ensure prompt decision-making. Based on the market and business environment, the ALM Committee works to ensure the quality of our assets and liabilities as well as to maintain stable earnings by controlling market and liquidity risk on a consolidated basis.

• The Risk Management Process

At the ALM Committee, we decide upon our basic plan for managing and controlling market risks, including risk limits and loss limits by purpose, risk category, and position, within the framework of the capital earmarked for market risk. Guided by this basic plan related to market risk, the Corporate Risk Management Department—which is an independent middle office—measures and compiles data on the amounts of risk and profit/loss. It then reports directly to management the extent to which risk limits and loss limits are being observed. In order to ensure the effective management of this type of risk, we have set up a system of checks and balances among the middle offices, back offices, and front offices (i.e., market trading). Moreover, external auditors regularly inspect the appropriateness of our risk management structure, in addition to the internal auditing performed by the Internal Audit Department.

• Risk Management Structure for Market and Liquidity Risk



2. Methods of Risk Measurement

Our market risk management structure employs Value at Risk (VaR) measurements as a method to assess its exposure to market risk. VaR uses historical market volatility data to statistically determine the maximum expected losses under specific conditions. We have introduced a market risk management system to measure VaR and, in addition to VaR measurements, are controlling risk by calculating various risk management indices and carrying out simulations. 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 options transactions.

3. Market Value

The market risk for our trading activities in fiscal year 2005 is summarized as follows:

• Status of Fiscal Year 2005 Market Risk

(VaR: 99% confidence level, one-day holding period, one-year observation period, unit = hundreds of millions of yen)

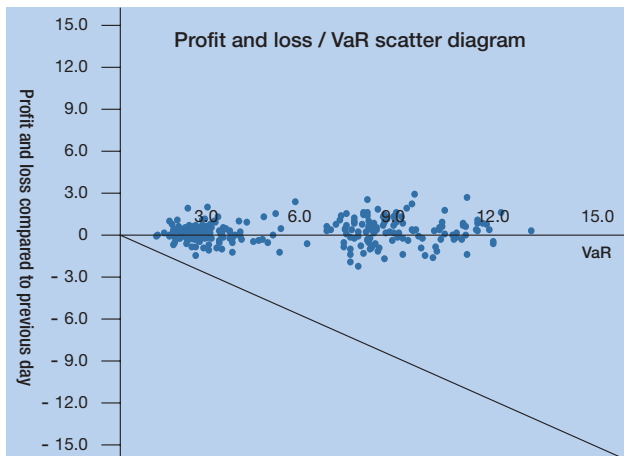
	Maximum	Minimum	Average
Consolidated VaR	12.6	1.1	5.6

4. Back Testing

To verify the accuracy of the risk measurement model, we carry out back testing by comparing daily-calculated VaR with actual daily gains and losses or simulated gains and losses within a fixed portfolio. The results of back testing for fiscal year 2005 confirm that our risk measurement method is accurate, as actual gains and losses were all within the range estimated by VaR calculations.

• Status of Fiscal Year 2005 Back Testing

(Consolidated VaR: one-day holding period, 99% confidence level, unit = hundreds of millions of yen)



5. Stress Tests

In addition to the management of market risk through VaR measurements, we regularly conduct stress tests that simulate how many losses will be registered under more volatile-than-expected situations.

The Corporate Risk Management Department carries out appropriate stress tests on the basis of several stress scenarios that are reviewed regularly in response to changes in the market environment as well as in our portfolios, and the results of tests are directly reported to management.

6. Management of Liquidity Risk

We have determined a basic plan regarding our liquidity risk. This plan features the setting of an upper limit on the daily gap in our cash flow position, as well as a guideline for determining the amount of funds we will invest and how much we will be able to procure in the course of the day-to-day management of our cash position. The basic plan also covers monitoring to ensure that the cash flow will be managed properly in the future. In addition, we carefully control our liquidity risk by having drawn up liquidity contingency plans for times when liquidity is a concern and times when the liquidity situation is at a danger point. The Corporate Risk Management Department monitors the liquidity risk situation and makes regular reports to management, including the Board of Directors.

7. Settlement Risk

We also work to evaluate settlement risk as a part of credit risk and liquidity risk, under the assumption that settlement risk is closely related to these risks. Moreover, we are 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.

4. Operational Risk

1. Operational Risk Management

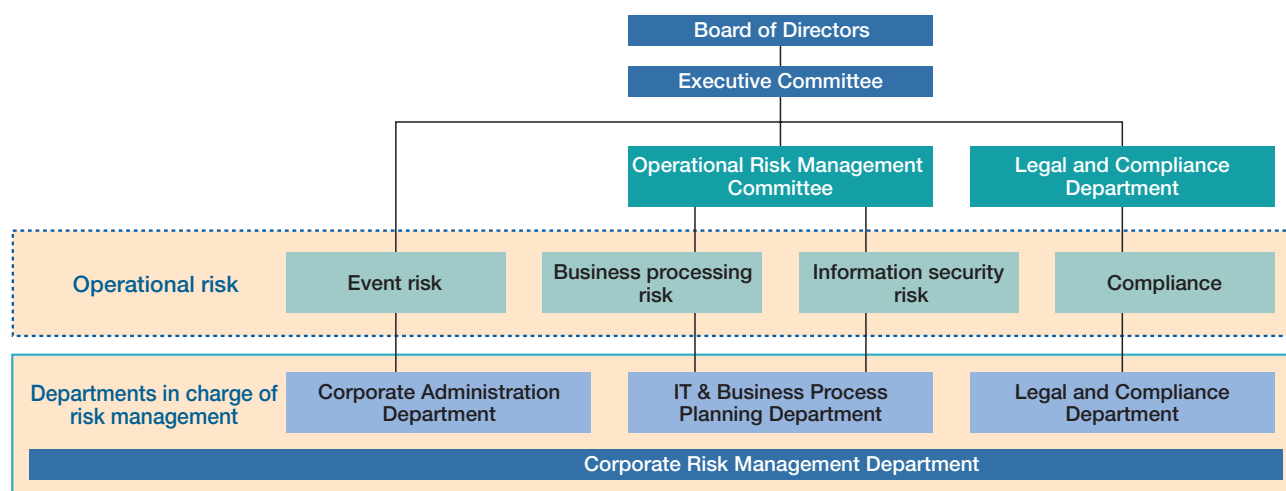
Operational risk is defined as the “risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”. Generally, these are compliance and legal risk, business processing risk, information security risk, and event risk. Under the new capital adequacy regulations (Basel II), applicable from the end of March, 2007, banks will need to hold capital that is proportionate to their operational risk. Banks will also be required to use more sophisticated technology to manage their credit risk, market risk, and overall risk. We are working to build an operational risk management structure throughout Sumitomo Trust based on these new rules. Specifically, we are strengthening our management of business processing and information security risk and dealing flexibly and comprehensively with issues related to improving the efficiency of our operations. We have also established an Operational Risk Management Committee, which studies specific plans. In addition, the various departments in charge of managing different types of risk, including operational risk, are planning and promoting risk management stances that are appropriate for the scale and characteristics of the risk involved. In conjunction with the Corporate Risk Management Department which oversees overall operational risk, these departments are promoting operational risk manage-

ment activities on a company-wide basis, such as carrying out risk assessments, restoring lost and damaged databases, and making quantitative measurements of risk.

2. Business Processing Risk

Business processing risk is the risk of incurring losses as a result of one of our executives or employees failing to carry out his or her duties correctly, causing an accident, or committing some impropriety. We are developing a wide range of asset management and asset servicing businesses, such as pension trusts, investment management, and a stock transfer agency business, which are meant to coexist alongside our domestic and overseas banking businesses. These businesses require a high level of specialization and high-quality clerical work. Thus, we have set up a business planning and management post at each business group and are promoting the management of clerical operations that allow the business groups to respond to their clients’ needs. Because we handle a wide range of businesses, each business group carries out its own risk management activities based on the Office Work Management Rules, which offer basic guidelines for controlling business processing risk, and the Office Work Risk Management Plan, which is drawn up by the Board of Directors every six months. Moreover, the IT & Business Process Planning Department, which is the control center for company-wide business processing risk, watches over and supervises the business processing risk management of each

• Management Structure of Operational Risk



business group, and works to improve their risk management. The department also makes regular reports regarding the risk management situation to the Board of Directors and other members of the executive team. In addition, with the aim of strengthening our clerical abilities, we are adopting stricter assignments of authority and rules regarding office work procedures, concentrating computer systems and office work, improving the level of our staff members through training, and improving the checks and balances provided by internal investigations. Moreover, in cases where we contract our office work to an outside party, we select the company to which we consign the work from an overall perspective, including the consignee's (1) degree of reliability, (2) internal management system, (3) quality and technological abilities, (4) system for controlling information security, and (5) measures for handling breakdowns and accidents. After the consignee begins the work, we endeavor to maintain and improve its quality and prevent the leakage of client information, through measures such as periodic inspections of the situation at the consignee to confirm the absence of problems. Along with these activities directed at strengthening our clerical abilities and improving quality, we are working hard to fortify our internal control system aimed at achieving the most exact risk management, as well as to improve our reliability from the customer's perspective.

3. Information Security Risk

Information security risk is the risk that we or our customers will incur losses as a result of the improper use of information assets or information systems which are useful to us and our customers, or as a result of a disaster or breakdown. These risks include computer system risk and information risk. We have decided upon some rules for controlling information security (i.e., an information security policy). These rules represent a basic information security management plan that is designed to secure, maintain, and improve the safety of computer systems and their reliability. We have also determined some standards for the specific observance of this policy. In this way, we are working to perfect our stance toward the management of computer system risk. Computer systems have become indispensable as a result of the rapid development of information technology (IT), and there is the concern that if our

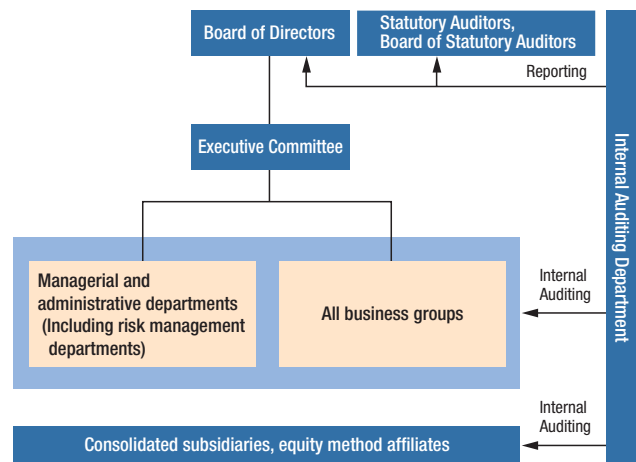
computer system breaks down or an unforeseen disaster occurs, the situation will be severe, with a disruption in services to customers and improper use or erroneous actions having far reaching effects. Thus, in addition to conducting sufficient testing in the development of computer systems and working to prevent the occurrence of breakdowns, the management team regularly looks at how the development of important computer systems is progressing. Moreover, in order to minimize the impact in the event that a breakdown occurs, we have prepared a double system infrastructure, built a backup system, and designed a plan for dealing with emergencies (i.e., a contingency plan). Along with having adopted measures to handle situations that occur in the course of our daily operations, we have also established a management system wherein we monitor the risk situation and, when problems are discovered, follow procedures and deal with the problems quickly. We are also improving customer convenience through the use of open networks such as the Internet. On the other hand, because new risks have appeared such as threats to customer privacy and the exposure of sensitive internal information as a result of illegal access from the outside, we are working to ensure security by vigilantly watching around the clock for any such attacks and through frequent improvements to our computer systems. The "Information Security Management Rules" (i.e., the information security policy), which has provided for the protection of personal information since before the enforcement of the Law concerning the Protection of Personal Information, requires the designation of information management officers responsible for the management of customers' personal information, and sets forth criteria that must be observed regarding the collection, utilization, safekeeping/storing and disposal of personal information. In October, 2004, we announced our privacy policy and have since redoubled our efforts to protect personal information by further reinforcing the existing information management system and improving various other regulations and systems from the viewpoint of the adequate protection and utilization of personal information. Furthermore, we are continuously providing education and information to all of our employees and executives in order to make them aware of the necessity of managing information security on a company-wide basis. We will continue to put efforts into the "infallible management" of customers' personal information.

5. Internal Auditing

We realize that building an effective internal auditing system in accordance with different types and levels of risk is essential for grasping corporate profits and appropriate risk management. Based on this, we have established an Internal Audit Department to carry out internal auditing operations independently of other departments, with the President and CEO, himself, presiding over the department. Internal auditing verifies the appropriateness and effectiveness of our internal management system (including our risk management system) in accordance with legislation, business policy, and regulations. Through guidance, advice, and recommendations based on this verification, we aim to contribute to a strengthening and business improvement of our internal auditing system. We perform internal auditing of all our departments as well as business management departments (including departments in charge of risk management), consolidated subsidiaries, and equity method affiliates, to the extent permitted under relevant laws and regulations, and

the auditing results are reported each month to the President and CEO as well as to the auditors. The results are also reported regularly at Board of Directors meetings. We ensure the effectiveness of the auditing process by having the Internal Audit Department oversee the improvement of problems identified through internal auditing.

• Implementation System for Internal Auditing



Financial Section

Features of Trust Banks' Financial Statements	60
Management's Discussion And Analysis	63
Consolidated Balance Sheet	72
Consolidated Statement of Income	73
Consolidated Statement of Stockholders' Equity	74
Consolidated Statement of Cash Flows	75
Notes to Consolidated Financial Statements	76
Independent Auditors' Report	101
Statement of Trust Account (Unaudited)	102
Notes to Statement of Trust Account (Unaudited)	103
Non-consolidated Balance Sheet	105
Non-consolidated Statement of Income	106
Non-consolidated Statement of Stockholders' Equity	107
Notes to Non-consolidated Financial Statements	108
Independent Auditors' Report	109
Supplementary Financial Information	110
Five-Year Summary	111

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.

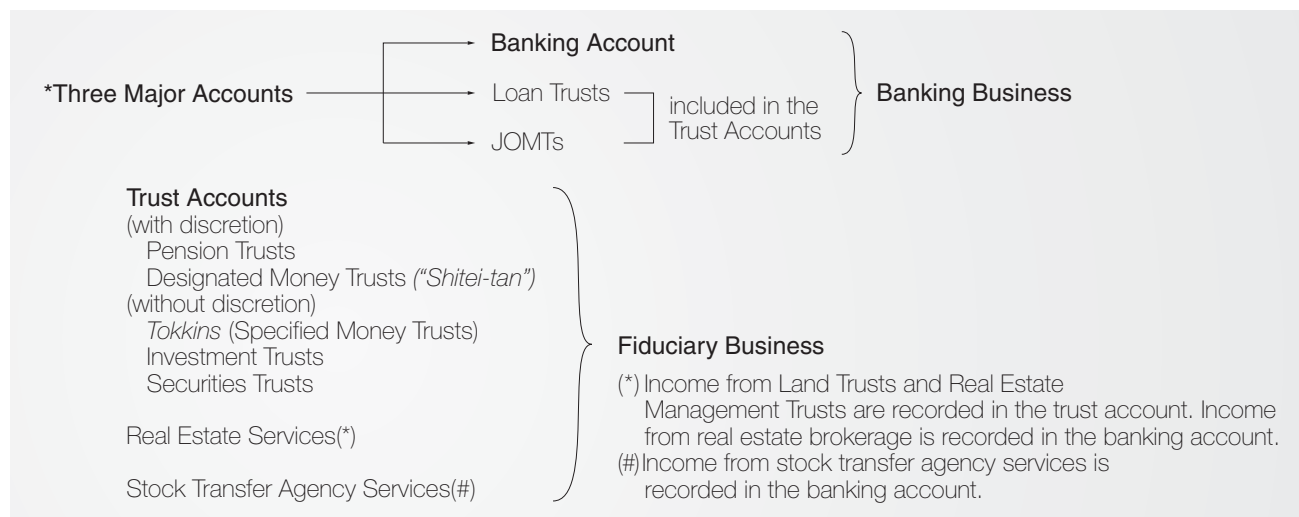
Among various trust accounts, Loan Trusts and Jointly-Operated Money Trusts ("JOMTs") are subject to principal-guaranteed contracts provided by trust banks and covered by deposit insurance. From the viewpoint that the banking account bears contingent liability by virtue of principal-guaranteed contracts 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 the trust accounts to the banking account is counted as risk assets.

Loan Trusts and JOMTs, mentioned above, are booked and administered separately from the banking account. The Sumitomo Trust and Banking Company, Limited ("the Bank"), though, refers to the banking account, Loan Trusts, and JOMTs as the "three major accounts" and manages them as a part of the banking business. We manage profits and losses, conduct asset liability management, and control the default risks of the three major accounts in an integrated manner. As a

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

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

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



Balance sheets of trust banks feature accounts for internal transactions between the banking account and the trust account. These are noted as the “borrowed money from trust account” (i.e. the banking account’s borrowing from the trust accounts), which is posted on the liability side of the banking account, and “loans to banking account”, posted on the asset side of the trust account. Assets on the balance sheets for Loan Trusts and JOMTs are classified into “loans

and bills discounted”, “securities”, and “others”. “Others” accounts consist mainly of loans to banking account.

2. Features of Income Statement of Trust Banks

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

Net Trust Fees (after credit costs for loan trusts and JOMTs)	←
+Net Interest Income	
+Net Fees and Commissions	
+Net Trading Income	
+Other	
<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 before Credit Costs)	
+Net Non-Recurring Profit (Loss)	
<hr/>	
Net Operating Profit	
+Extraordinary Profit (Loss)	
<hr/>	
Net Income (Loss) before Income Taxes and Others	
-Current Income Taxes and Others	
-Deferred Income Taxes and Others	
<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 businesses such as custody services, stock transfer agency services, and real estate brokerage services, as well as banking businesses such as guaranty, foreign exchange, and securitization.

