

The Sumitomo Trust & Banking Co., Ltd.
2003 ANNUAL REPORT
Year Ended March 31, 2003

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Sumitomo Trust's Corporate Mission



Atsushi Takahashi
President and CEO

Hitoshi Murakami
Chairman of the Board

A unique and independent bank featuring asset management and information processing services

Sumitomo Trust's history dates back to 1925, when it was originally established in Osaka, Japan, as The Sumitomo Trust Company, which at the time concentrated solely on the trust business. In 1948 Sumitomo Trust was authorized to handle commercial banking in addition to trust business. In 1952, the Loan Trust Act was enacted, allowing trust banks to raise long-term funds from the public and lend them to industries that were key to the economic growth of Japan at that time. During the same time period, Japan's first corporate pension system came into existence, and trust banks began to gain a foothold as institutional investors in addition to being custodians for those assets. Ever since then, Sumitomo Trust has played an important role as a top-tier trust bank and has helped to build the infrastructure for Japan's asset management and custodial service industries.

Today Sumitomo Trust is highly acclaimed for its position as an independent financial institution that is not affiliated with any of the large banking groups, and for its unique business model. Its outstanding trust business, which includes asset management and information processing services, coupled with an ability to cross-sell banking and trust products, are features unique to Sumitomo Trust.

Our mission is to be an indispensable financial institution in Japan, capitalizing on our management autonomy and our business model and gaining the support of our stakeholders, including our shareholders and customers.

Financial Highlights

	Billions of Yen			
	Consolidated		Non-Consolidated	
	FY2002 (4/02-3/03)	FY2001 (4/01-3/02)	FY2002 (4/02-3/03)	FY2001 (4/01-3/02)
Gross Business Profit (Before Trust Account Credit Costs)*	291.3	291.3	275.2	271.7
General and Administrative Expenses	(135.1)	(134.8)	(116.3)	(121.4)
Net Business Profit (Before Credit Costs)**	156.1	156.5	158.8	150.2
Credit Costs	(87.8)	(110.0)	(85.9)	(105.4)
Net Other Non-recurring Items	(134.4)	(103.2)	(141.3)	(112.4)
Net Operating Profit (Loss) (Keijo-Rieki)	(66.1)	(56.7)	(68.3)	(67.6)
Net Income (Loss)	(72.9)	(42.4)	(56.5)	(42.2)

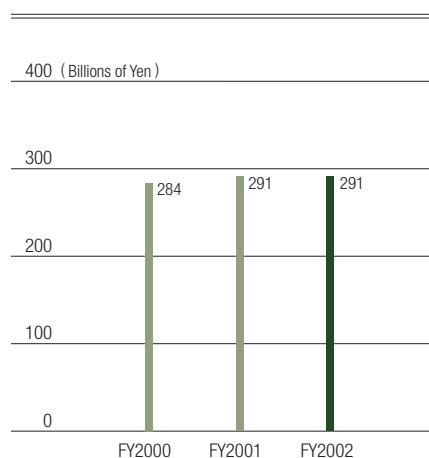
* Gross Business Profit (Before Trust Account Credit Costs) = (Gross Business Profit) + (Trust Account Credit Costs)

** Net Business Profit (Loss) (Before Credit Costs) = (Net Business Profit) + (Trust Account Credit Costs) + (Net Transfer to General Reserve)

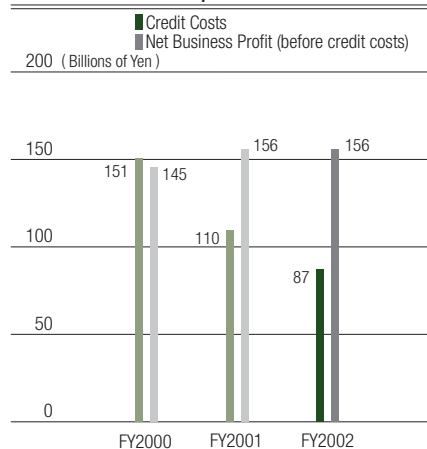
Net Business Profit = (Gross Business profit) - (General and Administrative Expenses) - (Net Transfer to General Reserve)

BIS Tier 1 Ratio	6.09%	6.16%	6.20%	6.12%
BIS Capital Adequacy Ratio	10.48%	10.86%	10.62%	10.84%
Net Income (Loss) per Common Share	¥(50.80)	¥(29.88)	¥(39.50)	¥(26.69)
Return (Net Income) on Equity	-13.6%	-7.1%	-10.5%	-7.1%
Cash Dividends per Common Share			¥3.00	¥5.00

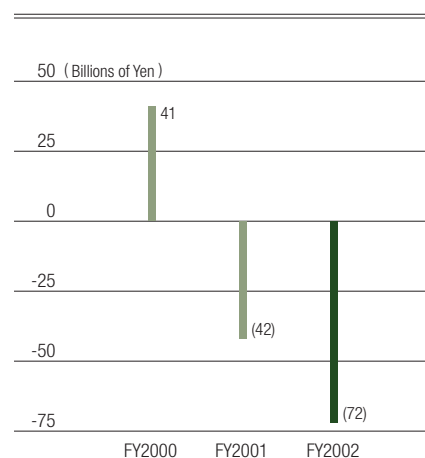
Consolidated Gross Business Profit (before credit costs)



