Financial Section

Economic and Fiscal Environments

The economic environment in fiscal 2007—the consolidated fiscal year ended March 31, 2008—was characterized by more challenges than opportunities. Overseas, financial instability, triggered by the U.S. subprime loan problem, has been spreading through world markets since the summer of 2007, prompting signs of economic slowdown in key markets, especially the United States. In Japan, concerns about the rising cost of oil and the troubled U.S. economy heightened uncertainty over the direction that the domestic economy would take. Indeed, business conditions have been rather sluggish since early 2008.

In the domestic finance industry, short-term interest rates hovered at the Bank of Japan's guidepost of 0.5%. Long-term interest rates shifted into the upper one-percentile range in fiscal 2006 but traced a downward path in the second half of fiscal 2007, owing to uncertainty over the direction of the economy, and settled into the 1.2% range by March 31, 2008. The Nikkei Stock Average hit 18,000 in June 2007, touching this level the first time in about seven years, but then tumbled from this position and ended the term around 12,000. In the foreign exchange market, growing concern over the state of the U.S. economy sustained a high yen/low dollar situation into the second half of fiscal 2007. In mid-March 2008, the yen strengthened against the U.S. dollar, moving into the ¥95 range for a time, but returned to the vicinity of ¥100 by March 31, 2008.

Fiscal 2007 Consolidated Performance

As of March 31, 2008, deposits amounted to ¥8,830.5 billion, edging up 3.5% from a year earlier. Loans and bills discounted reached ¥7,852.0 billion, up 6.4%. Securities came to ¥4,647.9 billion, up 3.0%.

Total assets stood at ¥14,472.8 billion, up 2.7%.

Against the combined value of total shareholders' equity at March 31, 2008, and minority interests, net assets shrank 10.4% year-on-year, to ¥1,019.2 billion.

On the profit-and-loss front, total income rose 0.1%, to ¥468.5 billion, and total expenses jumped 15.4%, to ¥332.7 billion. As a result, income before income taxes and minority interests decreased 24.4%, to ¥135.7 billion, net income tumbled 36.3%, to ¥71.8 billion, and net income per share dropped to ¥70.55, compared with ¥123.33 a year earlier.

The consolidated capital adequacy ratio, calculated according to domestic criteria, was 13.84% in fiscal 2007, up from 12.13% in fiscal 2006.

Segment Information

The trust and banking business generated total ordinary income of ¥430.7 billion and ordinary expenses of ¥306.0 billion, leading to ordinary profit of ¥124.6 billion. Other finance-related operations generated ordinary income of ¥235.8 billion and ordinary expenses of ¥49.7 billion, for ordinary profit of ¥186.1 billion.

Cash Flows

Net cash provided by operating activities in fiscal 2007 reached ¥427.9 billion, down ¥93.8 billion from fiscal 2006, reflecting a net increase in loans and bills discounted.

Net cash used in investing activities amounted to ¥574.2 billion, down ¥6.2 billion from fiscal 2006, primarily due to higher purchases of securities.

Net cash used in financing activities came to ¥4.8 billion, down ¥2.1 billion from fiscal 2006.

Cash and cash equivalents at the end of the year settled at ¥151.8 billion, down ¥151.2 billion from a year earlier.

Non-Consolidated Fiscal 2007 Performance

Total assets of Chuo Mitsui Trust Holdings stood at ¥898.9 billion, primarily owing to an increase in current assets, such as deposits. Net assets reached ¥748.5 billion, for net assets per share of ¥386.22.

Supported by major increase in dividends received from subsidiaries, income before income taxes and minority interests soared to ¥179.2 billion, net income skyrocketed to ¥179.4 billion, and net income per share of common stock zoomed to ¥182.46.

Dividends

In view of its public duty as a financial institution, Chuo Mitsui Trust HoldingsÅf basic policy on dividends is underscored by an unwavering commitment to ensure an appropriate level of retained earnings while maintaining stable dividends for shareholders.

Seeking to reinforce shareholder returns in line with basic policy, the Company raised dividends ¥2.00 per share of common stock fiscal 2007, to ¥7.00 per share of common stock, taking fiscal results into the dividend calculation. Dividends on preferred stock remained the same as in fiscal 2006: ¥14.40 for class II preferred; and ¥20.00 per share for class III preferred.

How to Read the Financial Statements of Trust Banks

Trust Account and Banking Account

Trust banks keep two types of account: the banking account, which is the institution's own; and the trust account, which is the account of beneficiaries. Trust banks have a number of trust accounts, reflecting the fact that they must separately administer the assets of each trust contract. In principle, details of individual accounts are disclosed only to trustors or beneficiaries. Nevertheless, the total balances of money and pension trusts are recorded in the trust account's aggregate balance sheet. The main assets and liabilities of the trust account with principal guarantee agreement are also disclosed.

Although trust assets nominally belong to trust banks, in fact they belong to the beneficiaries. The institutions therefore receive trust fees for managing these accounts. After deductions for fees and expenses, the profits generated with these accounts all become trust assets.

Trust fees represent one source of income in the banking account. In other words, the banking account income statement reflects both earnings from banking operations and from trust operations.

The Concept of Net Operating Profit *(Gyomu Juneki)*

To calculate core profits—excluding items outside core operations, such as stock earnings and losses and write-offs of non-performing assets—we calculate the net operating profit by selecting only those items that express the earnings from core operations from within the income statement.

Net operating profit is calculated by subtracting the general and administrative expenses and the transfer to the general reserve for possible loan losses from gross operating profit. Gross operating profit comprises:

- Net interest income (such as from deposits, loans and marketable securities);
- Net fees and commissions (trust fees, and fees and commissions);
- Net trading gains (earnings from trading purpose transactions); and
- Net other operating income (such as earnings from foreign exchange and bond trading).

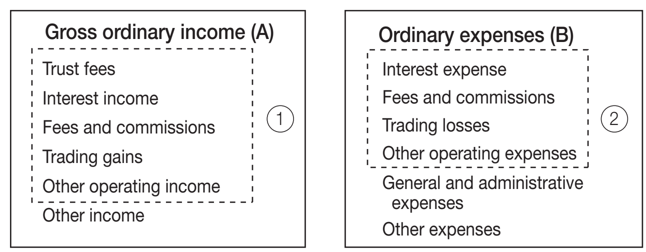
Net Operating Profit at Trust Banks

In addition to net operating profit, trust banks disclose net operating profit before trust account write-offs. With trust banks, the net operating profit calculated according to the formula mentioned above does not adequately reflect the profitability of core operations. Trust fees, which are part of business profit, are calculated after subtracting loan write-offs in the trust account. Therefore, net operating profit is smaller than a trust bank's actual profitability in core operations.

To adjust for this difference and more accurately reflect the profitability of core operations, trust banks calculate net operating profit before trust account write-offs. This allows a comparison with other banks according to net operating profit.

Pre-provision profit is calculated by adding back the transfer to general reserve for possible loan losses from net operating profit before trust account write-offs. The purpose of this calculation is to show the trend of a bank's earning power by eliminating all credit costs including transfers to general reserves.

• The Relationship between Ordinary Income and Net Operating Profit



Ordinary income
This is calculated by deducting ordinary expenses (B) from gross ordinary income (A).
Gross operating profit
The amount remaining after subtracting the highlighted areas in box ② from those in box ① is nearly equal to gross operating profit.
Net operating profit
This results from subtracting general and administrative expenses and the transfer to general reserve for possible loan losses from gross operating profit. The transfer to the general reserve for possible loan losses is part of other expenses.

• Sample Calculation of Net Operating Profit before Trust Account Write-Offs