* Trust Fees

Trust fees from Loan Trusts and JOMTs

Other trust fees

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

* Fees and Commissions

Fees from transfer agency services

Fees from real estate brokerage

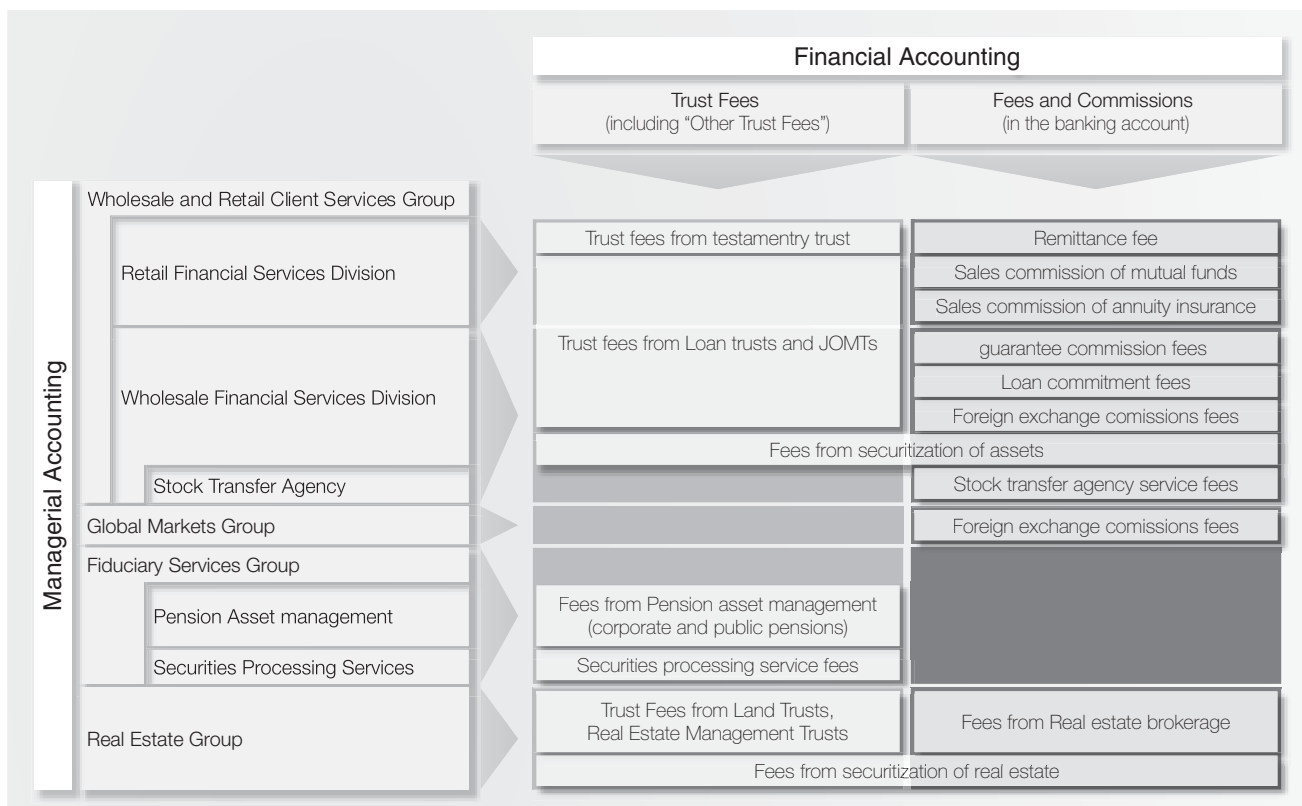
Fees from securities custody services, other than trust contract etc.

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

4. Managerial Accounting for Trust Banks

The Bank consists of four business groups. As of July 1, 2006, these four business groups were the “Wholesale and Retail Client Services Group”, “Global Markets Group”, “Fiduciary Services Group” and “Real Estate Group”. The “Wholesale and Retail Client Services Group” consisted of two divisions, which were the “Wholesale Financial Services Division” and “Retail Financial Services Division”. Financial accounting is not designed to show the earning status of each business group and division. For the purpose of managing profitability by business, we also provide figures based on managerial accounting. To reconcile financial accounting and managerial accounting, one should particularly note the following reallocations of income among business groups and divisions. It should be noted that fee income, recorded as either “Trust Fees” or “Fees and Commissions” in terms of financial accounting, must be allocated to each business group and division based on customer attrib-

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



In June 2006, the bank redesigned its business groups. It created “Wholesale and Retail Client Services Group” integrated formerly “Wholesale Financial Services Group” and “Retail Financial Services Group”, for more client oriented.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During fiscal year ended March 31, 2006, the recovery trend of the economy further strengthened due to expanding corporate profits, capital investments, exports, and strong individual consumption, owing to recovering household income.

Under such economic conditions, the consumer price index stopped declining, and in March 2006, the Bank of Japan put an end to the monetary easing policy that had been in place for 5 years. For this reason, the yield on the 10-year benchmark Japanese Government Bond rose to nearly 1.8% and the Nikkei average reached the 17,000 range at the end of the term, after an interval of five and half years.

Under these circumstances, the Bank's net business profit before credit costs increased 21.8% to ¥196.2 billion. Additionally, net income rose ¥3.2 billion, or 3.3%, over the previous fiscal year, posting a record of ¥100.0 billion. This was due to steady performance of fees and commissions, such as sales commissions on products for financial investment in the retail business, brokerage fees in real estate business, and other operating income. Profit increased from a business alliance strategy based on the promotion of a consolidated management policy. Trust fees and net of other income and expenses decreased by ¥2.4 billion and ¥25.2 billion, respectively. On the other hand, net interest income, net fees and commissions, net trading income, and net other operating income increased by ¥1.9 billion, ¥33.1 billion, ¥1.3 billion, and ¥37.7 billion, respectively. General and administrative expenses increased by ¥32.9 billion. Total credit costs increased by ¥9.8 billion and net gains on shares and other securities decreased by ¥6.9 billion.

Trust fees saw a decrease of ¥2.4 billion mainly due to a decline in principal guaranteed trust accounts. On the other hand, other trust fees, which include pension trusts, have increased by ¥0.9 billion supported by steady growth of fiduciary funds.

Net fees and commissions increased by ¥33.1 billion mainly due to the increase of sales of mutual funds and individual annuities, real estate brokerage fees, and result of an accumulation from consolidated subsidiaries.

Net interest income increased by ¥1.9 billion. This was mainly due to the increase of coupons from securities investment corporate bonds and stocks, and contribution from First Credit Corporation which was made a consolidated subsidiary this fiscal year.

General and administrative expenses, which excludes net nonrecurring profit, increased by ¥32.9 billion. This was mainly due to increased personnel expenses for increasing the number of personnel, aggressive investment for remodeling our branches and systems-related improvements as well as costs related to expanding the number of consolidated subsidiaries.

Total credit costs increased by ¥9.8 billion. This was due to the effect of our conservative policy of accounting provisions to debtors whose business performance hovers at a low level despite the current economic recovery. Even following the above conservative policy,

total credit costs still subsequently remained at low levels.

In fiscal year ended March 31, 2006, net gains on shares and other securities posted a gain of ¥6.9 billion; however, compared with previous fiscal year, this is a decrease of ¥6.9 billion, owing to increased losses on devaluation of shares and other securities from ¥4.2 billion to ¥7.7 billion.

Net business profit before credit costs, which express core business profit, increased by ¥35.1 billion. Analyzed by business group and division using managerial accounting figures, the Wholesale Financial Services Division increased profit by ¥20.2 billion to ¥93.1 billion mainly due to the growth of market-based loans such as non-recourse loans and contribution of profit from newly consolidated subsidiaries, Sumishin Matsushita Financial Services Co., Ltd. (¥8.2 billion), First Credit Corporation (¥4.4 billion). The Retail Financial Services Division increased profit by ¥2.8 billion to ¥19.9 billion mainly due to increased sales of mutual funds and individual annuities. The Real Estate Group increased profit by ¥11.9 billion to ¥29.6 billion. This figure was 40% higher than last year and exceeded figures posted during Japan's bubble economy in the 1980s, as the highest profit on record. This was due to the favorable conditions of the real estate brokerage and securitization market. The Fiduciary Services Group increased profit by ¥2.7 billion to ¥24.0 billion due to the growth of the balance of entrusted assets against the backdrop of a large flow from savings into investment and an improved investment environment indicated by rising stock prices. Despite a decrease in net gain on bonds and an increase of net losses on financial derivatives, the Global Markets Group increased profit by ¥1.3 billion to ¥39.4 billion. Other than these four business groups and divisions, miscellaneous revenues and costs such as dividends from holding shares and funding costs are segmented as "Others". Other losses were ¥9.9 billion, up from ¥6.0 billion.

Looking at capital, Total capital rose by ¥106.4 billion to ¥1,595.8 billion and Tier I rose by ¥47.5 billion to ¥909.3 billion. This was due to the accumulation of net income, increasing goodwill for purchasing new consolidated subsidiaries, and issuance of non-cumulative preferred securities. Total risk-adjusted assets increased by ¥2,725.8 billion to ¥14,640.7 billion. This was due to an increase in on-balance assets, mainly owing to the growth of market-based loans and mortgage loans, and the purchase of new consolidated subsidiaries.

As a result, BIS capital adequacy ratio and Tier I ratio decreased by 1.60 point and 1.02 point to 10.90% and 6.21%, respectively. On the other hand, capital quality made further improvement, which had evidence based on negative net deferred income tax assets that had no discernible impact on Tier I.

Finally, we have adopted a policy of increasing returns to shareholders through dividends. In May 2006, we raised our target payout ratio to net income on a consolidated basis from the existing "20% or more" to "approximately 30%".

Operating Results (Consolidated)

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2006	2005	Changes	2006
Trust Fees	¥ 68,900	¥ 71,316	¥ (2,416)	\$ 587
Net Interest Income	150,972	149,013	1,959	1,286
Net Fees and Commissions	100,572	67,469	33,102	856
Net Trading Income	5,504	4,166	1,338	47
Net Other Operating Income and Expenses	33,591	(4,146)	37,738	286
General and Administrative Expenses(*)	170,206	137,251	32,955	1,449
Net of Other Income and Expenses	(17,995)	7,285	(25,281)	(153)
Income before Income Taxes and Others	171,340	157,854	13,485	1,459
Net Income	100,069	96,865	3,204	852
Net Business Profit before Credit Costs	¥ 196,270	¥ 161,143	¥ 35,126	\$ 1,671

(*)Excluding Non-recurring expenses

Trust Fees

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

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

The first type of trust fees equaled ¥19.5 billion (before elimination of credit costs in the trust account), a decrease of 30.6% from previ-

ous fiscal year. Decreases in the balance of Loan Trusts continue to have a negative impact on this type of trust fee. However, the decreases in such trust account deposit products have been substituted by the increases in time deposits in the banking account. Other trust fees increased by ¥0.9 billion, or 1.9%. Composite Trusts volume increased by ¥847.1 billion. Composite Trusts and Money Claim Trusts increased due to the expansion of securitization businesses, respectively (see the Statement of Trust Account for detailed figures on page 102). Trust fees in total saw a decrease of ¥2.4 billion, or 3.4%, from previous fiscal year.

Trust Fees

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2006	2005	Changes	2006
Net Trust Fees	¥ 68,900	¥ 71,316	¥ (2,416)	\$ 587
Trust Accounts Credit Costs (Eliminated)	811	6,103	(5,291)	7
Trust Fees from Loan Trusts and Jointly-Operated Money Trusts ... (before eliminating trust accounts credit costs)	19,587	28,216	(8,629)	167
Profits and Losses on Sale of Securities	4	—	4	0
Other Trust Fees	50,125	49,203	922	427

Net Interest Income

Interest income increased by ¥32.6 billion from ¥238.6 billion to ¥271.3 billion, while interest expenses increased by ¥30.7 billion from ¥89.6 billion to ¥120.3 billion, which resulted in an increase

in net interest income of ¥1.9 billion, or 1.3%, over the previous fiscal year. This gain was mostly attributed to the improvement of interest on loans and discounts, and interest income and dividends on securities.

Net Interest Income (Consolidated)

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2006	2005	Changes	2006
Interest Income	¥ 271,359	¥ 238,698	¥ 32,661	\$ 2,311
Interest Income on Loans and Discounts	141,081	120,943	20,137	1,201
Interest Income and Dividends on Securities	117,590	97,186	20,404	1,001
Interest Income on Deposits with Banks	7,066	4,177	2,889	60
Interest Income on Interest Rate Swaps	2,866	14,348	(11,481)	24
Other Interest Income	2,754	2,041	712	23
Interest Expenses	120,386	89,684	30,701	1,025
Interest Expenses on Deposits	59,801	33,806	25,994	509
Interest Expenses on Borrowings and Rediscounts	4,192	3,177	1,015	36
Interest Expenses on Bonds and Notes	5,754	6,161	(407)	49
Interest Expenses on Convertible Bonds	—	0	(0)	—
Interest Expenses on Payables under Repurchase Agreements	28,729	20,034	8,694	245
Interest Expenses on Payables under Securities Lending Transactions ..	2,753	3,100	(346)	23
Other Interest Expenses	19,155	23,403	(4,248)	163
Net Interest Income	¥ 150,972	¥ 149,013	¥ 1,959	\$ 1,286

Net Other Operating Income

Net other operating income saw a drastic increase of ¥37.7 billion from previous fiscal year due to significant increase in others, which

includes lease revenue, installment revenue, lease costs and installment costs from the purchase of a newly consolidated leasing company, Sumishin Matsushita Financial Services Co., Ltd., in this fiscal year.

Net Other Operating Income (Consolidated)

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2006	2005	Changes	2006
Other Operating Income	¥ 234,106	¥ 46,861	¥ 187,244	\$ 1,993
Net Gains on Foreign Exchange Transactions	4,615	2,246	2,369	39
Gains on Sale of Bonds (1)	28,460	43,260	(14,800)	242
Income from Derivatives other than for Trading Account	6,722	—	6,722	57
Others	194,307	1,354	192,952	1,655
Other Operating Expenses	200,514	51,008	149,506	1,707
Losses on Sale of Bonds (2)	33,747	33,491	255	287
Expenses from Derivatives other than for Trading Account	—	17,488	(17,488)	—
Others	166,767	27	166,739	1,420
Net Other Operating Income	¥ 33,591	¥ (4,146)	¥ 37,738	\$ 286
Net Gains on Bonds [(1)-(2)]	¥ (5,286)	¥ 9,768	¥ (15,055)	\$ (45)

General and Administrative Expenses

Total general and administrative expenses increased by ¥32.9 billion, or 24.0%, from previous fiscal year . Personnel expenses increased by

¥15.6 billion due to increased personnel expenses for increasing the number of personnel. Others increased due to the improvements of our branches and system-related investments.

General and Administrative Expenses (Consolidated)

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2006	2005	Changes	2006
Taxes other than Income Taxes	¥ 6,828	¥ 6,986	¥ (157)	\$ 58
Personnel Expenses (*)	78,318	62,646	15,672	667
Others (Non-Personnel Expenses)	85,059	67,618	17,440	724
Total	¥ 170,206	¥ 137,251	¥ 32,955	\$ 1,449

(*) Excluding Non-recurring expenses.

Net of Other Income and Expenses

Net of other income and expenses decreased by ¥25.2 billion. Net of securities gains and losses significantly decreased by ¥6.9 billion, because net gains on sale of shares and other securities decreased by

¥3.5 billion and losses on devaluation of stocks increased by ¥3.4 billion. Expenses related to problem loans, amounted to minus ¥9.0 billion, an increase of ¥15.1 billion from previous fiscal year, due to an increase in the general reserve.

Net of Other Income and Expenses (Consolidated)

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2006	2005	Changes	2006
Net of Securities Gains and Losses	¥ 6,977	¥ 13,965	¥ (6,988)	\$ 59
Gains on Sale of Shares and Other Securities	15,555	19,067	(3,511)	132
Losses on Sale of Shares and Other Securities	838	828	9	7
Losses on Devaluation of Shares and Other Securities	7,740	4,273	3,467	66
Expenses Relating to Problem Loans (Banking Account Credit Cost)	9,008	(6,173)	15,182	77
Losses on Write-Offs	3,726	9,682	(5,956)	32
Provisions for Reserve for Possible Loan Losses	4,117	(17,849)	21,967	35
General Reserves	9,530	(29,375)	38,906	81
Specific Loan Loss Reserves	(5,305)	11,565	(16,871)	(45)
Reserves for Loans to Restructuring Countries	(107)	(39)	(67)	(1)
Other Credit Costs	1,163	1,993	(829)	10
Other Expenses	86,337	55,867	30,470	735
Other Gains	70,373	43,013	27,359	599
Net of Other Income and Expenses	¥ (17,995)	¥ 7,285	¥ (25,281)	\$ (153)

Financial Condition

Total Assets

As of March 31, 2006, the Bank's total assets stood at ¥20,631.9 billion, an increase of ¥4,723.5 billion, or 29.7%, from March 31, 2005.

This is mainly due to the ¥1,180.0 billion, or 25.7%, increase in securities. Loans and bills discounted also increased by ¥1,172.3 billion, or 13.0%. Deferred tax assets decreased by ¥60.0 billion, or 74.7%, from previous fiscal year, reflecting the Bank's sound financial condition.