Consolidated Net Business Profit (before credit costs) in comparison with Credit Costs



Consolidated Net Income



Primary Strengths of Sumitomo Trust

Sumitomo Trust (the Bank) is recognized by the market and its clients as a bank that maintains continuity and consistency in its corporate policy, and as an independent financial institution with a unique business model that features, trust operations as a core business, a high percentage of fee income, cross-selling of banking and trust products/services, and a solid financial status.

Trust operations as a core business

The Bank's core business is its trust operations, which are divided broadly into asset management and information processing (custodial) services. The Bank is one of the leading asset managers in Japan, with ¥16 trillion in assets under management for corporate and public pension funds. Its information processing services has been reinforced by Japan Trustee Services Bank, Ltd., a joint venture with Resona Holdings and Mitsui Trust Holdings, intended to take advantage of economies of scale. In October 2002, Japan TA Solution, Ltd., a joint venture with Japan Securities Agents Ltd., commenced operations. The company was established to enable the Bank to retain a top-tier transfer agency system and further enhance investment capability as well as economies of scale.

High percentage of fee income

In fiscal year 2002, the percentage of our fee income to gross business profit was 25% in non-consolidated basis or

30% in consolidated basis respectively. The Bank aims to further raise this percentage, since a higher percentage of fee income will lead to a higher ROE.

Cross-selling banking and trust products/services

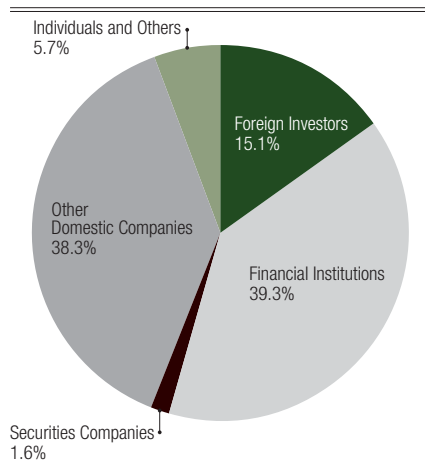
Cross-selling banking and trust products is another important key to our success. The Bank believes that its trust operations do not function well without its banking operations. Our corporate and individual customer base from our banking operations is indispensable for establishing an ideal platform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

Solid financial status

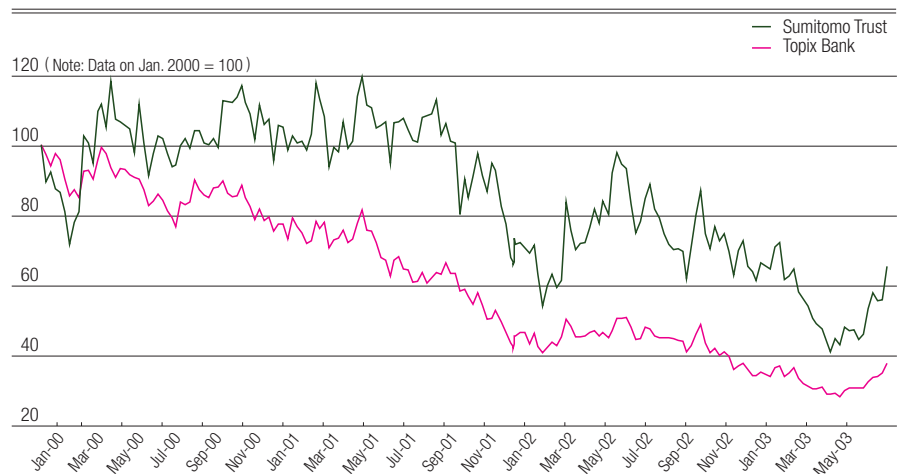
The balance of the Bank's loan assets classified under the Financial Reconstruction Law was ¥402.2 billion, or 3.6% of our total loans outstanding. This percentage is the lowest among major Japanese banks and demonstrates the Bank's proactive approach to disposing of non-performing loans.

We believe Sumitomo Trust's unique business model and solid financial position together with its independent stance have led to favorable treatment by the stock market. Its share price has consistently outperformed the sector average, and the company boasts a relatively high percentage of foreign shareholders.

Ownership Structure



Share Price Performance of Sumitomo Trust



To Our Shareholders, Customers and Employees



Atsushi Takahashi President and CEO

In the middle of an extremely difficult time for Japan's banking industry, those of us at Sumitomo Trust are working to maintain a healthy balance sheet and strengthen our earnings base through integrated banking and trust services.

