

A Message from the President & CEO

I would like to report hereby on the results of our Bank's major business activities and interim results in this 133rd half fiscal year ending September 30, 2003, and take the opportunity to thank our shareholders for their invaluable support.

During the first quarter of the period under review, geopolitical problems and concerns over deflation worsened the sentiment of uncertainty regarding the economy, causing the Nikkei average to reach its lowest post-bubble mark. However, in the following quarter, the government's financial policies bore fruit and money markets regained confidence. At the same time, industrial production picked-up and halted the worsening in employment figures. The economy began showing signs of improvement. Reflecting the gradual recovery in real economy, the Nikkei average rose beyond the 10,000 line for the first time in a year. Long-term interest rates advanced also, hovering temporarily within the upper 1% range.

Sumitomo Trust took advantage of these macroeconomic conditions to lead other banks in the disposal of non-performing loans (NPL), continue selling its stock holdings and reduce downside risk on profits to a minimum, thereby succeeding in its strategy to raise net profits. As a result, net income on non-consolidated base for the six months ended 30th September 2003 reached ¥40.3 billion, i.e. double the ¥20.2 billion achieved in the first half of the fiscal year 2002. These positive earnings were made possible by more than halving credit cost from ¥20.9 billion to ¥9.9 billion, and the shift from a loss on stock holdings from ¥16.9 billion to a profit of ¥8.9 billion.

By the end of September 2003, Sumitomo Trust had not only reduced its disclosed NPL ratio to 3.4%, the lowest among major Japanese banks, but cut its balance of stock holdings on a book value base 42% to ¥487 billion from ¥840.3 billion the previous year, also achieving a strong financial position through changes in stock market conditions. In addition, the 27% share of deferred tax credit in Tier 1 capital helped the capital of Sumitomo Trust qualify as the soundest in the industry. Such healthy composition of finances accounts for the ability of Sumitomo Trust to differentiate itself clearly from other major Japanese banks.

As for annual dividends for the fiscal year ending on 31 March 2004, we plan to refer to the General

Meeting of Shareholders our proposal for the distribution of a ¥4 dividend, one full percentage point above that of fiscal 2002.

I would now like to touch upon two significant achievements of Sumitomo Trust in the first half-year.

First, transferring the assets of Mitsui Asset Trust and Banking Co., Ltd. to Japan Trustee Services Bank, Ltd. was completed, thereby bringing the latter's assets under trust to ¥110 trillion, and allowing economies of scale to exert their full effect on the custody business.

Secondly, in June this year, we set up a Social Responsibility Office to explore ways to promote further our role as a corporation aware of its social responsibilities. These encompass wide-ranging issues such as the economy, environment and community, and reflect our commitment toward society. At the same time, we are introducing Social Responsibility Investment (SRI) products through which not only we, but corporate and individual clients also can contribute toward a better society while stimulating economic activity. In concrete terms, we are already managing and marketing an SRI Fund for corporate pensions, and this December we are planning to launch a new SRI-oriented investment trust aimed at the retail market.

While maintaining a sound financial position, providing effective commercial banking services and further building up our customer base, we will also continue making full use of our strengths, namely sophisticated investment management and precise operation, to differentiate ourselves from mega-sized rivals as a quality "asset management bank".

In concluding this message, I would like to express once again on behalf of The Sumitomo Trust and Banking Company, Limited, our deep appreciation to our shareholders for their favorable consideration, as well as our hope for their continued warm support.

December 2003



Atsushi Takahashi
President & CEO