Total Liabilities and Stockholders' Equity

Total liabilities of the Bank as of March 31, 2006 amounted to ¥19,354.8 billion, which was an increase of ¥4,441.4 billion, or 29.8%, from March 31, 2005. Deposits rose by ¥1,233.0 billion to

¥10,363.2 billion, and negotiable certificates deposits rose by ¥921.6 billion to ¥2,408.6 billion. Stockholders' equity rose by ¥208.2 billion, or 22.9%, from March 31, 2005. This is mainly attributable to an increase in retained earnings caused by a ¥100.0 billion net income. Net unrealized gains (losses) on securities available for sale, net of taxes, increased to ¥248.1 billion from ¥116.6 billion, mainly because of higher valuations of stocks held by the Bank.

Capital

The BIS capital adequacy ratio and Tier I capital ratio declined by 1.60 points and 1.02 points to 10.90% and 6.21%, respectively.

Tier I capital increased by ¥47.5 billion compared with March 31, 2005 mainly due to the accumulation of net income and issued non-cumulative preferred securities, partially offset by the consolidation goodwill of newly consolidated subsidiaries.

BIS Capital Adequacy Ratio

At March 31	Billions of Yen, except for percentages		
	2006	2005	Changes
Total Qualifying Capital	¥ 1,595.8	¥ 1,489.4	¥ 106.4
Tier I Capital	909.3	861.7	47.5
including: Non-cumulative Preferred Securities (*)	133.0	83.0	50.0
Tier II Capital	761.1	658.7	102.4
Upper Tier II	416.1	322.3	93.8
Net Unrealized gains on Securities Available for Sale, Net of Taxes	187.6	88.2	99.4
Unrealized Gains on Land after 55% Discount	1.2	1.3	(0.1)
General Reserve for Possible Loan Losses	58.2	44.0	14.1
Subordinated Debts	169.1	188.6	(19.5)
Lower Tier II	345.0	336.4	8.6
Deductible Items (-)	74.6	31.1	43.5
Total Risk-Adjusted Assets	¥ 14,640.7	¥ 11,914.8	¥ 2,725.8
On-Balance-Sheet Items	13,352.4	11,031.4	2,320.9
Off-Balance-Sheet Items	1,114.2	828.8	285.3
Market Risk Equivalents	174.0	54.5	119.4
Tier I Capital Ratio	6.21%	7.23%	(1.02)%
BIS Capital Adequacy Ratio	10.90%	12.50%	(1.60)%

(*) For detailed information of non-cumulative preferred securities, see "Summary of Description of the Non-cumulative Preferred Securities ("The Offered Securities")" on page 70 and 71.

Classified Assets under Financial Reconstruction Law

As of March 31, 2006, the total of “Bankrupt and Practically Bankrupt”, “Doubtful”, and “Substandard” (Banking and Trust Accounts combined; non-consolidated basis) loans decreased significantly by ¥74.8 billion, or 40.6%, mainly due to aggressive sale and

disposal of those problem loans during fiscal year ended March 31, 2006. The coverage ratio for classified assets kept comparatively higher level in the industry, and the percentage of classified assets to total assets resulted in 0.9%, which continued to be the lowest ratio among major Japanese banks.

Total Classified Assets

(Banking and Trust Accounts Combined)

Classification	Billions of Yen, except for percentages							
	Balance		Coverage Ratio		Collateral/Reserve		Reserve Ratio	
At March 31	2006	2005	2006	2005	2006		2006	2005
Bankrupt and Practically Bankrupt (A)	¥ 7.3	¥ 15.5	100%	100%	Specific Reserve	¥ 0.3	100%	100%
					Collateral/Guarantee	7.0		
Doubtful (Kiken-Saiken) (B)	19.3	88.1	88%	93%	Uncovered	2.3		
					Specific Reserve	7.2	76%	81%
					Collateral/Guarantee	9.8		
Substandard (Yo-Kanri-Saiken) (C)	82.7	80.6	73%	64%	Uncovered	21.8		
					General Reserve	9.1	29%	27%
					Collateral/Guarantee	51.8		
Ordinary Assets (Seijo-Saiken)	11,458.2	10,163.1			General Reserve	44.1		
Total of (A), (B) and (C)	¥ 109.4	¥ 184.2			Reserve for Losses to Restructuring Countries	0.3		
Total	¥11,567.6	¥10,347.3						

Banking Account (After Partial Direct Write-Off)

(Non-consolidated)

Classification	Billions of Yen, except for percentages							
	Balance		Coverage Ratio		Collateral/Reserve		Reserve Ratio	
At March 31	2006	2005	2006	2005	2006		2006	2005
Bankrupt and Practically Bankrupt (D)	¥ 4.1	¥ 10.4	100%	100%	Specific Reserve	¥ 0.3	100%	100%
					Collateral/Guarantee	3.9		
Doubtful (Kiken-Saiken) (E)	18.5	86.7	88%	93%	Uncovered	2.2		
					Specific Reserve	7.2	76%	82%
					Collateral/Guarantee	9.0		
Substandard (Yo-Kanri-Saiken) (F)	54.9	70.1	67%	66%	Uncovered	17.8		
					General Reserve	9.1	33%	31%
					Collateral/Guarantee	28.0		
Ordinary Assets (Seijo-Saiken)	10,938.4	9,444.3			General Reserve	44.1		
Total of (D), (E) and (F)	¥ 77.5	¥ 167.1			Reserve for Losses to Restructuring Countries	0.3		
Total	¥11,015.9	¥ 9,611.4						

Trust Accounts (Non-consolidated)

Classification	Billions of Yen, except for percentages							
	Balance		Coverage Ratio		Collateral/Reserve		Reserves	
At March 31	2006	2005	2006	2005	2006		2006	
Bankrupt and Practically Bankrupt (G)	¥ 3.2	¥ 5.1	100%	100%	Collateral/Guarantee		¥ 3.2	Reserve for Loan Trust (Tokubetsu-Ryuhokin)
Doubtful (Kiken-Saiken) (H)	0.9	1.4	93%	68%	Uncovered		0.1	¥ 5.0
Substandard (Yo-Kanri-Saiken) (I)	27.9	10.6	85%	53%	Collateral/Guarantee		0.8	Reserve for JOMTs (Saiken Shoukyaku Junbikin)
Ordinary Assets (Seijo-Saiken)	519.9	718.9			Uncovered		4.0	
					Collateral/Guarantee		23.8	0.5
Total of (G), (H) and (I)	¥ 31.9	¥ 17.1						
Total	¥ 551.8	¥ 735.9						

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

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2006	2005	Changes	2006
Banking Account	¥ 8,988	¥ (7,577)	¥ 16,565	\$ 77
Losses on Write-Offs	2,969	9,583	(6,613)	25
Provisions for Reserve for Possible Loan Losses	4,880	(19,117)	23,998	42
General Reserves	10,491	(29,176)	39,668	89
Specific Loan Loss Reserves	(5,504)	10,097	(15,602)	(47)
Reserves for Loans to Restructuring Countries	(107)	(39)	(67)	(1)
Other Credit Costs	1,137	1,956	(818)	10
Trust Account	811	6,103	(5,291)	7
Losses on Write-Offs	1,131	5,662	(4,530)	10
Losses on Bulk Sale	(320)	440	(761)	(3)
Total Credit Costs	¥ 9,799	¥ (1,474)	¥ 11,274	\$ 83

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

Years Ended March 31	Percentage Points		
	2006	2005	Changes
Average Yield on Interest-Earning Assets (a)	1.21%	1.25%	(0.04)%
Loans and Bills Discounted (A)	1.13	1.29	(0.16)
Securities	1.20	0.93	0.27
Average Yield on Interest-Bearing Liabilities (b)	0.18	0.19	(0.01)
Deposits (B)	0.17	0.17	0.00
Gross Margin (a)-(b)	1.03	1.06	(0.03)
Loan-Deposit Margin (A)-(B)	0.96	1.12	(0.16)

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.

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 will be payable at a floating rate per annum, semi-annually in arrears on the 25th day of January and July of 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 will be payable on the 25th day of January and July of 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.

Summary of 5,000 Fixed/Floating Rate Noncumulative Preferred Securities, Liquidation Preference ¥10 million per Security (the “Securities”) Issued by STB Preferred Capital 2 (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, 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 non-consolidated and a consolidated basis as a qualified core capital.

The Company

STB Preferred Capital 2 (Cayman) Limited (the “Company”), a wholly owned subsidiary of the Bank with capital of ¥1,500 million incorporated in Grand Cayman, the Cayman Islands, which issued the Securities to investors and funded a perpetual ¥51,500 million subordinated loan to the Bank.

The Securities

5,000 fixed/floating rate noncumulative preferred securities, liquidation preference ¥10 million per security, issued on December 7, 2005 in the euro market.

Dividend

(General)

<1st year - 10th year >

Dividends will be payable at a fixed rate per annum, semi-annually in arrears on the 25th day of January and July of each year.

<Thereafter>

Dividends will be payable at a floating rate per annum, semi-annually in arrears on the 25th day of January and July of 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) liquidation proceedings of the Bank under the laws of Japan are commenced or (b) a competent court in Japan shall have (x) adjudicated the commencement of the bankruptcy proceedings of the Bank or (y) approved a preparation of reorganization plan for abolishment of all business which provides 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 Financial Services Agency of Japan or any successor thereto 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 January 2013 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 Financial Services Agency of Japan or any successor thereto, 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 ¥51,500 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 ¥51,500 million. Interest will be payable on the 25th day of January and July of 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 Financial Services Agency of Japan or any successor thereto, 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) liquidation proceedings of the Bank under the laws of Japan are commenced or (b) a competent court in Japan shall have (x) adjudicated the commencement of the bankruptcy proceedings of the Bank or (y) approved a preparation of reorganization plan for abolishment of all business which provides 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.

CONSOLIDATED BALANCE SHEET

— The Sumitomo Trust and Banking Company, Limited at March 31, 2006 and 2005

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Assets:			
Cash and Due from Banks (Notes 2 and 29)	¥ 892,274	¥ 432,183	\$ 7,598
Call Loans and Bills Bought	440,945	85,255	3,755
Monetary Claims Bought (Note 2)	583,153	219,782	4,966
Trading Assets (Notes 2, 3 and 9)	435,044	282,812	3,704
Money Held in Trust (Notes 2 and 4)	14,768	2,000	126
Securities (Notes 2, 5 and 9)	5,767,544	4,587,489	49,111
Loans and Bills Discounted (Notes 6 and 9)	10,186,276	9,013,920	86,736
Foreign Exchanges	3,083	7,397	26
Other Assets (Notes 2, 7 and 9)	1,608,153	790,045	13,693
Premises and Equipment (Notes 2 and 8)	109,653	106,826	934
Deferred Tax Assets (Note 23)	20,320	80,327	173
Goodwill (Note 2)	113,165	—	964
Customers' Liabilities for Acceptances and Guarantees (Note 16)	533,760	399,099	4,545
Reserve for Possible Loan Losses (Note 2)	(76,206)	(80,806)	(649)
Reserve for Losses on Securities	—	(17,958)	—
Total Assets (Note 26)	¥ 20,631,938	¥ 15,908,374	\$ 175,681
Liabilities:			
Deposits (Notes 9 and 10)	10,363,233	9,130,196	88,243
Negotiable Certificates of Deposit (Note 10)	2,408,656	1,487,025	20,510
Call Money and Bills Sold (Note 9)	669,023	301,937	5,697
Payables under Repurchase Agreements (Note 9)	983,715	936,658	8,376
Payables under Securities Lending Transactions (Note 9)	703,050	53,507	5,986
Trading Liabilities (Notes 2 and 3)	69,861	51,817	595
Borrowed Money (Notes 9 and 11)	417,089	160,608	3,552
Foreign Exchanges	1	903	0
Short-term Corporate Bonds	331,600	—	2,824
Bonds and Notes (Note 12)	377,600	388,100	3,215
Borrowed Money from Trust Account (Note 13)	1,733,446	1,473,736	14,760
Other Liabilities (Notes 2 and 15)	664,394	515,675	5,657
Reserve for Employees' Bonus (Note 2)	5,790	4,371	49
Reserve for Employee Retirement Benefits (Notes 2 and 14)	10,204	2,551	87
Deferred Tax Liabilities (Note 23)	77,022	40	656
Deferred Tax Liabilities for Land Revaluation (Notes 8 and 23)	6,410	6,613	55
Negative Goodwill (Note 2)	—	553	—
Acceptances and Guarantees (Note 16)	533,760	399,099	4,545
Total Liabilities	¥ 19,354,861	¥ 14,913,397	\$ 164,806
Minority Interest	¥ 159,085	¥ 85,250	\$ 1,355
Stockholders' Equity:			
Capital Stock (Note 17)	287,283	287,053	2,446
Capital Surplus (Note 17)	240,703	240,472	2,050
Retained Earnings (Note 17)	349,751	279,966	2,978
Revaluation Reserve for Land, Net of Taxes (Note 8)	(3,740)	(3,551)	(32)
Net Unrealized Gains on Securities Available for Sale , Net of Taxes (Note 2)	248,116	116,628	2,113
Foreign Currency Translation Adjustments (Note 2)	(3,871)	(6,376)	(33)
Treasury Stock (Note 17)	(251)	(4,466)	(2)
Total Stockholders' Equity	¥ 1,117,991	¥ 909,726	\$ 9,520
Total Liabilities, Minority Interest and Stockholders' Equity	¥ 20,631,938	¥ 15,908,374	\$ 175,681
Stockholders' Equity per Share (Note 2)			
	¥ 668.38	¥ 545.98	\$ 5.69

See accompanying notes.

CONSOLIDATED STATEMENT OF INCOME

— The Sumitomo Trust and Banking Company, Limited for the years ended March 31, 2006 and 2005

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Income:			
Trust Fees	¥ 68,900	¥ 71,316	\$ 587
Interest Income:			
Interest on Loans and Discounts	141,081	120,943	1,201
Interest and Dividends on Securities	117,590	97,186	1,001
Other Interest Income (Note 18)	12,687	20,567	108
	271,359	238,698	2,311
Fees and Commissions	124,999	88,466	1,064
Trading Income (Note 19)	6,317	4,239	54
Other Operating Income (Note 20)	234,106	46,861	1,993
Other Income (Note 21)	85,929	79,930	732
Total Income (Note 26)	¥ 791,613	¥ 529,513	\$ 6,741
Expenses:			
Interest Expenses:			
Interest on Deposits	59,801	33,806	509
Interest on Borrowings and Rediscounts	4,192	3,177	36
Other Interest Expenses (Note 18)	56,392	52,700	480
	120,386	89,684	1,025
Fees and Commissions	24,427	20,996	208
Trading Expenses (Note 19)	812	72	7
Other Operating Expenses (Note 20)	200,514	51,008	1,707
General and Administrative Expenses (Note 22)	174,527	138,239	1,486
Other Expenses (Note 21)	99,603	71,657	848
Total Expenses (Note 26)	¥ 620,273	¥ 371,658	\$ 5,282
Income before Income Taxes and Others (Note 26)	¥ 171,340	¥ 157,854	\$ 1,459
Income Taxes and Others (Note 23):			
Current	5,074	1,981	43
Deferred	61,978	56,216	528
Minority Interest	¥ 4,218	¥ 2,791	\$ 36
Net Income	¥ 100,069	¥ 96,865	\$ 852
	Yen		U.S. Dollars (Note 1)
Net Income per Share (Note 28)	¥ 59.91	¥ 59.86	\$ 0.51
Net Income per Share (fully diluted) (Note 28)	59.87	58.07	0.51

See accompanying notes.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

— The Sumitomo Trust and Banking Company, Limited for the years ended March 31, 2006 and 2005

	Number of Shares		Millions of Yen							
	Preferred Stock (Thousands)	Common Stock (Thousands)	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Revaluation Reserve for Land, Net of Taxes	Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Taxes	Foreign Currency Translation Adjustments	Treasury Stock
Balance at March 31, 2004 ..	93,570	1,516,382	¥37,428	¥249,590	¥240,437	¥192,150	¥(3,235)	¥ 95,941	¥(5,848)	¥(4,433)
Net Income						96,865				
Dividends Paid						(9,631)				
Shares Issued upon Conversion of Preferred Stock	(93,570)	155,625	(37,428)	37,428						
Shares Issued upon Conversion of Convertible Bonds		140		35	35					
Net Change								20,687	(527)	(33)
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property						314	(315)			
Loss on Disposal of Treasury Stock						(7)				
Change due to increase of affiliates						344				
Bonuses to Directors						(70)				
Balance at March 31, 2005 ..	—	1,672,147	¥ —	¥287,053	¥240,472	¥279,966	¥(3,551)	¥116,628	¥(6,376)	¥(4,466)
Net Income						100,069				
Dividends Paid						(30,015)				
Exercise of Stock Warrants		745		230	230					
Net Change								131,488	2,504	4,215
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property						189	(189)			
Loss on Disposal of Treasury Stock						(389)				
Bonuses to Directors						(70)				
Balance at March 31, 2006 ..	—	1,672,892	¥ —	¥287,283	¥240,703	¥349,751	¥(3,740)	¥248,116	¥(3,871)	¥ (251)

	Millions of U.S. Dollars (Note 1)								
	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Revaluation Reserve for Land, Net of Taxes	Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Taxes	Foreign Currency Translation Adjustments	Treasury Stock	
Balance at March 31, 2005	\$ —	\$ 2,444	\$ 2,048	\$ 2,384	\$ (30)	\$ 993	\$ (54)	\$ (38)	
Net Income				852					
Dividends Paid				(256)					
Exercise of Stock Warrants		2	2						
Net Change						1,120	21	36	
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property				2	(2)				
Loss on Disposal of Treasury Stock				(3)					
Bonuses to Directors				(1)					
Balance at March 31, 2006	\$ —	\$ 2,446	\$ 2,050	\$ 2,978	\$ (32)	\$ 2,113	\$ (33)	\$ (2)	