Overview of fiscal year 2002 (April 2002- March 2003)

During fiscal year 2002 deflationary pressure continued to increase. Although the Japanese economy turned around in the first half, it contracted rapidly in the second half, mainly due to the slump in exports caused by the uncertain outlook for the global economy because of the approaching war in Iraq. The Japanese stock market tumbled sharply in March 2003 and on March 11 the Nikkei 225 Stock Average fell to 7,862.43, its lowest since 1983.

All the large banking groups and major banks reported huge losses because of the impact of this decline on the value of their stock portfolios. Unfortunately, Sumitomo Trust was no exception. We recorded a net loss for the second consecutive year. An unexpectedly large amount of devaluation as well as realized losses incurred by aggressive sales of stocks generated a ¥127.9 billion loss, resulting in a net operating loss of ¥66.1 billion. Further, as an extraordinary loss, we had to record a ¥57.4 billion loss on the securities we had contributed to our employee retirement benefit trust, by compensating for the shortfall caused by the new accounting principal applied since fiscal year 2000. As a result, we posted a net loss of ¥72.9 billion.

However, our business is exceptionally sound within the Japanese banking industry. First, amidst a more competitive market environment, our operating profitability remained high, with net business profits (before credit costs) of ¥156.1 billion, which is almost the same level as the year before. Second, and more notably, we have consistently lowered credit costs, which further improved to ¥87.8 billion from ¥110.0 billion the year before. Sumitomo Trust is the only major Japanese bank whose credit costs have not exceeded its net business profits (before credit costs) for two consecutive years.

Our financial soundness was also demonstrated by our BIS Capital Adequacy Ratio of 10.48%, along with a Tier-1 Ratio of 6.09%, which were one of the highest among the major Japanese banks. Moreover, in terms of the focal point of the major banks' capital structures, Sumitomo Trust maintained one of the highest-quality capital bases among its peers. Our capital was less reliant on deferred tax assets than most major Japanese banks; the ratio of deferred tax assets to Tier-1 capital was 39.5%, while the sector average was 57.9%. The amount of government funds in Tier-1 capital was ¥100 billion, the lowest in the sector apart from Mitsubishi Tokyo Financial Group (MTFG).



Ensuring stability in our bottom line

To survive this period of deflation and to become a winner in the fast-changing financial sector, it is imperative that we ensure growth and profitability by controlling the downside risks to profits.

In today's stagnant stock market, the risk of appraisal losses on our portfolio of cross-shareholdings poses the biggest threat to our profitability. We have aggressively unwound our cross-shareholdings. In fiscal year 2002 we sold ¥325.3 billion worth of cross-shareholdings (on a cost basis), resulting in cross-shareholdings of ¥588.7 billion (on a cost basis), or of ¥525.1 billion (on a mark-to-market basis) as of the end of March 2003, 25.6% below our Tier-1 capital of ¥706.1 billion. Our proactive efforts were in response to the Japanese government's guideline that cross-shareholdings should be kept below Tier-1 capital. Sumitomo Trust was the first bank to satisfy this guideline in September 2002.

Problem loans are another big issue that affect profits. Assets classified under the Financial Reconstruction Law stood at ¥402.2 billion as of March 2003, dramatically reduced from ¥689.0 billion a year ago. Accordingly, the ratio of problem loans to total loans fell from 6.1% to 3.6%, the lowest of all the major Japanese banks. The average ratio was 7.2% among the seven major Japanese banks and banking groups. (All numbers in this paragraph are on a non-consolidated basis.)

Improving operating efficiency is crucial during a period of deflation when we cannot expect significant revenue growth. Our efficiency ratio improved to 45.6%, a 3.4 percentage point improvement on a year-on-year, and better than the average at the other major Japanese banks. We have successfully reduced general and administrative expenses by ¥5.1 billion to ¥116.3 billion, improving operating efficiency by outsourcing back office functions and through the use of cost-effective direct delivery channels such as online and telephone banking. The number of employees was reduced by 163 to 4,991 as of March 2003. All of these figures come in ahead of the targets in the "Plan for Restoring Sound Management." (All numbers in this paragraph are on a non-consolidated basis.)

Sumitomo Trust Way – Initiatives to grow our top line

Putting priority on minimizing downside risks does not mean we will cease efforts to increase gross profit. Rather, we will make every effort to ensure stable profit growth, even during this unfavorable market situation. We do not believe that a sales strategy, leveraged by the size of loans provided and customer relationship with cross-shareholdings, is effective in a highly competitive environment. Strategic differentiation is key. We will continue to focus on building our unique market position as a financial institution that is strong at asset management and information processing. We are sure that our strategy diversifies our revenue sources and stabilize the profitability.

As such, our first initiative is Relationship Management (RM), a strategy that effectively integrates banking and trust-related services, re-bundling our products and capitalizing on our exceptional consulting capabilities to provide solutions-oriented, value-added services. To supplement this strategy, we have reorganized our organization into wholesale and retail groups to provide more customized services.

