Financial Section

Economic and Financial Environment

With respect to the economic conditions during this period, due to massive government economic stimulus packages overseas, the perception has been broadening that the economic downturn is abating in the United States and Europe, and the economies have begun to recover in Asia including China. In Japan, while the difficult employment situation remains, economic conditions began to improve from the first quarter of FY2009 led by increased exports and industrial output.

In the financial market, short-term interest rates (overnight call rates) hovered around the Bank of Japan's target rate of 0.1%. Meanwhile, concern over an increase in issuance of government bonds led long-term interest rates to climb up to the 1.5% range in early June, but rates subsequently returned to the 1.3% range at the end of September 2009. The Nikkei Stock Average rose in anticipation of economic recovery, rising from the 8,300 range at the beginning of the period to the 10,100 range at the end of September 2009. In the foreign exchange market, the yen trended higher against the dollar, rising from the ¥98 range in early April to the ¥89 range at the end of September 2009.

Consolidated Operating Results for the First Half of Fiscal 2009

In such economic and financial conditions, each of our group companies, such as The Chuo Mitsui Trust and Banking Company, Limited, concentrating on the retail trust, banking, real estate, and stock transfer agency businesses, Chuo Mitsui Asset Trust and Banking Company, Limited, concentrating on the pension trust and securities trust businesses, Chuo Mitsui Asset Management Company, Limited, concentrating on the investment trust business, and Chuo Mitsui Capital Company Limited, concentrating on the private equity fund management business, have deployed various initiatives in keeping with our fundamental policy of "combining the group's full strength in order to increase profits steadily and lay the groundwork for a great leap forward in the future." As a result, consolidated results for the first half of the fiscal year were as follows.

Regarding consolidated assets and liabilities, during the first half of the fiscal year, total assets increased by ¥373.6 billion from the previous fiscal year-end to ¥15,460.1 billion as of September 30, 2009. Within assets, loans and bills discounted increased by ¥530.7 billion to ¥9,115.0 billion and securities increased by ¥4.0 billion to ¥4,900.6 billion. Deposits decreased by ¥118.6 billion in the first half to ¥9,327.8 billion. Total equity increased by ¥141.3 billion to ¥829.7 billion due to an increase in valuation difference on available available-for-sales securities. Total trust assets (simple sum for The Chuo Mitsui Trust and Banking Company, Limited and Chuo Mitsui Asset Trust and Banking Company, Limited) decreased by ¥419.6 billion to ¥35,650.5 billion as of September 30, 2009.

Regarding profits and losses for the first half of the fiscal year, total income declined ¥36.5 billion from the first half of the previous year to ¥183.7 billion. Total expenses declined ¥35.6 billion year on year to ¥147.6 billion. As a result, income before income taxes declined ¥0.9 billion year on year to ¥36.1 billion. Interim net income increased ¥5.3 billion year on year to ¥19.0 billion. Interim net income per common share (basic) was ¥14.41.

Segment Information

For the first half, in the trust and banking business, ordinary income was ¥179.7 billion and ordinary expenses were ¥141.0 billion. As a result, ordinary profit was ¥38.7 billion. In other finance-related operations, ordinary income was ¥23.6 billion and ordinary expenses were ¥17.7 billion. As a result, ordinary profit was ¥5.8 billion.

Cash Flows

For the first half of the fiscal year, net cash used in operating activities amounted to ¥228.5 billion, a difference of ¥1,158.0 billion from net cash provided in the first half of the previous year, due to a net decrease in borrowed money (excluding subordinated borrowings).

Net cash provided by investing activities amounted to ¥194.1 billion, a difference of ¥773.9 billion from net cash used in the first half of the previous year, due mainly to an increase in proceeds from investment securities.

Net cash provided by financing activities amounted to ¥41.4 billion, a difference of ¥227.5 billion from net cash used in the first half of the previous year, due to a decrease in payment for the purchase of treasury stock.

As a result, cash and cash equivalents, end of the six-month period amounted to ¥224.8 billion, a decrease of ¥90.2 billion from a year earlier.

Non-Consolidated Results for the First Half of the Fiscal Year

Total assets decreased by ¥1.5 billion to ¥808.1 billion in the first half of the fiscal year. Total equity declined by ¥1.6 billion to ¥615.5 billion. Total equity per common share was ¥371.26.

Regarding profits and losses, operating profit declined ¥5.3 billion year on year to ¥6.0 billion due to a decrease in dividends from affiliated companies. Interim net income declined by ¥5.3 billion year on year to ¥6.0 billion and interim net income per common share was ¥4.58.

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 operations 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 operations statement.

Net operating profit is calculated by subtracting the general and administrative expenses and the transfer to the general allowance for 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).

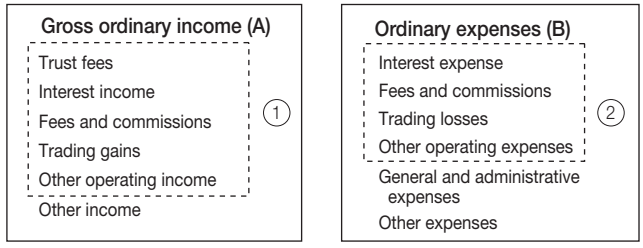
Net Operating Profit at Trust Banks

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 allowance for 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 allowance for loan losses from gross operating profit. The transfer to the general allowance for loan losses is part of other expenses.

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