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

— The Sumitomo Trust and Banking Company, Limited for the years ended March 31, 2006 and 2005

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Cash Flows from Operating Activities :			
Income before Income Taxes and Others	¥ 171,340	¥ 157,854	\$ 1,459
Depreciation	5,475	5,351	47
Losses on Impairment of Fixed Assets	828	106	7
Amortization (Accumulation) of Goodwill (Negative Goodwill)	5,343	(1,407)	46
Equity in Losses (Earnings) of Affiliates	(2,695)	(1,505)	(23)
Increase (Decrease) in Reserve for Possible Loan Losses	(19,062)	(30,978)	(162)
Increase (Decrease) in Reserve for Losses on Securities	(17,958)	14,930	(153)
Increase (Decrease) in Reserve for Employees' Bonus	253	155	2
Increase (Decrease) in Reserve for Employee Retirement Benefits	(780)	111	(7)
Interest Income	(271,359)	(238,698)	(2,311)
Interest Expenses	120,386	89,684	1,025
Losses (Gains) on Securities	(1,690)	(23,734)	(14)
Losses (Gains) on Money Held in Trust	(2,581)	(71)	(22)
Losses (Gains) on Foreign Exchanges	(92,888)	(52,828)	(791)
Losses (Gains) on Sale of Premises and Equipment	1,407	1,094	12
Net Decrease (Increase) in Trading Assets	(152,232)	18,322	(1,296)
Net Increase (Decrease) in Trading Liabilities	18,044	4,645	154
Net Decrease (Increase) in Loans and Bills Discounted	(1,049,936)	(157,141)	(8,940)
Net Increase (Decrease) in Deposits	1,224,389	346,289	10,426
Net Increase (Decrease) in Negotiable Certificates of Deposit	921,631	104,765	7,848
Net Increase (Decrease) in			
Borrowed Money other than Subordinated Borrowings	(235,562)	(4,784)	(2,006)
Net Decrease (Increase) in			
Due from Banks other than from Bank of Japan	79,226	(48,974)	675
Net Decrease (Increase) in Call Loans and Others	(713,790)	4,440	(6,078)
Net Increase (Decrease) in Call Money and Others	414,142	63,296	3,526
Net Increase (Decrease) in			
Payables under Securities Lending Transactions	649,542	(185,630)	5,531
Net Decrease (Increase) in Foreign Exchange Assets	4,313	5,937	37
Net Increase (Decrease) in Foreign Exchange Liabilities	(901)	(6,312)	(8)
Net Increase (Decrease) in Short-term Corporate Bonds Liabilities	331,600	—	2,824
Net Increase (Decrease) in Borrowed Money from Trust Account	259,710	48,588	2,211
Interest Income Received on Cash Basis	290,262	237,796	2,472
Interest Expenses Paid on Cash Basis	(116,786)	(83,227)	(994)
Other-Net	(8,536)	57,546	(73)
Subtotal	¥ 1,811,136	¥ 325,622	\$ 15,422
Income Tax Paid	(6,203)	(1,259)	(53)
Net Cash Provided by (Used in) Operating Activities	¥ 1,804,932	¥ 324,362	\$ 15,369
Cash Flows from Investing Activities :			
Purchase of Securities	(6,593,697)	(11,208,948)	(56,145)
Proceeds from Sale of Securities	4,950,377	9,442,280	42,152
Proceeds from Redemption of Securities	501,262	1,031,361	4,268
Increase in Money Held in Trust	(10,299)	(1,313)	(88)
Decrease in Money Held in Trust	106	—	1
Purchase of Premises and Equipment	(6,850)	(5,756)	(58)
Proceeds from Sale of Premises and Equipment	3,034	1,301	26
Purchase of Stock of New Consolidated Subsidiaries	(135,041)	—	(1,150)
Purchase of Stock of Consolidated Subsidiaries	—	(1,960)	—
Net Cash Provided by (Used in) Investing Activities	¥ (1,291,109)	¥ (743,034)	\$ (10,994)
Cash Flows from Financing Activities :			
Proceeds from Subordinated Borrowings	—	10,000	—
Proceeds from Subordinated Bonds and Convertible Bonds	79,271	89,538	675
Redemption of Subordinated Bonds and Convertible Bonds	(90,500)	(32,400)	(771)
Proceeds from Issuance of Stock	461	—	4
Proceeds from Issuance of Stock to Minority Stockholders	62,484	—	532
Proceeds from Issuance of			
Consolidated Subsidiaries' Stock to Minority Stockholders	—	98	—
Dividends Paid	(30,031)	(9,627)	(256)
Dividends Paid to Minority Stockholders	(2,766)	(2,595)	(24)
Purchase of Treasury Stock	(111)	(114)	(1)
Proceeds from Sale of Treasury Stock	3,937	73	34
Net Cash Provided by (Used in) Financing Activities	¥ 22,745	¥ 54,972	\$ 194
Effect of Exchange Rate Changes on Cash and Cash Equivalents	2,749	(419)	23
Net Change in Cash and Cash Equivalents	¥ 539,318	¥ (364,119)	\$ 4,592
Cash and Cash Equivalents at Beginning of Year	152,132	516,251	1,295
Cash and Cash Equivalents at End of Year (Note 29)	¥ 691,450	¥ 152,132	\$ 5,888

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 in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements have been restructured and translated into English (with some modifications, expanded descriptions and the inclusion of statement 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-base financial statements for convenience, and as a matter of arithmetical computation only, at the rate of ¥117.44 to U.S. \$1.00, the exchange rate prevailing at March 31, 2006. 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 year have been reclassified to the current presentation.

2. Significant Accounting Policies and Practices

(a) Consolidation

The consolidated financial statements include the accounts of the Bank and significant subsidiaries, which are controlled substantially by the Bank through the majority of voting rights or through the existence of certain conditions evidencing control of the decision-making of such subsidiaries by the Bank. Of the 24 subsidiaries for the year ended March 31, 2006, the major subsidiaries are First Credit Corporation, Sumishin Matsushita Financial Services, Co.,

Ltd., The Sumitomo Trust Finance (H.K.) Limited and Sumitomo Trust and Banking Co. (U.S.A.).

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 or negative goodwill are 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 9 affiliates in total, including Japan Trustee Services Bank, Ltd., as of March 31, 2006.

(b) Foreign currency translation

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

Assets and liabilities of consolidated overseas subsidiaries are translated into yen at the exchange rate at the end of each fiscal year except for shareholders’ equity accounts, which are translated at the historical rates.

(c) Cash and cash equivalents

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

(d) Trading account activities

Trading account activities are conducted for short-term profits taking by market-making and sales arbitrages. Trading assets and liabilities include securities, commercial paper, and financial derivatives. The mark-to-market accounting method is adopted for such financial products, all of which are stated at fair values as “Trading Assets” or “Trading Liabilities” in the consolidated balance sheet. Gains and losses realized on disposal and fluctuations of the fair 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 Over-the-Counter (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”).

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.

Japanese stocks 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.

Securities other than Japanese stocks classified as available-for-sale securities with fair market value are revaluated at the year-end fair market value.

Available-for-sale securities without fair market value are carried at cost or amortized cost using moving average method.

Net unrealized gains (losses) on securities available for sale, net of taxes are recorded as a separate component of stockholders’ equity and its amount is reported on the consolidated balance sheet.

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

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

(f) Derivatives and hedge accounting

The Bank manages interest rate risk arising from various assets and liabilities, such as loans, bills discounted, deposits, etc., by using financial derivative transactions and applies deferred hedge accounting regulated by “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Auditing Committee Report No.24, hereafter “Report No. 24”). In hedging activities to offset changes in the fair value of deposits, loans, etc., as hedged items, the Bank designates hedged items and interest rate swaps etc. as hedging transactions by grouping them by their maturities. As for cash-flow-hedge, the effectiveness of the hedge is assessed by confirming the correlation between the fluctuational factor of interest rate for hedged items and for hedging transactions. In accordance with “Temporary Treatment for Accounting and Auditing concerning Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Auditing Committee Report No.15), the bank had adopted “Macro Hedge Accounting” to account for certain interest related derivatives, which were utilized to manage interest rate exposure of certain changes of transactions such as loans and

deposits. Deferred hedge income (losses) resulted from “Macro Hedge Accounting”, which are included in “Other Assets” and “Other Liabilities” in the consolidated balance sheet, are amortized over the remaining period for each hedging transaction. As of March 31, 2006, deferred hedge losses and income resulted from “Macro Hedge Accounting” are ¥83,116 million and ¥83,916 million, respectively.

The Bank manages foreign exchange risk arising from various assets and liabilities denominated in foreign currencies by using financial derivative transactions and applies deferred hedge accounting regulated by “Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transactions in Banking Industry” (JICPA Industry Auditing Committee Report No. 25, hereafter “Report No. 25”). The Bank designates specific currency swaps and foreign exchange swaps made to mitigate foreign exchange risks arising from monetary claims and debts denominated in foreign currencies as hedging transactions. The effectiveness of the hedge is assessed by confirming that the monetary claims and debts denominated in foreign currency as hedged items exceed the position of those hedging transactions. The Bank also applies fair value hedge to mitigate foreign currency exchange rate exposure in available-for-sale securities denominated in foreign currencies (other than bonds) as “Portfolio Hedges” when hedged foreign currency securities are specified in advance to the inception of the transactions and spot forward liabilities exist on a foreign currency basis that exceed acquisition costs of the foreign currency securities designated as hedged items.

The Bank strictly applies Report No.24 and 25 to such internal hedging transactions, such as interest rate swaps and currency swaps, etc., made between the consolidated companies or between banking and trading accounts. The Bank assesses the effectiveness of internal hedging transactions as it does for external ones without arbitrary choices. On the basis described above, income and losses from these transactions are recognized or deferred without netting off.

As for specific assets and liabilities, the Bank also applies the individual deferred hedge accounting.

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

(g) Premises and equipment

Depreciation for buildings and equipment are primarily calculated as follows.

Buildings: Using the declining-balance method over the estimated useful lives from 3 to 60 years. Buildings acquired after March 31, 1998 are depreciated using the straight-line method.

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

(h) Software

Expenses related to software for internal use are capitalized in “Other Assets” and amortized using the straight-line method over the esti-

mated useful lives of these assets, which are mainly five years.

(i) 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 assets' 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, after direct deduction described below, net of the amount expected to be collected through the disposal of collateral or execution of guarantees.

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

Among for claims to debtors with more than certain amount of the Bank's claims to debtors, 1) who are likely to become bankrupt, 2) to whom the Bank has Restructured Loans (see following Note 6), or 3) whom the Bank classifies as "Special Mention Debtors" other than substandard ones meeting certain credit criteria, where future cash flows from capital collection and interest receipt could be reasonably estimated, a reserve is provided for the difference between the present value of expected future cash flows discounted at the original contracted interest rate before relaxing to support and the current book value of the claims.

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

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

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

And for claims to debtors who are legally bankrupt or virtually bankrupt with collateral or guarantees, the expected uncollectible amount, net of amounts expected to be collected through the disposal of collateral or through the execution of guarantees, are deducted directly out of the original amount of claims. The deducted amount is ¥46,368 million.

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

(j) Reserve for employees' bonus

Reserve for employees' bonus is provided in provision for payment of bonuses to employees, which are attributable to each fiscal year.

(k) Reserve for employee retirement benefits

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

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

From the fiscal year 2004, the Bank has implemented an early application of the "Accounting Standards for Employee Retirement Benefits" (issued by the Business Accounting Deliberation Council on June 16, 1998) revised on March 16, 2005 and the Financial Accounting Standard Implementation Guidance No.7, "Implementation Guidance for Accounting Standards for Employee Retirement Benefits" (issued by the Accounting Standards Board of Japan on March 16, 2005). As a result of adopting the accounting standards and the guidance, unrecognized net plan asset, which is allowed to be regarded as assets or profits, are deducted from unrecognized actuarial loss from fiscal year 2004.

(l) 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.

(m) Amounts per share

Stockholders' equity per share is calculated by dividing net assets excluding the amount of preferred stock, dividends on preferred stock outstanding and bonuses to directors by the number of common stock outstanding at each year-end.

See Note 28 for net income per share and net income per share (fully diluted).

(n) Dividends

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

(o) Accrued Income of Trust Fees

Effective April 1, 2004, trust fees based on the daily balance of entrusted assets formerly accounted only at the end of each trust accounting period have been accrued for during the period elapsed in order to more appropriately report the earnings of the Bank.

3. Trading Assets and Trading Liabilities

(a) Trading Assets at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Trading Account Securities	¥ 4,177	¥ 6,803	\$ 36
Trading-Related Financial Derivatives	69,093	47,630	588
Derivatives of Trading Securities	24	—	0
Derivatives of Securities Related to Trading Transactions	3	—	0
Other Trading Assets	361,745	228,377	3,080
Total	¥ 435,044	¥ 282,812	\$ 3,704

(b) Trading Liabilities at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Derivatives of Trading Securities	¥ —	¥ 19	\$ —
Derivatives of Securities Related to Trading Transactions	20	176	0
Trading-Related Financial Derivatives	69,841	51,620	595
Total	¥ 69,861	¥ 51,817	\$ 595

4. Money Held in Trust

Money Held in Trust at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen			
	2006		2005	
	Book Value	Net Unrealized Gains (Losses) Reflected in the Statement of Income	Book Value	Net Unrealized Gains (Losses) Reflected in the Statement of Income
Money Held in Trust for Trading Purpose ..	¥ 12,468	¥ 547	¥ —	¥ —
Money Held in Trust				
for being Held-to-Maturity	—	—	—	—
Other Money Held in Trust	2,300	—	2,000	—
Total	¥ 14,768	¥ 547	¥ 2,000	¥ —

5. Securities

Securities held at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Japanese Government Bonds	¥ 1,386,288	¥ 1,038,452	\$ 11,804
Japanese Local Government Bonds	80,213	60,486	683
Japanese Corporate Bonds	979,470	860,977	8,340
Japanese Stocks	1,057,943	757,659	9,008
Others	2,263,628	1,869,913	19,275
Total	¥ 5,767,544	¥ 4,587,489	\$ 49,111

Others include foreign securities amounted ¥2,011,918 million and ¥1,775,726 million at March 31, 2006 and 2005, respectively.

6. Loans and Bills Discounted

Loans and Bills Discounted at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Bills Discounted	¥ 7,260	¥ 8,881	\$ 62
Loans on Bills	737,701	714,147	6,282
Loans on Deeds	7,985,831	7,217,833	67,999
Overdrafts	1,455,482	1,073,057	12,393
Total	¥ 10,186,276	¥ 9,013,920	\$ 86,736

Under the internal rules of self-assessment of assets (“Self-Assessment Rules”), 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 ¥46,368 million 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 of guarantees, is directly written off from the claims in the fiscal year 2005.

Loans and Bills Discounted for 2006 and 2005 include the followings:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Loans in Bankruptcy Proceedings	¥ 2,246	¥ 2,975	\$ 19
Other Delinquent Loans	43,043	94,085	367
Loans more than Three Months Past Due	3	188	0
Restructured Loans	62,497	69,878	532
Total	¥ 107,791	¥ 167,128	\$ 918

- 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 payments are more than three months past due from the date succeeding the due date, excluding those loans classified as loans in bankruptcy proceedings and other delinquent loans.
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.
5. Amount described in above schedule are before deducting reserve for possible loan losses.

7. Other Assets

Other Assets at March 31, 2006 and 2005 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Prepaid Expenses	¥ 2,006	¥ 296	\$ 17
Accrued Income	86,038	62,705	733
Derivatives other than for Trading Account	477,247	351,706	4,064
Deferred Hedge Losses	42,156	—	359
Discount of Bonds	91	61	1
Receivables for Securities Transactions	276,949	131,140	2,358
Others	723,662	244,135	6,162
Total	¥ 1,608,153	¥ 790,045	\$ 13,693

As of March 31, 2006, the amounts of others increased mainly owing to the lease assets of Sumishin Matsushita Financial Services, Co., Ltd., a newly consolidated subsidiary this fiscal year. Prepaid pension cost and provisional payment of the withholding tax also let others increase. For the provisional payment of the withholding tax, the Bank received reassessment notice from the tax office claiming the Bank’s responsibility for collecting withholding tax on some of its repurchase

agreement transactions. The Bank filed a petition with the National Tax Tribunal objecting to such tax imposition, whereby the Bank’s petition was dismissed on February 22, 2005. However, the Bank disputed the alleged legal basis for this imposition, and then filed a lawsuit in the Tokyo District Court on March 31, 2005 and the claim is currently in litigation. Discount of bonds are deferred and amortized using the straight-line method over the lives of the bonds.

8. Premises and Equipment

Premises and Equipment at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Land	¥ 46,284	¥ 45,604	\$ 394
Buildings	110,156	103,885	938
Equipment	38,900	39,603	331
Others	18,648	18,723	159
Subtotal	¥ 213,989	¥ 207,817	\$ 1,822
Accumulated Depreciation	(104,336)	(100,991)	(888)
Net Book Value	¥ 109,653	¥ 106,826	\$ 934

In accordance with the Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land, the Bank recorded a ¥3,740 million of unrealized revaluation loss in stockholders' equity, of which ¥6,410 million of deferred tax was deducted from the gross

surplus, as of March 31, 2006, based on the evaluations as of March 31, 1999, after accounting for premises sold. As of March 31, 2006, it is estimated that current fair value of the land would be ¥9,243 million less than the above-mentioned revaluation.