In the wholesale field, thanks to the efforts of RM managers to realize the synergy between the banking and trust-related businesses, we not only increased the revenue from both businesses, but also managed to expand the scope of our trust business. In the retail field, our primary focus is on private banking services. We have started the *Sumishin Private Trust Club*, which offers valuable consulting and investment information that capitalizes on our specialist capabilities accumulated as a top-tier institutional investor.

Our second initiative is to pursue cost competitiveness in securities processing. For example, Japan Trustee Services Bank, Ltd. (JTSB), our principal vehicle for custody services, has recorded a critical mass of ¥86.3 trillion in entrusted assets as of March 2003, a 14.0% increase from last year. As such, it enjoys economies of scale and allows us to provide highly cost-competitive services. In addition, in October 2002 we commenced operations of Japan TA Solution, Ltd. (JTAS), jointly established with Japan Securities Agents, Ltd. to pursue cost competitiveness in the stock transfer agency business. The new company specializes in system management and data processing.

Finally, we plan to optimize our loan portfolio in terms of risk-adjusted returns and diversification of borrowers by actively utilizing market-type credit products, such as syndicated loans and asset-backed securities, and the secondary loan market. In fiscal year 2002 our balance of market-type credit products increased to ¥2.1 trillion from ¥1.5 trillion last year, including ¥314 billion in secondary claims made through OTC transactions and market participation. These market-type credit products represent 20.7% of our total loan balance. The loan-

deposit margin of our three major domestic accounts (banking account, loan trusts, and jointly operated money trusts (JOMT)) was 1.24% in fiscal year 2002, improving 4 basis points from the previous fiscal year.

Staying independent to maximize shareholders' value

Our management goal is to maximize shareholders' value. This has led us to two distinct rules: to enhance our competitiveness in the trust business, and to maintain speedy managerial judgment. I am convinced that our independent management style effectively bolsters these rules. At the same time, to maintain our independence we must show adequate earning power, and leverage our comparative advantages in financial strength and integrated RM strategy.

We strongly believe that independence will benefit our shareholders and customers. An independent management style helps us to focus on our core competencies and to provide customers with truly integrated financial services. On the other hand, we are flexible in considering the opportunities presented by mergers and acquisitions, and alliances as long as they help to strengthen our business. I have specifically set four criteria in the "Takahashi M&A Doctrine" to gauge properly the potential of mergers and alliances.

Takahashi M&A Doctrine

A successful M&A will:

- 1) Improve profitability;
- 2) Boost market share of trust business
(Asset management and information processing services);
- 3) Evolve our business model;
- 4) Obtain support from the capital market and customers

To maximize shareholders' value, the last criterion is the most important. In this regard, our recent alliances, such as the JTSB and JTAS joint ventures, have been successful. In May 2002, we formed another alliance based on these conditions. We established a joint venture, which undertakes payroll and human resources services, jointly with Matsushita Electric Industrial Co., Ltd., and Kao Corporation. The company will not only contribute to cost reductions but also to our future business expansion.

Repaying public funds

In order to maintain autonomy, we believe that repaying public funds is another important goal that we must achieve. In March 2003 we repaid a perpetual subordinated bond worth ¥100 billion. As a result, the amount of public funds outstanding was ¥200 billion, including term subordinated debt, the lowest level of the major Japanese banks apart from MTFG, which has already repaid all the public funds it had received. We plan to repay the remaining ¥200 billion in public funds, which are in the forms of preferred stock and subordinated bonds, by March 2005.

Corporate governance

Since our foundation in 1925, we have maintained the core business principle of “trust and integrity.” Like any other big businesses, we cannot expect sustainable growth without building a long-term relationship with our stakeholders. This is even more important for those of us engaged in the trust business. We aim to create a virtuous “win-win” cycle among major stakeholders, including shareholders, customers and employees. We are committed to maximizing the value to each of these stakeholders and maintaining fairness and transparency.

Our executive officer system and business group system ensure that the board of directors concentrates on decision-making related to corporate strategy and operational oversight, while facilitating speedy decision-making both at the corporate and business group levels. Statutory auditors, operation auditors and accounting auditors independently monitor management. We will further promote the transparency of management through proactive disclosure.

On June 1, 2003 we established a Social Responsibility Office, ahead of our competitors. The Office focuses on promoting Corporate Social Responsibility (CSR). Today, CSR activities are indispensable for a corporation in enhancing its competitiveness and ensuring its sustainable growth. CSR, which started in U.S., is now spreading worldwide, including in Japan. We will promote our own business model, fulfilling our social responsibilities and contributing to social and economic prosperity in response to the growing demands of society and stakeholders for CSR.

I would like to thank you for the faith that you put in Sumitomo Trust. We will do our best to reward that faith.