9. Assets Pledged

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

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Assets Pledged as Collateral:			
Trading Assets	¥ 170,980	¥ 138,988	\$ 1,456
Securities	2,098,959	1,627,287	17,873
Loans and Bills Discounted	89,130	165,652	759
Other Assets	42,679	—	363
Corresponding Liabilities of the Assets Pledged as Collateral:			
Deposits	26,654	18,014	227
Call Money and Bills Sold	595,500	291,200	5,071
Payables under Repurchase Agreements	983,715	936,658	8,376
Payables under Securities Lending Transactions	703,050	53,507	5,986
Borrowed Money	44,682	—	380

10. Deposits and Negotiable Certificates of Deposit

Deposits and Negotiable Certificates of Deposit at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Current Deposits, Ordinary Deposits and Deposits at Notice	¥ 2,038,086	¥ 1,670,020	\$ 17,354
Time Deposits	7,970,916	7,161,290	67,872
Others	354,230	298,884	3,016
Subtotal	¥ 10,363,233	¥ 9,130,196	\$ 88,243
Negotiable Certificates of Deposit	2,408,656	1,487,025	20,510
Total	¥ 12,771,890	¥ 10,617,221	\$ 108,752

11. Borrowed Money

Borrowed Money at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Subordinated Debt	¥ 138,500	¥ 138,500	\$ 1,179
Other Borrowed Money	278,589	22,108	2,372
Total	¥ 417,089	¥ 160,608	\$ 3,552

Average interest rates of the borrowed money were 1.22% and 1.99% for the year ended March 31, 2006 and 2005, respectively.

Years to Maturity

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
1 year or less	¥ 49,285	¥ 3,766	\$ 420
More than 1 year but less than 2 years	60,430	1,266	515
More than 2 years but less than 3 years	45,448	13,650	387
More than 3 years but less than 4 years	40,156	766	342
More than 4 years but less than 5 years	48,038	666	409

12. Bonds and Notes

Bonds and Notes at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Unsecured Subordinated Bonds	¥ 160,000	¥ 130,000	\$ 1,362
Euro Medium-Term and Perpetual Subordinated Notes	217,600	258,100	1,853
Total	¥ 377,600	¥ 388,100	\$ 3,215

Unsecured Subordinated Bonds were issued publicly by the Bank under the ¥200 billion of domestic issue shelf registration system. The Bank has issued ¥30,000 million, bearing fixed interest at 1.67 p.a., on April 28, 2005.

Subordinated Euro Medium-Term Notes were issued by the Bank

and through a wholly-owned subsidiary, STB Finance Cayman Limited under the ¥500 billion Medium-Term Note Programme.

For the year ended March 31, 2006, the Bank and its subsidiary have issued ¥50,000 million of notes under the programme, and exercised options to redeem notes totaling ¥90,500 million.

13. 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.

14. Reserve for Employee Retirement Benefits

The liabilities for the retirement benefits included in the consolidated balance sheet as of March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Projected Benefit Obligation	¥ (222,301)	¥ (198,046)	\$ (1,893)
Plan Assets (market value)	322,252	228,851	2,744
Unfunded Projected Benefit Obligations	99,950	30,805	851
Unrecognized Net Actuarial Loss	(43,195)	32,354	(368)
Unrecognized Net Prior Service Cost	1,108	1,739	9
Net Amount Recognized in the Consolidated Balance Sheets	57,863	64,898	493
Prepaid Pension Cost (-) (Note 7)	68,067	67,450	580
Total	¥ (10,204)	¥ (2,551)	\$ (87)

Retirement benefits expenses which are included in the consolidated statement of income for the year ended March 31, 2006 and 2005 were comprised of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Service Costs-Benefits Earned during the Fiscal Period	¥ 4,748	¥ 4,570	\$ 40
Interest Cost on Projected Benefit Obligation	4,241	3,816	36
Expected Return on Plan Assets	(8,007)	(7,462)	(68)
Amortization of Prior Service Cost	287	310	2
Amortization of Net Actuarial Loss	5,240	4,826	45
Amortization of Net Transition Obligation (Note 21)	—	3,659	—
Others	776	774	7
Total	¥ 7,287	¥ 10,496	\$ 62

The discount rate and the rate of expected return on plan assets used by the Bank were 2.0% and 2.0 – 3.7%, respectively for the year ended March 31, 2006. The estimated amount of all retirement ben-

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

15. Other Liabilities

Other Liabilities at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Accrued Expenses	¥ 73,495	¥ 58,786	\$ 626
Unearned Income	14,767	11,030	126
Derivatives other than for Trading Account	502,862	290,779	4,282
Deferred Hedge Income	—	13,610	—
Variation Margins of Futures Markets	12	—	0
Payables for Securities Transactions	32,553	117,925	277
Others	40,703	23,544	347
Total	¥ 664,394	¥ 515,675	\$ 5,657

The amounts of other liabilities increased mainly owing to the accounts due of account payable of Sumishin Matsushita Financial Services, Co. Ltd., our new consolidated subsidiary for the year ended March 31, 2006.

16. Acceptances and Guarantees

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

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

the Bank's right of indemnity from customers.

Regarding Principal Guaranteed Trusts, the Bank guaranteed the principal amount of ¥1,216,743 million, ¥1,001,548 million for Jointly-Operated Money Trusts and ¥927,283 million, ¥1,086,639 million for Loan Trusts at March 31, 2006 and 2005, respectively.

17. Stockholders' Equity

The numbers of authorized and issued preferred and common stock at the end of March 31, 2006 and 2005 were as follows:

	2006		2005	
	Authorized	Issued	Authorized	Issued
Preferred Stock	125,000,000	—	125,000,000	—
Common Stock	3,000,000,000	1,672,892,956	3,000,000,000	1,672,147,956
Treasury Stock		(322,191)		(6,075,544)

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

The Banking Law of Japan provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal retained earnings until the total amount of legal retained earnings and additional paid-in capital equals 100% of common stock. The legal retained earnings and additional paid-in capital may be used to eliminate or reduce a

deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the board of directors. On condition that the total amount of legal retained earnings and additional paid-in capital remains being equal to or exceeding 100% of common stock, they are available for distribution by the resolution of shareholders' meeting. Legal retained earnings is included in retained earnings in the accompanying financial statements.

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

Stock Option Plans

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

were granted. The following table summarizes information about stock options outstanding as of March 31, 2006.

Issued in	2003	2002
Type of Stock	Common Stock	Common Stock
Maximum Number of Shares Granted	1,500,000	3,000,000
Number of Exercisable Shares	514,000	498,000
Number of Eligible Persons	441	426
Exercise Price	415	656
Exercise Period	Jul.1, 2005 to Jun.30, 2007	Jul.1, 2004 to Jun.30, 2006

18. Other Interest Income and Expenses

(a) Other Interest Income for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Interest Income on Deposits with Banks	¥ 7,066	¥ 4,177	\$ 60
Interest Income on Interest Rate Swaps	2,866	14,348	24
Other Interest Income	2,754	2,041	23
Total	¥ 12,687	¥ 20,567	\$ 108

(b) Other Interest Expenses for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Interest Expenses on Bonds and Notes	¥ 5,754	¥ 6,161	\$ 49
Interest Expenses on Convertible Bonds	—	0	—
Interest Expenses on Payables under Repurchase Agreements	28,729	20,034	245
Interest Expenses on Payables under Securities Lending Transactions	2,753	3,100	23
Other Interest Expenses	19,155	23,403	163
Total	¥ 56,392	¥ 52,700	\$ 480

19. Trading Income and Expenses

(a) Trading Income for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Income from Trading Securities and Derivatives	¥ 145	¥ 226	\$ 1
Income from Trading-Related Financial Derivatives Transactions	5,895	3,916	50
Other Trading Income	276	96	2
Total	¥ 6,317	¥ 4,239	\$ 54

(b) Trading Expenses for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Expenses on Securities Related to Trading Transactions	¥ 812	¥ 72	\$ 7
Total	¥ 812	¥ 72	\$ 7

20. Other Operating Income and Expenses

(a) Other Operating Income for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Net Gains on Foreign Exchange Transactions	¥ 4,615	¥ 2,246	\$ 39
Gains on Sale of Bonds	28,460	43,260	242
Income from Derivatives other than for Trading Account	6,722	—	57
Others	194,307	1,354	1,655
Total	¥ 234,106	¥ 46,861	\$ 1,993

From the year ended March 2006, others include lease-related income and installment income from newly consolidated subsidiaries, Sumishin Matsushita Financial Services Co., Ltd. and First Credit Corporation, respectively.

(b) Other Operating Expenses for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Losses on Sale of Bonds	¥ 33,747	¥ 33,491	\$ 287
Expenses from Derivatives other than for Trading Account	—	17,488	—
Others	166,767	27	1,420
Total	¥ 200,514	¥ 51,008	\$ 1,707

From the year ended March 2006, others include lease-related expenses and installment expenses from newly consolidated subsidiaries, Sumishin Matsushita Financial Services Co., Ltd. and First Credit Corporation, respectively.

21. Other Income and Expenses

(a) Other Income for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Gains on Sale of Shares and Other Securities	¥ 15,555	¥ 19,067	\$ 132
Gains on Stock Derivatives Transactions	57,002	21,782	485
Gains on Collections from Claims Write-Offs	1,626	5,087	14
Gains Dispositions of Premises and Equipment	111	8	1
Net Transfer from Reserve for Possible Loan Losses	—	17,849	—
Others	11,632	16,133	99
Total	¥ 85,929	¥ 79,930	\$ 732

For the year ended March 31, 2005 others include ¥5,617 million of gains on change of stock to consolidated subsidiaries.

(b) Other Expenses for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Provisions for Reserve for Possible Loan Losses	¥ 4,117	¥ —	\$ 35
Losses on Write-Offs	3,726	9,682	32
Losses on Devaluation of Shares and Other Securities	7,740	4,273	66
Losses on Stock Derivatives Transactions	61,784	22,521	526
Provisions for Reserve for Losses on Securities	—	14,930	—
Losses on Dispositions of Premises and Equipment	1,518	1,102	13
Losses on Impairment of Fixed Assets	828	106	7
Others	19,886	19,038	169
Total	¥ 99,603	¥ 71,657	\$ 848

For the years ended March 31, 2005, others include amortization cost of net transition obligation as extra ordinary expenses (see Note 14).

22. General and Administrative Expenses

General and Administrative Expenses for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Taxes other than Income Taxes	¥ 6,828	¥ 6,986	\$ 58
Personnel Expenses	82,639	63,634	704
Others	85,059	67,618	724
Total	¥ 174,527	¥ 138,239	\$ 1,486

23. Income Taxes and Others

Income taxes and others, which consist of corporation, inhabitant and enterprise taxes, are calculated based on taxable income. The approximate statutory effective income tax rate was 40.61% for the

year ended March 31, 2006 and 2005.

Deferred Tax Assets and Liabilities at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Deferred Tax Asset:			
Tax Losses Carried Forward	¥ 49,381	¥ 59,187	\$ 420
Devaluation of Securities	34,838	34,164	297
Reserve for Employee Retirement Benefits	16,164	12,201	138
Reserve for Possible Loan Losses (including Direct Write-offs of Loans with Guarantees or Collateral)	9,115	29,522	78
Unrealized Gains (Losses)	3,010	4,844	26
Other Addition	26,633	30,845	227
Subtotal	¥ 139,144	¥ 170,765	\$ 1,185
Valuation Allowance	(24,220)	(8,487)	(206)
Amount set off Against Deferred Tax Liabilities	(94,602)	(81,950)	(806)
Total	¥ 20,320	¥ 80,327	\$ 173
Deferred Tax Liabilities:			
Amount set off Against Deferred Tax Liabilities on Net			
Unrealized Gains on Securities Available for Sale	167,486	78,219	1,426
Other Amount set off against Deferred Tax Liabilities	4,138	3,772	35
Subtotal	¥ 171,625	¥ 81,991	\$ 1,461
Amount set off Against Deferred Tax Asset	(94,602)	(81,950)	(806)
Total	¥ 77,022	¥ 40	\$ 656
Deferred Tax Liabilities for Land Revaluation	¥ 6,410	¥ 6,613	\$ 55

24. Lease Transactions

As lessor:

(a) Finance Leases

Acquisition cost, accumulated depreciation, accumulated losses on impairment and net book value for finance leases without transfer of ownership at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Acquisition Cost			
Equipment	¥ —	¥ —	\$ —
Others	935,597	—	7,967
Total	¥ 935,597	¥ —	\$ 7,967
Accumulated Depreciation			
Equipment	—	—	—
Others	619,818	—	5,278
Total	¥ 619,818	¥ —	\$ 5,278
Accumulated Losses on Impairment			
Equipment	—	—	—
Others	—	—	—
Total	¥ —	¥ —	\$ —
Net Book Value			
Equipment	—	—	—
Others	312,439	—	2,660
Total	¥ 312,439	¥ —	\$ 2,660

The total of future lease payments receivable at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Due in 1 year or less	¥ 110,144	¥ —	\$ 938
Due more than 1 year	207,647	—	1,768
Total	¥ 317,792	¥ —	\$ 2,706

Annual lease receipt, annual depreciation expenses, and estimated interest receipt for the years ended March 31, 2006 and 2005 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Lease Receipt	¥ 146,448	¥ —	\$ 1,247
Annual Depreciation Expenses	126,405	—	1,076
Estimated Interest Receipt	17,657	—	150

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

(b) Operating Leases

Total of Future Lease payments Receivable under non-cancelable operating leases at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Due in 1 year or less	¥ 7,019	¥ —	\$ 60
Due more than 1 year	29,022	—	247
Total	¥ 36,041	¥ —	\$ 307

As lessee:

(a) Finance Leases

Acquisition cost, accumulated depreciation, accumulated losses on impairment and net book value for finance leases without transfer of ownership at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Acquisition Cost			
Equipment	¥ 658	¥ 729	\$ 6
Others	93	78	1
Total	¥ 751	¥ 807	\$ 6
Accumulated Depreciation			
Equipment	500	496	4
Others	46	28	0
Total	¥ 547	¥ 524	\$ 5
Accumulated Losses on Impairment			
Equipment	—	—	—
Others	—	—	—
Total	¥ —	¥ —	\$ —
Net Book Value			
Equipment	157	233	1
Others	46	49	0
Total	¥ 204	¥ 283	\$ 2

The total of future lease payments at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Due in 1 year or less	¥ 94	¥ 144	\$ 1
Due more than 1 year	109	138	1
Total	¥ 204	¥ 283	\$ 2

Annual lease payments and estimated annual depreciation expenses for the years ended March 31, 2006 and 2005 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Lease Payments	¥ 149	¥ 156	\$ 1
Estimated Annual Depreciation Expenses	149	156	1

Acquisition cost and future lease payments are computed including interest portion due to the fact that total of future lease payments are considered to be immaterial as compared with the amount of premises and equipment at March 31, 2006 and 2005.

Estimated annual depreciation expenses are computed using the straight-line method over the lease terms assuming no salvage value for the fiscal year ended March 31, 2006 and 2005.

(b) Operating Leases

Total of future lease payments under non-cancelable operating leases at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2006	2005	2006
Due in 1 year or less	¥ 2,425	¥ 2,417	\$ 21
Due more than 1 year	12,107	14,505	103
Total	¥ 14,533	¥ 16,922	\$ 124

25. Subsequent Event

On June 29, 2006, the stockholders of the Bank authorized the following appropriations of retained earnings as of March 31, 2006.

	Millions of Yen	Millions of U.S. Dollars (Note1)
Appropriations:		
Transfer to Legal Reserve	¥ 0	\$ 0
Dividends (¥6.00 per share)	10,035	85
Bonuses to Directors	70	1

26. Segment Information

(a) Business Segment

The following tables present information attributable by business for the year ended March 31, 2006, and identifiable assets of each business at March 31, 2006.

Since the non-trust banking business, especially the financial-related business, became material through acquisitions of subsidiaries during the year ended March 31, 2006, segment information by business segment was prepared from the year ended March 31, 2006.

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

Year Ended March 31, 2006	Millions of U.S. Dollars (Note 1)				
	Trust Banking Business	Financial-Related Business	Total	Elimination	Consolidated
Income:					
Unaffiliated Customers	\$ 4,850	\$ 1,891	\$ 6,741	\$ —	\$ 6,741
Intersegment	34	9	42	42	—
Total Income	4,884	1,899	6,783	42	6,741
Total Expenses	3,533	1,791	5,323	42	5,282
Income before Income Taxes and Others	\$ 1,351	\$ 109	\$ 1,460	\$ 1	\$ 1,459
Total Assets	\$ 172,756	\$ 5,359	\$ 178,115	\$ 2,434	\$ 175,681
Depreciation	108	16	124	—	124
Losses on Impairment of Fix Assets	6	1	7	—	7
Capital Expenditure	107	13	120	—	120

Trust banking business includes trust banking business and its auxiliary or dependant business, and financial-related business includes leasing business, credit-card business and its dependant business. Capital expenditure includes system-related investments and others.

(b) Geographic Segment

The following tables present information attributable to domestic and overseas operations for the years ended March 31, 2006 and 2005, and identifiable assets of each operation at March 31, 2006 and 2005.

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

Year Ended March 31, 2005	Millions of Yen						
	Japan	Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
Income:							
Unaffiliated Customers	¥ 463,941	¥ 22,248	¥ 35,863	¥ 7,460	¥ 529,513	¥ —	¥ 529,513
Intersegment	2,076	7,746	1,269	432	11,525	11,525	—
Total Income	466,017	29,995	37,132	7,892	541,038	11,525	529,513
Total Expenses	317,878	28,734	30,812	4,888	382,314	10,655	371,658
Income before Income Taxes and Others ..	¥ 148,139	¥ 1,260	¥ 6,320	¥ 3,004	¥ 158,724	¥ 869	¥ 157,854
Total Assets	¥ 15,254,312	¥ 946,372	¥ 610,283	¥ 535,751	¥ 17,346,719	¥ 1,438,344	¥ 15,908,374

Year Ended March 31, 2006	Millions of U.S. Dollars (Note 1)						
	Japan	Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
Income:							
Unaffiliated Customers	\$ 5,708	\$ 320	\$ 580	\$ 132	\$ 6,741	\$ —	\$ 6,741
Intersegment	33	56	11	21	121	121	—
Total Income	5,740	376	592	153	6,861	121	6,741
Total Expenses	4,334	339	575	146	5,394	112	5,282
Income before Income Taxes and Others ..	\$ 1,406	\$ 37	\$ 16	\$ 7	\$ 1,467	\$ 8	\$ 1,459
Total Assets	\$ 167,032	\$ 9,854	\$ 6,250	\$ 6,372	\$ 189,508	\$ 13,828	\$ 175,681

27. Market Value Information

(1) Securities

The information includes a part of cash and due from banks and monetary claims bought treated as securities in “Accounting Standard for Financial Instruments”.

(a) Trading Securities

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

March 31, 2005	Millions of Yen	
	Book Value	Net Unrealized Gains (Losses) Reflected on the Statement of Income
Trading Securities	¥ 235,181	¥ 49

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

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

March 31, 2005	Millions of Yen				
	Book Value	Market Value	Net	Unrealized Gains (Losses)	
				Gains	Losses
Japanese Government Bonds	¥ 427,552	¥ 431,004	¥ 3,452	¥ 3,452	¥ (0)
Japanese Local Government Bonds	—	—	—	—	—
Japanese Short-Term Corporate Bonds	—	—	—	—	—
Japanese Corporate Bonds	389,888	390,982	1,094	1,098	(4)
Others	5,195	5,345	150	151	(1)
Total	¥ 822,635	¥ 827,333	¥ 4,697	¥ 4,702	¥ (5)

Note : Market Value is based on the closing prices at the end of the fiscal year.

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

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

March 31, 2005	Millions of Yen				
	Cost	Book Value	Net	Unrealized Gains (Losses)	
				Gains	(Losses)
Japanese Stocks	¥ 440,249	¥ 633,385	¥ 193,135	¥ 206,286	¥ (13,150)
Japanese Bonds	957,192	960,515	3,322	3,667	(345)
Government Bonds	609,039	610,900	1,860	1,977	(116)
Local Government Bonds	60,067	60,486	418	612	(194)
Short-Term Corporate Bonds	—	—	—	—	—
Corporate Bonds	288,085	289,128	1,043	1,078	(34)
Others	1,718,243	1,714,789	(3,453)	11,294	(14,748)
Total	¥ 3,115,685	¥ 3,308,690	¥ 193,005	¥ 221,249	¥ (28,244)

1) Book value in the consolidated balance sheet reflect market value calculated by using the average market value during final month of the fiscal period as for Japanese stocks, and by using the market value at the end of the fiscal period as for the securities other than Japanese stocks.

2) Available-for-Sale Securities with Market Value other than trading securities are written off when a decline in the market value below the cost of the securities is remarkable and the bank has judged that

the decline in market value is other than temporary at fiscal year end, the valuation differences are recognized as losses. According to the Self-Assessment Rules, a “remarkable decline in the market value” is recognized based on the classification of issuers as follows:

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

(d) Securities without Market Value

The following tables summarize main items of book value of securities with no available fair value at March 31, 2006 and 2005.

March 31, 2006	Millions of Yen
	Book Value
Unlisted Japanese Bonds	¥ 215,859
Trust Certificates of Loan Trust	185,397
Unlisted Foreign Securities	143,911

March 31, 2005	Millions of Yen
	Book Value
Unlisted Japanese Bonds	¥ 181,960
Unlisted Foreign Securities	168,219
Unlisted Japanese Stocks	95,767

(e) Available-for-Sale Securities sold during the years ended March 31, 2006 and 2005

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

Year ended March 31, 2005	Millions of Yen		
	Amount Sold	Gains	(Losses)
Available-for-Sale Securities	¥ 9,436,316	¥ 62,328	¥ (34,320)

(f) Redemption Schedule of Bonds

The redemption schedules of bonds classified as “Available-for-Sale Securities” with maturity and “Held-to-Maturity Debt Securities” at March 31, 2006 and 2005 are as follows:

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

	Millions of Yen			
	Book Value			
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
March 31, 2005				
Japanese Bonds	¥ 273,958	¥ 1,090,331	¥ 569,224	¥ 26,401
Government Bonds	60,239	496,464	456,501	25,247
Local Government Bonds	1,168	29,677	29,640	—
Short-Term Corporate Bonds	—	—	—	—
Corporate Bonds	212,550	564,189	83,083	1,154
Others	103,737	598,709	740,255	337,636
Total	¥ 377,695	¥ 1,689,041	¥ 1,309,479	¥ 364,038

(2) Financial Derivatives

(a) Interest Related Transactions

Interest Related Transactions at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen							
	2006				2005			
	Contract Value	Over 1YR	Market Value	Unrealized Gains (Losses)	Contract Value	Over 1YR	Market Value	Unrealized Gains (Losses)
Listed								
Interest Futures								
Sold	¥17,870,918	¥ 3,524,963	¥ 19,763	¥ 19,763	¥15,647,579	¥ 3,271,222	¥ 1,504	¥ 1,504
Purchased	17,797,878	2,724,017	(21,080)	(21,080)	14,411,504	2,410,453	(12,568)	(12,568)
Interest Options								
Sold	1,120,469	—	(511)	(262)	1,213,479	—	(339)	(112)
Purchased	1,005,702	—	379	157	11,915,104	—	621	32
Over-the-Counter								
Forward Rate Agreements								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Interest Rate Swaps								
Fix Rcv-Flt Pay	30,034,952	26,313,064	(305,262)	(305,262)	22,835,928	17,884,897	367,389	367,389
Flt Rcv-Fix Pay	30,306,868	26,115,683	323,932	323,932	22,864,816	18,186,921	(343,147)	(343,147)
Flt Rcv-Flt Pay	2,072,478	1,450,378	1,972	1,972	4,345,643	1,681,343	232	232
Interest Options								
Sold	7,282,762	7,233,076	(27,783)	1,706	2,316,131	2,182,353	(5,933)	1,892
Purchased	3,090,749	3,059,549	35,014	5,444	1,398,141	1,338,666	12,361	(1,453)
Others								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total			¥ 26,423	¥ 26,370			¥ 20,120	¥ 13,768

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

Derivative transactions subject to hedge accounting treatments regulated by “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking

Industry” (JICPA Industry Auditing Committee Report No.24) are excluded from the schedule above.

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

(b) Currency Related Transactions

Currency Related Transactions at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen							
	2006				2005			
	Contract Value	Over 1YR	Market Value	Unrealized Gains (Losses)	Contract Value	Over 1YR	Market Value	Unrealized Gains (Losses)
Listed								
Currency Futures								
Sold	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased	—	—	—	—	—	—	—	—
Currency Options								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Over-the-Counter								
Currency Swaps	403,409	251,147	30	30	196,388	160,933	3,405	3,405
Forward								
Sold	2,594,785	194,816	(32,095)	(32,095)	1,184,186	131,095	(7,558)	(7,558)
Purchased	3,442,496	301,678	39,089	39,089	1,442,646	148,608	9,990	9,990
Currency Options								
Sold	1,186,383	424,928	(38,001)	(6,304)	522,760	154,614	(10,905)	1,879
Purchased	993,549	382,532	27,358	4,179	523,091	151,101	8,100	(785)
Others								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total			¥ (3,618)	¥ 4,899			¥ 3,033	¥ 6,931

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

2) Derivative transactions subject to hedge accounting treatments regulated by “Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Auditing

Committee Report No.25) and such transactions accompanied by foreign currency monetary claims or obligations, which are either reflected on the consolidated balance sheet at the end of the fiscal period, or eliminated therefrom in the process of consolidation, are excluded from the schedule above.

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

(c) Stock Related Transactions

Stock Related Transactions at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen							
	2006				2005			
	Contract Value	Over 1YR	Market Value	Unrealized Gains (Losses)	Contract Value	Over 1YR	Market Value	Unrealized Gains (Losses)
Listed								
Stock Index Futures								
Sold	¥ 39,988	¥ —	¥ (977)	¥ (977)	¥ 40,785	¥ —	¥ 393	¥ 393
Purchased	45,036	—	572	572	29,595	—	(137)	(137)
Stock Index Options								
Sold	33,480	—	(119)	48	70,833	—	(147)	100
Purchased	10,587	—	11	(42)	176,165	—	465	(318)
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			¥ (514)	¥ (399)			¥ 573	¥ 38

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

Derivative transactions subject to hedge accounting treatments are

excluded from the schedule above.

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

(d) Bond Related Transactions

Bond Related Transactions at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen							
	2006				2005			
	Contract Value	Over 1YR	Market Value	Unrealized Gains (Losses)	Contract Value	Over 1YR	Market Value	Unrealized Gains (Losses)
Listed								
Bond Futures								
Sold	¥ 729,921	¥ —	¥ 4,608	¥ 4,608	¥1,156,618	¥ —	¥(1,717)	¥(1,717)
Purchased	666,533	—	(3,995)	(3,995)	1,145,205	—	1,236	1,236
Bond Future Options								
Sold	321,765	—	(818)	42	693,099	—	(2,296)	329
Purchased	229,366	—	1,102	301	508,669	—	2,154	(491)
Over-the-Counter								
Bond Options								
Sold	9,925	—	(41)	6	22,651	—	(125)	(39)
Purchased	4,947	—	10	(18)	19,920	—	2	(10)
Others								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total			¥ 865	¥ 944			¥ (746)	¥ (693)

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

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

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

(e) *Commodity Related Transactions*

The Bank did not have any commodity related transactions at March 31, 2006 and 2005.

(f) *Credit Derivative Transactions*

Credit Derivative Transactions at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen							
	2006				2005			
	Contract Value	Over 1YR	Market Value	Unrealized Gains (Losses)	Contract Value	Over 1YR	Market Value	Unrealized Gains (Losses)
Over-the-Counter								
Credit Derivatives								
Sold	¥83,500	¥83,500	¥(211)	¥(211)	¥1,500	¥1,500	¥ 1	¥ 1
Purchased	40,000	40,000	(216)	(216)	—	—	—	—
Total			¥(428)	¥(428)			¥ 1	¥ 1

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

Derivative transactions subject to hedge accounting treatments are

excluded from the schedule above.

2) Market values are calculated using discounted present value.

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

28. Net Income per Share

Net Income per Share and Net Income per Share (fully diluted) for the years ended March 31, 2006 and 2005 consisted of following:

Year Ended March 31, 2006	Net Income (Loss) [Millions of Yen]	Average Common Stock Outstanding [Thousands of Shares]	Net Income (Loss) per share [Yen]
	¥ 100,069		
Bonuses to Directors	(75)		
Before Adjustment of Dilution	¥ 99,994	1,668,962	¥ 59.91
Effect due to Exercises of Stock Options		1,088	
After fully Dilution	¥ 99,994	1,670,050	¥ 59.87

Year Ended March 31, 2005	Net Income (Loss) [Millions of Yen]	Average Common Stock Outstanding [Thousands of Shares]	Net Income (Loss) per share [Yen]
	¥ 96,865		
Bonuses to Directors	(75)		
Before Adjustment of Dilution	¥ 96,790	1,616,816	¥ 59.86
Effect of Conversion from Preferred Stock	—	49,279	
Effect due to Exercises of Stock Options		548	
Effect of Conversion from Convertible Bonds	—	10	
After fully Dilution (*)	¥ 96,790	1,666,655	¥ 58.07

(*) 5,418 thousand shares of stock option is excluded in calculating the number of the dilutive potential common stock due to no effects of dilution. (see Note 17)

29. Statement of Cash Flows

Following table shows the reconciliation between cash and cash equivalents in the statement of cash flows, and cash and due from banks in the balance sheet at March 31, 2006 and 2005.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Cash and Due from Banks	¥ 892,274	¥ 432,183	\$ 7,598
Due from Banks (excluding due from Bank of Japan)	(200,824)	(280,050)	(1,710)
Cash and Cash Equivalents	¥ 691,450	¥ 152,132	\$ 5,888

Significant non-cash transactions for the years ended March 31, 2006 and 2005 are provided as follows:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Increase in Capital due to Conversion of Convertible Bonds	¥ —	¥ 35	\$ —
Increase in Capital Surplus due to Conversion of Convertible Bonds	—	35	—
Decrease in Convertible Bonds	¥ —	¥ 70	\$ —

Assets and liabilities of the companies that were newly consolidated through acquisition of stocks in the fiscal year ended March 31, 2006 were as follows:

Sumishin Matsushita Financial Services Co.,Ltd.

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

First Credit Corporation

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

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheet of The Sumitomo Trust and Banking Company, Limited (the Bank) and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statement of income, stockholders' equity and cash flows for the years then ended, expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Bank and subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

- (1) As discussed in Note 2(o) to the consolidated financial statements, effective April 1, 2004, the Bank changed the method of accounting for trust fees.
- (2) As discussed in Note 2(k) to the consolidated financial statements, from fiscal year 2004, the Bank implemented an early application of the accounting standards for employee retirement benefits revised on March 16, 2005.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 29, 2006

STATEMENT OF TRUST ACCOUNT (UNAUDITED)

At March 31	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Assets:			
Loans and Bills Discounted (Note 2)	¥ 755,381	¥ 912,294	\$ 6,432
Securities (Note 3)	7,725,066	6,717,120	65,779
Money Held in Trust	41,287,117	36,376,779	351,559
Securities Held in Custody Accounts	239,005	642	2,035
Money Claims	4,650,703	4,126,756	39,601
Premises and Equipment	3,426,969	2,708,770	29,181
Other Claims	1,615,217	95,454	13,754
Call Loans	3,000	500	26
Loans to Banking Account (Note 4)	1,733,446	1,473,736	14,760
Cash and Due from Banks	233,959	233,455	1,992
Total Assets	¥ 61,669,866	¥ 52,645,509	\$ 525,118
Liabilities:			
Money Trusts (Note 5)	18,070,043	17,256,145	153,866
Pension Trusts	5,811,884	4,980,875	49,488
Property Formation Benefit Trusts	9,214	10,806	78
Loan Trusts (Note 6)	885,962	1,043,955	7,544
Securities Investment Trusts	11,982,306	8,547,273	102,029
Money Entrusted, other than Money Trusts	2,376,059	1,887,535	20,232
Securities Trusts	12,063,798	9,803,555	102,723
Money Claim Trusts	4,373,386	3,861,212	37,239
Equipment Trusts	1,686	2,299	14
Land and Fixtures Trusts	154,251	157,690	1,313
Composite Trusts	5,941,271	5,094,159	50,590
Other Trusts	0	—	0
Total Liabilities	¥ 61,669,866	¥ 52,645,509	\$ 525,118

See accompanying notes.

NOTES TO STATEMENT OF TRUST ACCOUNT (UNAUDITED)

1. Basis of Presenting Financial Statements

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

U.S. dollar amounts are translated solely for convenience at the rate of ¥117.44 to U.S.\$1.00, at March 31, 2006.

2. Loans and Bills Discounted

Loans and Bills Discounted at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Loans on Deeds	¥ 752,731	¥ 908,564	\$ 6,409
Loans on Bills	2,649	3,730	23
Total	¥ 755,381	¥ 912,294	\$ 6,432

The balances of Guaranteed Trust Account Loans as of March 31, 2006 and 2005 were ¥551,752 million and ¥735,925 million, respectively, which included the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Loans in Bankruptcy Proceedings	¥ 188	¥ 1,737	\$ 2
Other Delinquent Loans	3,836	4,745	33
Loans more than Three Months Past Due	—	—	—
Restructured Loans	27,873	10,571	237

Note: Refer to page 80 for the definition of each item.

3. Securities

Securities held at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Japanese Government Bonds	¥ 3,255,995	¥ 2,786,244	\$ 27,725
Japanese Local Government Bonds	195,261	198,952	1,663
Japanese Corporate Bonds and Debentures	855,197	995,339	7,282
Japanese Stocks	1,560,143	1,369,113	13,285
Foreign Securities	1,858,465	1,367,469	15,825
Others	3	—	0
Total	¥ 7,725,066	¥ 6,717,120	\$ 65,779

4. Loans to Banking Account

Loans to Banking Account is surplus funds generated through the management of trust assets, which is presented as Borrowed Money from Trust Account in the Banking Account.