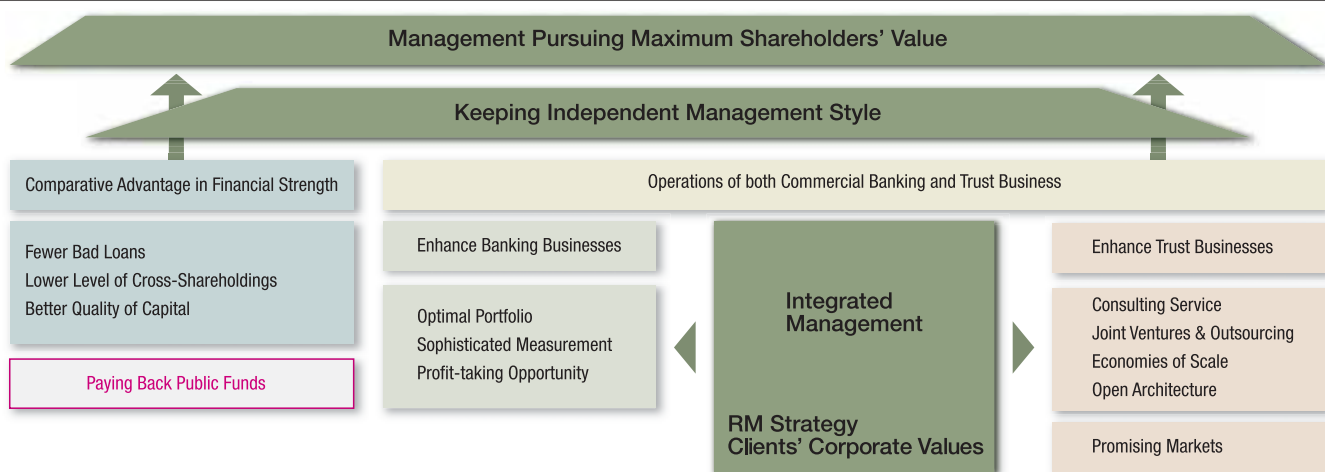
Atsushi Takahashi
President and CEO

A handwritten signature in black ink, reading "A. Takahashi". The signature is written in a cursive, flowing style.

Special Feature — Sumitomo Trust Way

Pursuing maximum shareholders' value drives Sumitomo Trust's business practices. To achieve this objective, it is important that we maintain an independent management style that enhances our competitiveness in the trust business and enables us to make flexible and speedy managerial judgments. This management independence is supported by our relatively strong financial position and by our operations in both commercial banking and trust businesses.

Sumitomo Trust Way

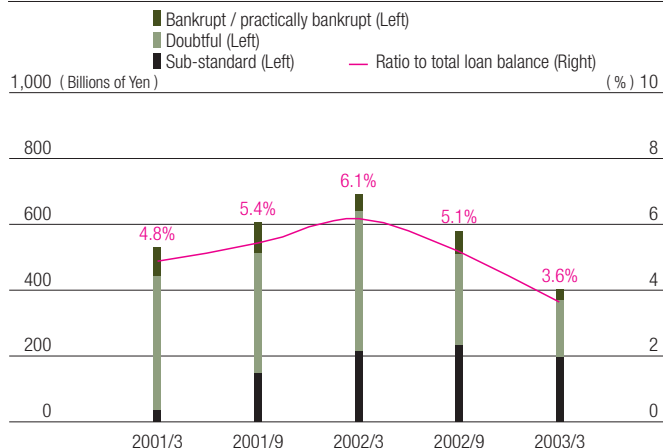


I. Financial Strength Characterized in its Solid Asset Quality

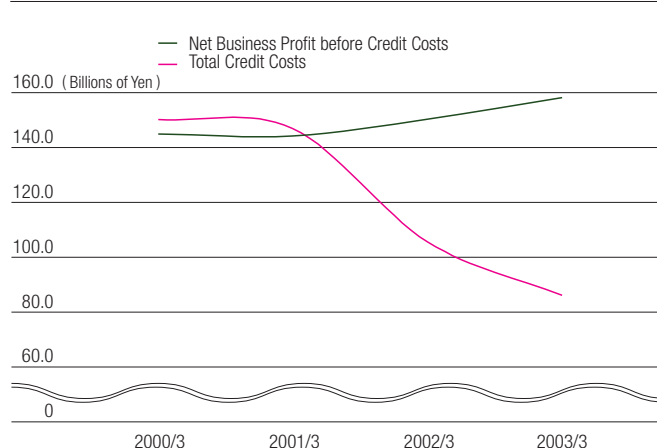
1) Top-tier asset quality among major Japanese banks
Sumitomo Trust has been one of the few Japanese banks that has successfully recovered financial soundness in recent years. Its credit costs have fallen consistently. For fiscal year

2002, credit costs on a non-consolidated basis decreased to ¥85.9 billion, a ¥19.4 billion decline from the previous fiscal year, and they have now come in below net business profit for two consecutive years.

Problem Loans



A Peak Out of Credit Costs



2) Two factors contributed to financial soundness recovery

We believe that there are two factors that contributed to this improvement. First, Sumitomo Trust has been proactive in disposing of non-performing loans. In mid 1990s, the bankruptcy of the “Jyu-sen,” or housing loan companies, led to a dramatic increase in non-performing loans at Japanese banks. Sumitomo Trust was no exception and its credit costs rose to a peak of ¥589 billion in fiscal year 1995. However, we immediately and strictly dealt with the issue.

As of March 2003, the percentage of non-performing loans disclosed under the Financial Reconstruction Law to total assets was 3.6%. Non-performing loans are covered by a higher coverage ratio coupled with conservative cash reserves and strict standards for debtor classification. Second, Sumitomo Trust’s loan portfolio has a relatively higher exposure to large-scale listed companies compared to other banks. This is characteristic of trust banks in Japan, whose main role is to serve as long-term capital lenders to the nation’s key industries. Looking at it from another perspective, our exposure to small- and mid-sized companies was approximately 31% (excluding consumer loans) as of March 2003. Large-scale companies are proactively restructuring

their finances, and as a result, we are less affected in a deflationary phase than commercial banks. In addition, our loan portfolio is characterized by smaller number of borrowers and relatively solid credit profiles, which allows us to scrutinize each credit more closely and precisely.

3) Status of problem loans as of March 2003

There are three categories of problem loans designated in Financial Reconstruction Law: “Bankrupt and practically bankrupt,” “Doubtful,” and “Substandard.” The total amount of loans in each of these three categories, their ratio to the outstanding loan balance and the ratio of their coverage to cash reserves or collateral are the key indicators of a bank’s asset quality.

As of March 2003, assets classified under the Financial Reconstruction Law totaled ¥402.2 billion (the total for banking and trust accounts), ¥286.8 billion less than the total as of March 2002. The percentage of these assets to total loan outstanding was 3.6%, 2.5% lower than as of March 2002. This percentage was lower than the average of the major banking groups, which was 7.2%. Our overall coverage ratio for these assets is 79.6% while the average of the major banking groups is 73.0%.

Assets Classified Under Financial Reconstruction Law

<Banking A/C + Trust A/C>

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

(Billions of Yen)

Classification by asset	Balance			Coverage Ratio			Collateral / Reserve			
	Mar.2003	Sep.2002	Mar.2002	Mar.2003	Sep.2002	Mar.2002	Mar.2003	Sep.2002	Mar.2002	
Bankrupt and Practically Bankrupt (A)	29.0	70.1	47.2	100%	100%	99%	Uncovered	—	—	0.3
							Specific Reserve	1.2	3.4	4.9
							Collateral/Guarantee	27.7	66.7	42.0
Doubtful (Kiken-Saiken) (B)	176.6	273.6	424.4	85%	85%	82%	Uncovered	25.4	41.8	75.3
							Specific Reserve	43.3	71.6	128.4
							Collateral/Guarantee	107.8	160.2	220.7
Substandard (Yo-Kanri-Saiken) (C)	196.5	236.4	217.5	71%	65%	64%	Uncovered	56.5	82.9	76.1
							General Reserve	39.8	43.2	36.9
							Collateral/Guarantee	100.1	110.3	104.5
Ordinary Assets (Seijo-Saiken)	10,764.8	10,695.8	10,627.8				General Reserve	47.3	39.8	45.5
							Reserve for Loans to Borrowers in Specific Foreign Countries	0.9	1.1	1.2
Total of (A), (B) and (C)	402.2	580.2	689.0							
Total	11,167.0	11,276.1	11,316.9							

4) Migration analysis of problem loans in fiscal year 2002

The “migration analysis” table shows the change and breakdown in each category of loans made to special mention debtors or worse, according to self-assessment. Not only we monitor the current status of the problem loans but we also monitor and analyze changes in each category, as well as transitions between the categories. Changes are mainly broken down into three categories: “downgrade (+),” the gross amount of downgraded assets, “upgrade (-),” the gross amount of upgraded assets, or “write-off, sales or collection.” Through this analysis, the following results can be seen: as of March 2003, assets classified as worse than

“Special Mention” fell ¥796.2 billion year-on-year.

Downgraded assets totaled ¥334.1 billion, upgraded assets were ¥546.0 billion, while ¥558.0 billion in assets were written-off, disposed of or collected. Although assets write-off, disposal and collection contributed most to the ¥796.2 billion decline in assets classified as worse than Special Mention, we would rather emphasize that total upgraded assets exceeded total downgraded assets. Notably, an upgraded amount of ¥412.5 billion, which was classified as Special Mention in the previous fiscal year, was moved up to the ordinary category following financial restructuring at some large companies.