5. Balance of Jointly-Operated Money Trusts

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

Funds in a trust account that are reinvested in other trusts managed by the Bank are deducted from these other accounts to prevent

duplication. The figures in the accompanying statements of trust account at March 31, 2006 and 2005 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)
	2006	2005	2006
Assets:			
Loans and Bills Discounted	¥ 167,347	¥ 182,401	\$ 1,425
Securities	43,787	43,573	373
Others	1,007,038	777,094	8,575
Total	¥ 1,218,173	¥ 1,003,068	\$ 10,373
Liabilities:			
Principal	1,216,743	1,001,548	10,361
Reserve for Possible Impairment of Principal	504	552	4
Others	925	968	8
Total	¥ 1,218,173	¥ 1,003,068	\$ 10,373

6. Balance of Loan Trusts

Funds in a trust account that are reinvested in other trusts managed by the Bank are deducted from these other accounts to prevent duplication. The figures in the accompanying statements of trust

account at March 31, 2006 and 2005 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)
	2006	2005	2006
Assets:			
Loans and Bills Discounted	¥ 384,405	¥ 553,524	\$ 3,273
Securities	9,609	40,124	82
Others	543,082	504,761	4,624
Total	¥ 937,096	¥ 1,098,410	\$ 7,979
Liabilities:			
Principal	927,283	1,086,639	7,896
Reserve for Possible Impairment of Principal	5,011	5,781	43
Others	4,801	5,989	41
Total	¥ 937,096	¥ 1,098,410	\$ 7,979

NON-CONSOLIDATED BALANCE SHEET

— The Sumitomo Trust and Banking Company, Limited at March 31, 2006 and 2005

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Assets:			
Cash and Due from Banks	¥ 876,989	¥ 429,308	\$ 7,468
Call Loans	352,514	45,557	3,002
Bills Bought	39,800	—	339
Monetary Claims Bought	582,553	219,282	4,960
Trading Assets	438,031	283,426	3,730
Money Held in Trust	14,768	2,000	126
Securities	5,938,057	4,587,448	50,562
Loans and Bills Discounted	10,352,598	9,035,826	88,152
Foreign Exchanges	3,104	7,397	26
Other Assets	1,098,778	775,194	9,356
Premises and Equipment	93,237	96,126	794
Deferred Tax Assets	—	72,544	—
Customers' Liabilities for Acceptances and Guarantees	648,335	561,253	5,521
Reserve for Possible Loan Losses	(66,501)	(77,076)	(566)
Reserve for Losses on Securities	(535)	(19,704)	(5)
Total Assets	¥ 20,371,732	¥ 16,018,584	\$ 173,465
Liabilities:			
Deposits	10,316,161	9,095,353	87,842
Negotiable Certificates of Deposit	2,421,656	1,495,995	20,620
Call Money	123,523	10,737	1,052
Payables under Repurchase Agreements	983,715	936,658	8,376
Payables under Securities Lending Transactions	703,050	53,507	5,986
Bills Sold	545,500	291,200	4,645
Trading Liabilities	72,848	52,431	620
Borrowed Money	501,049	468,108	4,266
Foreign Exchanges	157	1,003	1
Short-term Corporate Bonds	331,600	—	2,824
Bonds and Notes	192,700	162,700	1,641
Borrowed Money from Trust Account	1,733,446	1,473,736	14,760
Other Liabilities	614,763	502,390	5,235
Reserve for Employees' Bonus	3,786	3,546	32
Reserve for Employee Retirement Benefits	195	335	2
Deferred Tax Liabilities	76,782	—	654
Deferred Tax Liabilities for Land Revaluation	6,410	6,613	55
Acceptances and Guarantees	648,335	561,253	5,521
Total Liabilities	¥ 19,275,682	¥ 15,115,571	\$ 164,132
Stockholders' Equity:			
Capital Stock	287,283	287,053	2,446
Capital Surplus	240,703	240,472	2,050
Capital Surplus Reserve	240,703	240,472	2,050
Retained Earnings	327,379	269,167	2,788
Earned Surplus Reserve	46,580	46,580	397
Voluntary Reserves	191,870	131,872	1,634
Unappropriated Profits at End of Year	88,929	90,715	757
Revaluation Reserve for Land, Net of Taxes	(3,740)	(3,551)	(32)
Net Unrealized Gains on Securities Available for Sale, Net of Taxes	244,674	114,337	2,083
Treasury Stock	(251)	(4,466)	(2)
Total Stockholders' Equity	¥ 1,096,049	¥ 903,013	\$ 9,333
Total Liabilities and Stockholders' Equity	¥ 20,371,732	¥ 16,018,584	\$ 173,465

	Yen		U.S. Dollars (Note 1)
Stockholders' Equity per Share	¥ 655.26	¥ 541.95	\$ 5.58

See accompanying notes.

NON-CONSOLIDATED STATEMENT OF INCOME

— The Sumitomo Trust and Banking Company, Limited at March 31, 2006 and 2005

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2006	2005	2006
Income:			
Trust Fees	¥ 68,900	¥ 71,316	\$ 587
Interest Income:			
Interest on Loans and Discounts	134,832	120,543	1,148
Interest and Dividends on Securities	117,376	97,012	999
Other Interest Income	13,044	20,920	111
	265,252	238,477	2,259
Fees and Commissions	98,583	72,405	839
Trading Income	6,317	4,239	54
Other Operating Income	40,545	46,858	345
Other Income	80,263	69,389	683
Total Income	¥ 559,864	¥ 502,687	\$ 4,767
Expenses:			
Interest Expenses:			
Interest on Deposits	58,133	33,169	495
Interest on Borrowings and Rediscounts	9,254	9,257	79
Other Interest Expenses	54,934	49,120	468
	122,323	91,547	1,042
Fees and Commissions	37,278	34,236	317
Trading Expenses	812	72	7
Other Operating Expenses	33,747	50,972	287
General and Administrative Expenses	125,840	115,260	1,072
Other Expenses	91,281	70,597	777
Total Expenses	¥ 411,284	¥ 362,686	\$ 3,502
Income before Income Taxes and others	¥ 148,580	¥ 140,000	\$ 1,265
Income Taxes and others:			
Current	82	85	1
Deferred	60,000	55,214	511
Net Income	¥ 88,497	¥ 84,700	\$ 754
	Yen		U.S. Dollars (Note 1)
Net Income per Share	¥ 52.98	¥ 52.34	\$ 0.45
Net Income per Share (fully diluted)	52.94	50.77	0.45
Annual Dividends per Share (Common Stock)	12.00	12.00	0.10

See accompanying notes.

NON-CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

— The Sumitomo Trust and Banking Company, Limited at March 31, 2006 and 2005

	Number of Shares		Millions of Yen						
	Preferred Stock (Thousands)	Common Stock (Thousands)	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Revaluation Reserve for Land, Net of Taxes	Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Taxes	Treasury Stock
Balance at March 31, 2004	93,570	1,516,382	¥ 37,428	¥ 249,590	¥ 240,437	¥ 193,861	¥ (3,235)	¥ 94,783	¥ (4,433)
Net Income						84,700			
Dividends Paid						(9,631)			
Shares Issued upon Conversion									
of Preferred Stock	(93,570)	155,625	(37,428)	37,428					
Shares Issued upon Conversion									
of Convertible Bonds		140		35	35				
Net Change								19,554	(33)
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property						314	(315)		
Loss on Disposal of Treasury Stock						(7)			
Bonuses to Directors						(70)			
Balance at March 31, 2005	—	1,672,147	¥ —	¥ 287,053	¥ 240,472	¥ 269,167	¥ (3,551)	¥ 114,337	¥ (4,466)
Net Income						88,497			
Dividends Paid						(30,015)			
Exercise of the Right of Share Warrant		745		230	230				
Net Change								130,337	4,215
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property						189	(189)		
Loss on Disposal of Treasury Stock						(389)			
Bonuses to Directors						(70)			
Balance at March 31, 2006	—	1,672,892	¥ —	¥ 287,283	¥ 240,703	¥ 327,379	¥ (3,740)	¥ 244,674	¥ (251)

	Millions of U.S. Dollars (Note 1)						
	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Revaluation Reserve for Land, Net of Taxes	Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Taxes	Treasury Stock
Balance at March 31, 2005	\$ —	\$ 2,444	\$ 2,048	\$ 2,292	\$ (30)	\$ 974	\$ (38)
Net Income				754			
Dividends Paid				(256)			
Exercise of the Right of Share Warrant		2	2				
Net Change						1,110	36
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property				2	(2)		
Loss on Disposal of Treasury Stock				(3)			
Bonuses to Directors				(1)			
Balance at March 31, 2006	\$ —	\$ 2,446	\$ 2,050	\$ 2,788	\$ (32)	\$ 2,083	\$ (2)

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 in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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

The accompanying financial statements have been restructured and translated into English (with some modifications, expanded descriptions and the inclusion of statement 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-base financial statements for convenience, and as a matter of arithmetical computation only, at the rate of ¥117.44 to U.S.\$1.00, the exchange rate prevailing at March 31, 2006. 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 total in yen, and accordingly in U.S. dollars, shown in the non-consolidated financial statements do not necessarily agree with the sum of the individual amounts.

2. Significant Accounting Policies and Practices

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

Independent Auditors' Report

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

We have audited the accompanying non-consolidated balance sheet of The Sumitomo Trust and Banking Company, Limited (the Bank) as of March 31, 2006 and 2005, and the related non-consolidated statement of income and stockholders' equity for the years then ended, expressed in yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these non-consolidated financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of the Bank as of March 31, 2006 and 2005, and the non-consolidated results of its operations for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

- (1) As discussed in Note 2(o) to the consolidated financial statements, effective April 1, 2004, the Bank changed the method of accounting for trust fees.
- (2) As discussed in Note 2(k) to the consolidated financial statements, from fiscal year 2004, the Bank implemented an early application of the accounting standards for employee retirement benefits revised on March 16, 2005.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the non-consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 29, 2006

SUPPLEMENTARY FINANCIAL INFORMATION

Loans by Industry (Consolidated basis)

(i) Banking Account

	Millions of Yen		Millions of U.S. Dollars
	2006	2005	2006
Domestic Offices (Excluding Offshore Loans):			
Manufacturing	¥ 1,257,483	¥ 1,191,109	\$ 10,707
Agriculture, Forestry, Fishing, and Mining	19,356	9,928	165
Construction	134,688	150,797	1,147
Energy	141,749	116,995	1,207
Communication	163,010	178,060	1,388
Transportation	572,772	545,789	4,877
Wholesale and Retail	876,499	764,458	7,463
Finance and Insurance	1,907,541	1,788,666	16,243
Real Estate	1,306,040	1,165,308	11,121
Various Services	1,308,682	1,205,259	11,143
Local Governments	34,134	10,356	291
Individuals and Others	1,571,602	1,249,428	13,382
Subtotal	¥ 9,293,561	¥ 8,376,158	\$ 79,135
Overseas Offices (Including Offshore Loans of Domestic Offices):			
Governments and Official Institutions	3,757	2,612	32
Banks and Other Financial Institutions	4,806	279	41
Others	884,151	634,869	7,529
Subtotal	¥ 892,714	¥ 637,761	\$ 7,601
Total	¥ 10,186,276	¥ 9,013,920	\$ 86,736

Note: U.S. dollar amounts are translated solely for convenience at the rate of ¥117.44 to U.S.\$1.00, at March 31, 2006.

(ii) Trust Account

	Millions of Yen		Millions of U.S. Dollars
	2006	2005	2006
Domestic Offices (Excluding Offshore Loans):			
Manufacturing	¥ 26,475	¥ 37,288	\$ 225
Agriculture, Forestry, Fishing, and Mining	136	205	1
Construction	19,757	26,038	168
Energy	54,518	77,064	464
Communication	1,614	13,589	14
Transportation	127,305	157,080	1,084
Wholesale and Retail	21,671	25,639	185
Finance and Insurance	81,295	135,981	692
Real Estate	50,509	81,357	430
Various Services	20,388	33,563	174
Local Governments	34,717	37,050	296
Individuals and Others	316,989	287,434	2,699
Total	¥ 755,381	¥ 912,294	\$ 6,432

Note: U.S. dollar amounts are translated solely for convenience at the rate of ¥117.44 to U.S.\$1.00, at March 31, 2006.

FIVE-YEAR SUMMARY

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

CONSOLIDATED STATEMENT OF BANKING ACCOUNT	Millions of Yen				
	2006	2005	2004	2003	2002
AT YEAR-END					
Assets:					
Cash and Due from Banks	¥ 892,274	¥ 432,183	¥ 747,328	¥ 673,327	¥ 835,193
Securities	5,767,544	4,587,489	3,636,779	3,458,250	5,069,838
Loans and Bills Discounted	10,186,276	9,013,920	8,862,059	9,143,155	8,922,465
Premises and Equipment	109,653	106,826	108,861	116,026	121,158
Customers' Liabilities for					
Acceptances and Guarantees	533,760	399,099	340,283	319,217	364,550
Others	3,218,636	1,467,620	1,790,879	2,208,847	1,612,377
Reserve for Possible Loan Losses	(76,206)	(80,806)	(111,785)	(139,060)	(221,562)
Reserve for Losses on Investment Securities	—	(17,958)	(3,027)	—	—
Total Assets	¥ 20,631,938	¥ 15,908,374	¥ 15,371,378	¥ 15,779,764	¥ 16,704,021
Liabilities:					
Deposits and Negotiable Certificates					
of Deposit	12,771,890	10,617,221	10,167,535	10,257,451	9,774,054
Acceptances and Guarantees	533,760	399,099	340,283	319,217	364,550
Others	6,049,210	3,897,076	3,971,173	4,486,172	5,817,477
Total Liabilities	¥ 19,354,861	¥ 14,913,397	¥ 14,478,992	¥ 15,062,840	¥ 15,956,082
Minority Interest	¥ 159,085	¥ 85,250	¥ 90,356	¥ 89,093	¥ 88,290
Stockholders' Equity	¥ 1,117,991	¥ 909,726	¥ 802,029	¥ 627,830	¥ 659,647
Total Liabilities, Minority Interest and Stockholders' Equity	¥ 20,631,938	¥ 15,908,374	¥ 15,371,378	¥ 15,779,764	¥ 16,704,021
FOR THE YEAR					
Income:					
Trust Fees	¥ 68,900	¥ 71,316	¥ 76,401	¥ 71,382	¥ 80,421
Interest Income	271,359	238,698	213,292	270,666	329,927
Fees and Commissions	124,999	88,466	72,137	59,445	61,041
Trading Income	6,317	4,239	3,760	8,094	5,354
Other Operating Income	234,106	46,861	76,227	123,267	192,192
Other Income	85,929	79,930	64,455	32,560	55,364
Total Income	¥ 791,613	¥ 529,513	¥ 506,274	¥ 565,416	¥ 724,301
Expenses:					
Interest Expenses	120,386	89,684	93,583	119,054	225,083
Fees and Commissions	24,427	20,996	19,309	23,353	24,668
Trading Expenses	812	72	—	478	655
Other Operating Expenses	200,514	51,008	49,015	118,963	151,112
General and Administrative Expenses	174,527	138,239	132,716	135,147	134,857
Other Expenses	99,603	71,657	72,993	294,912	244,394
Total Expenses	¥ 620,273	¥ 371,658	¥ 367,618	¥ 691,909	¥ 780,772
Income (Loss) before Income Taxes					
and Others	¥ 171,340	¥ 157,854	¥ 138,656	¥ (126,493)	¥ (56,470)
Net Income (Loss)	¥ 100,069	¥ 96,865	¥ 79,629	¥ (72,967)	¥ (42,480)
PER SHARE (Common Stock)					
Net Income (Loss) per Share (Yen)	¥ 59.91	¥ 59.86	¥ 53.98	¥ (50.80)	¥ (29.87)
Net Income per Share (fully diluted) (Yen)	59.87	58.07	48.32	—	—
Stockholders' Equity per Share (Yen)	668.38	545.98	481.03	361.44	386.86

FIVE-YEAR SUMMARY

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

NON CONSOLIDATED STATEMENT OF BANKING ACCOUNT	Millions of Yen				
	2006	2005	2004	2003	2002
AT YEAR-END					
Assets:					
Cash and Due from Banks	¥ 876,989	¥ 429,308	¥ 751,656	¥ 670,518	¥ 822,915
Securities	5,938,057	4,587,448	3,636,250	3,468,066	5,069,781
Loans and Bills Discounted	10,352,598	9,035,826	8,887,978	9,168,024	8,918,757
Premises and Equipment	93,237	96,126	97,932	105,000	109,882
Customers' Liabilities for					
Acceptances and Guarantees	648,335	561,253	474,756	432,641	501,254
Others	2,529,550	1,405,403	1,738,137	2,162,103	1,573,916
Reserve for Possible Loan Losses	(66,501)	(77,076)	(109,091)	(136,094)	(217,066)
Reserve for Losses on Investment Securities	(535)	(19,704)	(4,774)	(719)	(1,129)
Total Assets	¥ 20,371,732	¥ 16,018,584	¥ 15,472,846	¥ 15,869,541	¥ 16,778,313
Liabilities:					
Deposits and Negotiable Certificates					
of Deposit	12,737,818	10,591,348	10,145,980	10,248,045	9,748,964
Acceptances and Guarantees	648,335	561,253	474,756	432,641	501,254
Others	5,889,529	3,962,969	4,043,677	4,550,351	5,876,096
Total Liabilities	¥ 19,275,682	¥ 15,115,571	¥ 14,664,414	¥ 15,231,038	¥ 16,126,315
Stockholders' Equity:					
Capital Stock	287,283	287,053	287,018	287,015	284,053
Reserves and Surplus	808,765	615,960	521,414	351,487	367,944
Total Stockholders' Equity	¥ 1,096,049	¥ 903,013	¥ 808,432	¥ 638,503	¥ 651,997
Total Liabilities and Stockholders' Equity	¥ 20,371,732	¥ 16,018,584	¥ 15,472,846	¥ 15,869,541	¥ 16,778,313
FOR THE YEAR					
Income:					
Trust Fees	¥ 68,900	¥ 71,316	¥ 76,401	¥ 71,382	¥ 80,421
Interest Income	265,252	238,477	212,429	273,533	329,532
Fees and Commissions	98,583	72,405	57,984	45,748	45,346
Trading Income	6,317	4,239	3,760	8,094	5,354
Other Operating Income	40,545	46,858	76,201	123,259	73,771
Other Income	80,263	69,389	60,799	51,360	51,951
Total Income	¥ 559,864	¥ 502,687	¥ 487,577	¥ 573,379	¥ 586,377
Expenses:					
Interest Expenses	122,323	91,547	94,981	120,718	221,874
Fees and Commissions	37,278	34,236	30,453	27,309	23,121
Trading Expenses	812	72	—	478	655
Other Operating Expenses	33,747	50,972	49,015	118,901	41,374
General and Administrative Expenses	125,840	115,260	113,467	119,010	123,249
Other Expenses	91,281	70,597	73,660	291,726	241,136
Total Expenses	¥ 411,284	¥ 362,686	¥ 361,578	¥ 678,145	¥ 651,411
Income (Loss) before Income Taxes					
and Others	¥ 148,580	¥ 140,000	¥ 125,998	¥ (104,766)	¥ (65,034)
Net Income (Loss)	¥ 88,497	¥ 84,700	¥ 73,928	¥ (56,565)	¥ (42,207)
Annual Dividends	20,057	19,992	9,631	5,134	7,993
PER SHARE (Common Stock)					
Net Income (Loss) per Share (Yen)	¥ 52.98	¥ 52.34	¥ 50.09	¥ (39.49)	¥ (29.68)
Net Income per Share (fully diluted) (Yen)	52.94	50.77	44.86	—	—
Annual Dividends per Share (Yen)	12.00	12.00	6.00	3.00	5.00
Interim	6.00	—	—	—	—
Year-end	6.00	12.00	6.00	3.00	5.00
Stockholders' Equity per Share (Yen)	655.26	541.95	485.27	368.76	381.57