Migration Analysis of Loans in Special Mention or Worse Categories
Banking a/c and Trust a/c (Non-consolidated, FY 2002)

(Billions of Yen)	Billions of Yen							
	Mar. 2002	Mar. 2003	Change	Breakdown of change				Write-off, sales, or collection
				Downgrade (+)	Downgrade(-)	Upgrade (+)	Upgrade (-)	
Bankrupt/ practically bankrupt	47.2	29.0	-18.2	40.0	—	—	-0.6	-57.5
Doubtful	424.4	176.7	-247.7	65.5	-35.4	0.5	-68.7	-209.6
Loans to substandard debtors	255.9	209.5	-46.4	30.0	-47.2	58.6	-64.2	-23.5
Loans to special mention debtors (excl. loans to substandard debtors)	1,187.2	703.3	-483.9	198.6	-40.9	38.3	-412.5	-267.4
Downgrade (gross) / Upgrade (gross)			-796.2	334.1			-546.0	-558.0

5) Conservative cash reserves and a strict standard for debtor classification

We have paid careful attention to loans to debtors classified in the “Substandard” and “Special Mention other than substandard” category under the self-assessment system, as these debtors could potentially move to more serious categories, eventually leading to additional credit costs. As of March 2003, the ratio of cash reserves to loans in the “Special Mention other than Substandard” category was 5.6%, up 2.6% from March 2002. This was because we introduced a more conservative sampling method, extend-

ing the sampling period used to calculate historical credit costs from two years to three. In the deflationary environment, we are well prepared for the possible migration of those debtors to more serious categories.

As of March 2003, the ratio of cash reserves to loans classified in the “Substandard” category of the banking account was 25%, down 0.7% from March 2002. The ratio of cash reserves to the uncovered portion of such loans was 50.7%. In March 2003, we introduced the discounted cash flow (DCF) analysis method which is encouraged by the Japanese FSA for use in calculating the general

reserve for borrowers in the “Substandard” category, whose debts with us are more than ¥10 billion. The result did not change the required cash reserve ratio and so confirmed our conservative stance before the introduction of this method.

6) Credit costs breakdown for fiscal year 2002

In fiscal year 2002, our credit costs decreased by ¥19.5 billion year-on-year to ¥85.9 billion. Credit costs were higher than our target of ¥80 billion, mainly due to the write-off of loans made to Air Canada, which granted court protection from creditors on April 1, 2003. The ¥85.9 billion in credit costs is the sum of ¥60.4 billion in the banking

account, ¥20.3 billion in the trust account, and ¥5.1 billion in net transfer to general reserves. Credit costs in the banking account amounting to ¥60.4 billion include ¥43 billion from additional specific reserves following the reclassification of some debtors to lower categories, and ¥23 billion from write-offs. There was a decrease of ¥10 billion in credit costs due to the migration of some debtors to better categories. In the second half of the fiscal year net transfer to general reserves increased by ¥40 billion because the reserve ratio for loans to “special mention other than substandard” was raised from 3.0% to 5.6%, as explained above.

FY2002 Credit Costs Breakdown

Credit Costs (Billions of Yen)	FY2001	FY2002	1HFY2002	2HFY2002	Notes
Write-off/Reserve	99.1	80.7	19.9	60.8	
Trust A/C	23.9	20.3	16.5	3.7	<ul style="list-style-type: none"> ▶ Mainly write-offs for 1HFY2002. ▶ Write-offs for 2HFY2002: approx. 1.2 billion yen → Reflected on trust a/c credit costs for 1HFY2003
Banking A/C	75.2	60.4	3.4	57.0	
Net Transfer to Specific Loan Loss Reserve	48.5	3.0	-3.4	6.4	<ul style="list-style-type: none"> ▶ Reserve ratio for loans to “special mention” – raised from 3.0% to 5.6% (due to extended sampling period for calculation of historical credit costs – from 2 years to 3 years) → Transferred approx. 16 billion yen
Net Transfer to General Reserve	6.2	5.1	1.0	4.0	<ul style="list-style-type: none"> ▶ Decrease in amount of loans to substandard debtors → Reversal of reserves approx. 12 billion yen
Total Credit Costs	105.4	85.9	20.9	64.9	<ul style="list-style-type: none"> ▶ Write-offs, sales : approx. 23 billion yen ▶ Increase in specific loan loss reserve owing to debtors' migration to worse categories : approx. ¥43 billion yen ▶ Decrease in specific loan loss reserve due to debtors' migration to better categories : approx. ¥10 billion yen

7) Forecast for credit costs for fiscal year 2003

We forecast that credit costs for fiscal year 2003 will be ¥60 billion. We use a two-way approach to forecast credit costs. One is a bottom-up approach, in which the probability of loss or debtor default is individually assessed and the results of the assessment of each debtor are aggregated. The other is a top-down approach, which can be explained using the following matrix (please refer to the table below). We conservatively assume (a) a total loss in the Level III category of over ¥27.1 billion and (b) a 10% loss in the value of real estate collateral in Level II of ¥10.6 billion (¥ 106.4 billion × 10%). The sum of (a) and (b) equals ¥37.7 billion. As we

plan to dispose of all of these non-performing loans or remove them from the balance sheet by fiscal year 2004, we estimate ¥30 billion in credit costs in fiscal year 2003, and ¥10 billion in fiscal year 2004. Aside from the above, we assume ¥30 billion in credit costs per year in the normal course of business, which is presumed to be 0.3% of our approximately ¥10 trillion in exposure to loans classified in the “Special Mention” and “Ordinary” categories.