FIVE-YEAR SUMMARY

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

STATEMENT OF TRUST ACCOUNT	Millions of Yen				
	2006	2005	2004	2003	2002
AT YEAR-END					
Assets:					
Loans and Bills Discounted	¥ 755,381	¥ 912,294	¥ 1,132,607	¥ 1,761,904	¥ 1,972,582
Securities	7,725,066	6,717,120	5,796,846	4,476,065	3,433,949
Other Assets	53,189,419	45,016,095	44,959,710	46,378,161	44,485,044
Total Assets	¥ 61,669,866	¥ 52,645,509	¥ 51,889,165	¥ 52,616,131	¥ 49,891,577
Liabilities:					
Money Trusts	18,070,043	17,256,145	18,475,916	20,108,266	17,939,003
Pension Trusts	5,811,884	4,980,875	6,017,425	5,477,868	5,551,957
Property Formation Benefit Trusts	9,214	10,806	11,256	11,515	11,694
Loan Trusts	885,962	1,043,955	1,362,069	1,963,838	2,986,125
Other Trusts	36,892,761	29,353,727	26,022,497	25,054,641	23,402,795
Total Liabilities	¥ 61,669,866	¥ 52,645,509	¥ 51,889,165	¥ 52,616,131	¥ 49,891,577

TOTAL EMPLOYABLE FUNDS	Millions of Yen				
	2006	2005	2004	2003	2002
AT YEAR-END					
Deposits	¥ 12,737,818	¥ 10,591,348	¥ 10,145,980	¥ 10,248,045	¥ 9,748,964
Money Trusts	18,070,043	17,256,145	18,475,916	20,108,266	17,939,003
Pension Trusts	5,811,884	4,980,875	6,017,425	5,477,868	5,551,957
Property Formation Benefit Trusts	9,214	10,806	11,256	11,515	11,694
Loan Trusts	885,962	1,043,955	1,362,069	1,963,838	2,986,125
Total Employable Funds*	¥ 37,514,923	¥ 33,883,131	¥ 36,012,648	¥ 37,809,535	¥ 36,237,746

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

Corporate Structure

INTERNATIONAL NETWORK as of July 1, 2006

THE AMERICAS

UNITED STATES

New York Branch
527 Madison Avenue,
New York, NY 10022, U.S.A.
Telephone: 1-212-326-0600
Facsimile: 1-212-644-3025

**Sumitomo Trust and
Banking Co. (U.S.A.)**
111 River Street,
Hoboken, NJ 07030, U.S.A.
Telephone: 1-201-420-9470
Facsimile: 1-201-420-7853

EUROPE

UNITED KINGDOM

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

LUXEMBOURG

**Sumitomo Trust and
Banking (Luxembourg) S.A.**
18, Boulevard Royal,
L-2449, Luxembourg,
Grand Duchy of Luxembourg
Telephone: 352-4779851
Facsimile: 352-474608

ASIA

SINGAPORE

Singapore Branch
8 Shenton Way, #45-01,
Temasek Tower, Singapore 068811
Telephone: 65-6224-9055
Facsimile: 65-6224-2873
Telex: 20717

INDONESIA

Jakarta Representative Office
11th Floor, Summitmas I,
Jl. Jenderal Sudirman,
Kaveling 61-62,
Jakarta 12069, Indonesia
Telephone: 62-21-520-0057
Facsimile: 62-21-520-0058

THAILAND

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

PEOPLE'S REPUBLIC OF CHINA

Shanghai Branch
50F Jin Mao Tower,
88 Shiji Dadao Pudong New Area,
Shanghai 200121,
People's Republic of China
Telephone: 86-21-5047-6661
Facsimile: 86-21-5047-8298

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

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

STB Consulting (China) Co., Ltd.
7th Floor, Chang Fu Gong
Office Building,
A-26, Jianguomenwai Dajie,
Chaoyang District,
Beijing 100022,
People's Republic of China
Telephone: 86-10-6525-6990
Facsimile: 86-10-6525-7992

REPUBLIC OF KOREA

Seoul Representative Office
100-716, 20th Floor,
Samsung Life Building,
#150, 2-Ka, Taepyung-Ro, Chung-Ku,
Seoul, Korea
Telephone: 82-2-757-8725/7
Facsimile: 82-2-757-8721

SUBSIDIARIES AND AFFILIATED COMPANIES* as of July 1, 2006

Japan

Name	Paid-in Capital (Millions)	Ownership (%)	Group Ownership (%)	Established
The Sumishin Shinko Company Limited	¥ 50	100.0	0.0	June 1948
Sumishin Guaranty Company Limited	¥ 100	100.0	0.0	August 1977
First Credit Corporation	¥ 13,500	100.0	0.0	May 1979
STB Wealth Partners Co., Limited	¥ 155	100.0	0.0	November 1989
Sumishin Business Service Company, Limited	¥ 80	100.0	0.0	July 1995
STB Investment Corporation	¥ 35	100.0	0.0	March 2000
STB Real Estate Investment Management Co.,Ltd.	¥ 300	100.0	0.0	November 2005
STB Business Partners Co., Ltd.	¥ 100	85.0	15.0	April 2006
Japan TA Solution, Ltd.	¥ 2,005	80.0	0.0	July 1998
Sumishin Matsushita Financial Services Co., Ltd.	¥ 20,520	66.0	0.0	February 1967
Sumishin Life Card Company, Limited	¥ 200	51.0	0.0	October 2004
Sumishin Card Company, Limited	¥ 50	50.0	45.0	June 1983
Sumishin Information Service Company Limited	¥ 100	35.0	65.0	February 1973
STB Asset Management Co., Ltd.	¥ 300	30.0	70.0	November 1986
STB Research Institute Co., Ltd.	¥ 300	29.8	70.1	July 1988
Sumishin Realty Company, Limited	¥ 300	5.0	95.0	January 1986
Sumishin SBI Net Bank Research Co., Ltd.	¥ 4,000	50.0	0.0	June 1986
Japan Pension Operation Service, Ltd.	¥ 1,500	50.0	0.0	December 2004
BUSINEXT CORPORATION	¥ 4,000	40.0	0.0	January 2001
Human Resource Management Service & Consulting Co., Ltd. ..	¥ 519	38.9	0.0	May 2002
Top REIT Asset Management Co., Ltd.	¥ 300	38.0	0.0	October 2004
Japan Trustee Services Bank, Ltd.	¥ 51,000	33.3	0.0	June 2000
Japan Trustee Information Systems, Ltd.	¥ 300	5.0	28.3	November 1988
STB Leasing Co., Ltd.	¥ 5,064	4.9	25.0	July 1985

Overseas

Name	Paid-in Capital (Millions)	Ownership (%)	Group Ownership (%)	Established
The Sumitomo Trust Finance (H.K.) Limited	\$ 45	100.0	0.0	July 1978
STB Consulting (China) Co., Ltd.	¥ 50	100.0	0.0	October 2004
Sumitomo Trust and Banking (Luxembourg) S.A.	\$ 30	100.0	0.0	April 1985
Sumitomo Trust and Banking Co. (U.S.A.)	\$ 56	100.0	0.0	May 2002
STB Finance Cayman Limited	\$ 0.01	100.0	0.0	January 1993
STB Preferred Capital (Cayman) Limited	¥ 85,000	100.0	0.0	February 1999
STB Preferred Capital 2 (Cayman) Limited	¥ 51,500	100.0	0.0	November 2005

* As defined by the accounting principles accepted in Japan.

BOARD OF DIRECTORS, EXECUTIVE OFFICERS, AND AUDITORS
as of June 29, 2006



Executive Chairman
Atsushi Takahashi*



President and CEO
Yutaka Morita*



Managing Executive Officer
Masahiko Nakai*



Managing Executive Officer
Akio Otsuka



Managing Executive Officer
Kiyoshi Mukohara*



Managing Executive Officer
Masaru Suzuki*



Managing Executive Officer
Teruhiko Sugita
*General Manager,
Global Credit Supervision Dept.*



Executive Officer
Tadashi Chida
*General Manager, Real Estate Business
Planning Dept.*



Executive Officer
Hidehiko Asai
*Regional Executive, Nagoya
General Manager, Nagoya Branch*



Executive Officer
Takashi Matsui
General Manager, Fukuoka Branch



Executive Officer
Mitsuru Nawata



Executive Officer
Hideo Amemiya
*General Manager, Global Credit
Investment Management Dept.*



Executive Officer
Junichi Sayato
*Regional Executive, Americas
General Manager,
New York Branch*



Executive Officer
Yasuyuki Yagi
*President and CEO,
First Credit Corporation
(Subsidiary of Sumitomo Trust)*



Executive Officer
Tetsuo Ohkubo
*General Manager,
Planning and Coordination Dept.*



Standing Statutory Auditor
Eiichi Tanabe



Statutory Auditor
Koichi Takamura



Deputy President Executive Officer
Takaaki Hatabe*



Senior Executive Officer
Hideo Fujii*



Senior Executive Officer
Masao Shibuya*



Senior Executive Officer
Ikuho Inoue*



Senior Executive Officer
Masakiyo Inoue*
*General Manager,
Tokyo Corporate Business Dept. VI*



Managing Executive Officer
Hiroaki Okuno
*General Manager, IT & Business
Process Planning Dept.*



Managing Executive Officer
Tomoaki Ando*



Managing Executive Officer
Hitoshi Tsunekage*



Managing Executive Officer
Shuichi Kusakawa*



Managing Executive Officer
Rikiya Hattori
*General Manager,
Financial Business Promotion Dept.*



Executive Officer
Sumikazu Tsutsui
*Head Office Executive / General Manager,
Group Planning Unit, Global Markets /
General Manager, Treasury Unit, Global
Markets / General Manager, Alternative
Investing Unit, Global Markets*



Executive Officer
Kazumitsu Tanaka
General Manager, Kyoto Branch



Executive Officer
Seiichi Hirata
*General Manager,
Asset Management Dept.*



Executive Officer
Fuminari Suzuki
*General Manager,
Corporate Trust Business Dept. I*



Executive Officer
Koichi Hozumi
*General Manager,
Tokyo Corporate Business Dept. II*



Statutory Auditor
Hiroshi Noguchi



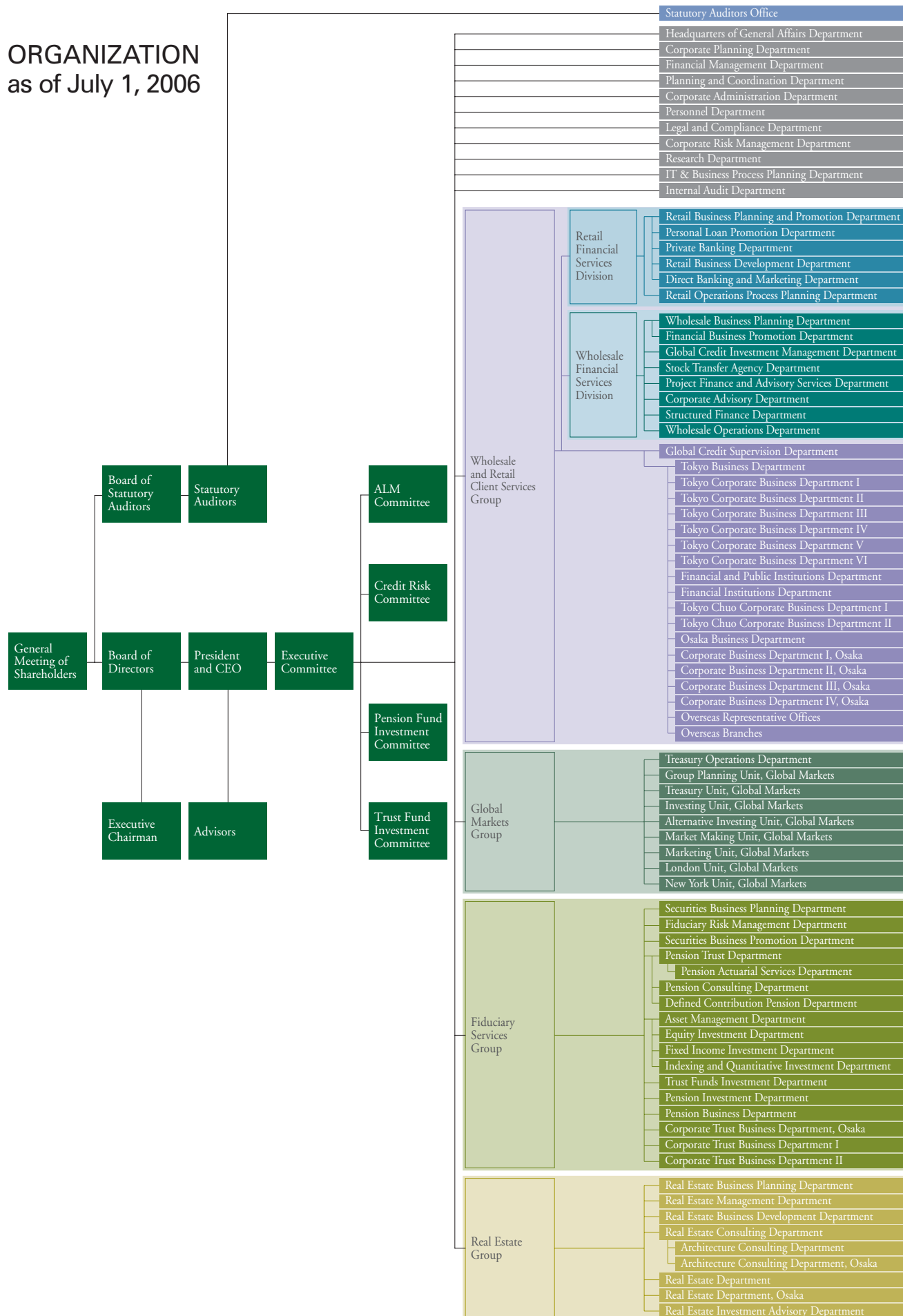
Statutory Auditor
Hitoshi Maeda



Statutory Auditor
Koji Hirao

* Directors

ORGANIZATION as of July 1, 2006



CORPORATE DATA as of March 31, 2006

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

¥287,283 million

Number of Employees

5,230

Independent Public Accountants

KPMG AZSA & Co.

Authorized Stock (Thousands)

Common Stock: 3,000,000

Preferred Stock: 125,000

Note: Company's statutes has been partially revised at the Annual General Meeting held on June 29th 2006, and our company's authorized stock has become 3 billion.

Issued Stock (Thousands)

Common Stock: 1,672,892

Number of Stockholders

Common Stock: 35,996

Principal Stockholders

The 10 principal stockholders of the Bank and their respective holdings of shares at March 31, 2006, expressed as a percentage of the total number of shares then in issue, were as follows:

Common Stock

	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue
Japan Trustee Services Bank, Ltd.(Trust Accounts)	104,383	6.23%
The Master Trust Bank of Japan, Ltd.(Trust Accounts)	98,721	5.90%
STATE STREET BANK AND TRUST COMPANY 505103 (Standing Agent: Mizuho Corporate Bank, Ltd.)	34,485	2.06%
STATE STREET BANK AND TRUST COMPANY (Standing Agent: Mizuho Corporate Bank, Ltd.)	30,424	1.81%
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION (Standing Agent: The Hongkong and Shanghai Banking Corporation Limited)	23,472	1.40%
KUBOTA Corporation	21,984	1.31%
THE CHASE MANHATTAN BANK, N.A. LONDON (Standing Agent: Mizuho Corporate Bank, Ltd.)	18,425	1.10%
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT (Standing Agent: The Bank of Tokyo-Mitsubishi UFJ Ltd.)	18,422	1.10%
STATE STREET BANK AND TRUST COMPANY 505041 (Standing Agent: Mizuho Corporate Bank, Ltd.)	16,816	1.00%
GOLDMAN SACHS INTERNATIONAL (Standing Agent: Goldman Sachs Co., Ltd.)	16,627	0.99%
Total	383,761	22.93%



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

Our IR activities place a high priority on maintaining highly transparent of disclosure, as illustrated by the fact that, from 2001 to 2004, the Security Analysts Association of Japan awarded us the "No.1 Fair Disclosure Company" position among Japanese banks. In this context, we welcome your comments and/or inquiries about this report.

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

Hideo Fujii



For further information, please contact:

Investor Relations Office
Financial Management Department
The Sumitomo Trust & Banking Co., Ltd.
4-4, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8233, JAPAN
Telephone: 81-3-3286-8354
Facsimile: 81-3-3286-4654
e-mail: rstbirnews@sumitomotrust.co.jp
URL: http://www.sumitomotrust.co.jp/IR/company/index_en.html