Our forecast is subject to change depending on macro-economic circumstances and other unpredictable events; however, we believe that our forecast is logical and reasonable at this moment.

Forecasting Credit Costs in FY2003 – Overview of Self-Assessment as of Mar. 2003

*Number in the second row in each category denotes difference from Sep. 2002.

(Billions of Yen)	Banking A/C				Trust A/C			
	Amount	Level I	Level II	Level III	Amount	Level I	Level II	Level III
Legally Bankrupt	14.7	1.2	13.5	0.0	5.8	0.0	5.8	0.0
(Bankrupt/ practically bankrupt)	5.2	0.0	5.3	0.0	0.0	0.0	0.0	0.0
Virtually Bankrupt	7.2	0.3	6.8	0.0	1.2	0.0	1.1	0.0
(Bankrupt/ practically bankrupt)	-43.3	-2.9	-40.3	0.0	-3.0	-0.2	-2.8	0.0
Potentially Bankrupt	159.7	51.8	84.8	23.1	16.8	1.3	11.4	4.0
(Doubtful)	-82.7	-31.8	-37.3	-13.5	-14.2	0.3	-10.1	-4.5
Total	181.7	53.3	105.2	23.1	23.9	1.3	18.5	4.0
	-120.8	-34.9	-72.3	-13.5	-17.2	0.1	-12.8	-4.5

Real estate collateral in Level II

Banking A/C Legally and Virtually Bankrupt: approx. 14.3 billion yen; Potentially Bankrupt: approx. 80.1 billion yen

Trust A/C Legally and Virtually Bankrupt: approx. 5.6 billion yen; Potentially Bankrupt: approx. 6.4 billion yen

Total 106.4 billion yen

10% is the estimated loss ratio under the stress scenario on sales of real estate collaterals.

Uncovered amount for Potentially Bankrupt or worse categories totals 27.1 billion yen.

106.4 billion Yen × 10% + 27.1 billion Yen = 37.7 billion Yen

8) Ensuring solid asset quality by optimizing our loan portfolio

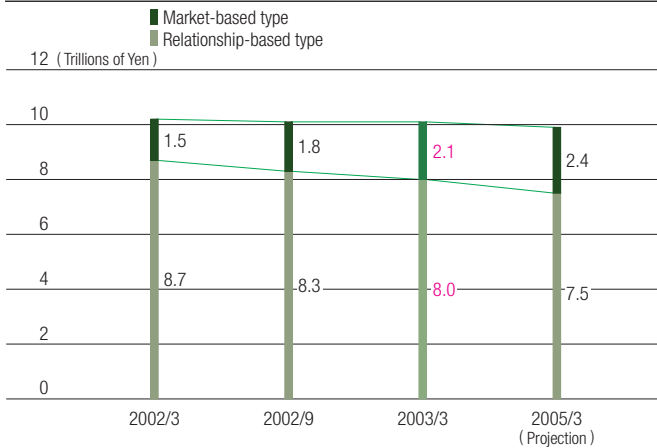
We have already explained that our high proportion of loans to large companies is one of the factors that makes our assets less vulnerable in the deflationary period. We are aware that some market observers feel that loans centered on large companies are not profitable. However, considering

the characteristics of our customer base as a whole, we would rather increase profitability by optimizing our loan portfolio and minimizing credit costs. While we accelerate the disposal of non-performing loans, we are increasing high-quality assets by utilizing market-oriented loans such as non-recourse and syndicated loans, and by purchasing asset-backed securities such as Real-estate Mortgage Backed

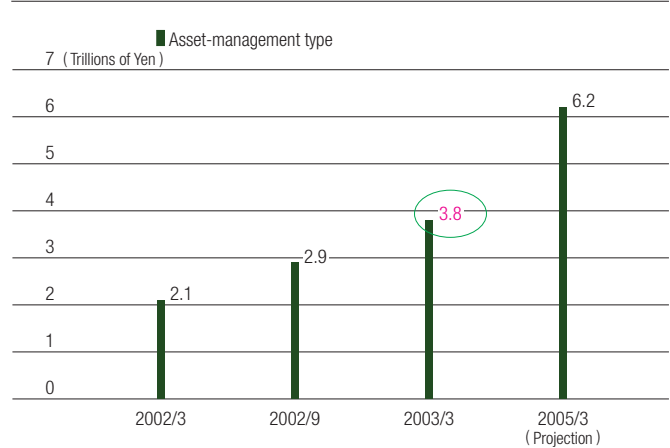
Securities (RMBS) and Collateralized Debt Obligation (CDO) in the primary and secondary markets. Our outstanding balance of market-oriented loans was more than ¥2 trillion as of March 2003. At the same time, we are

reducing the outstanding balance per debtor partly by outright sales or securitization and promoting loans to corporations in more diverse industries.

On-balance (included in risk-assets)



Off-balance (excluded from risk-assets)



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

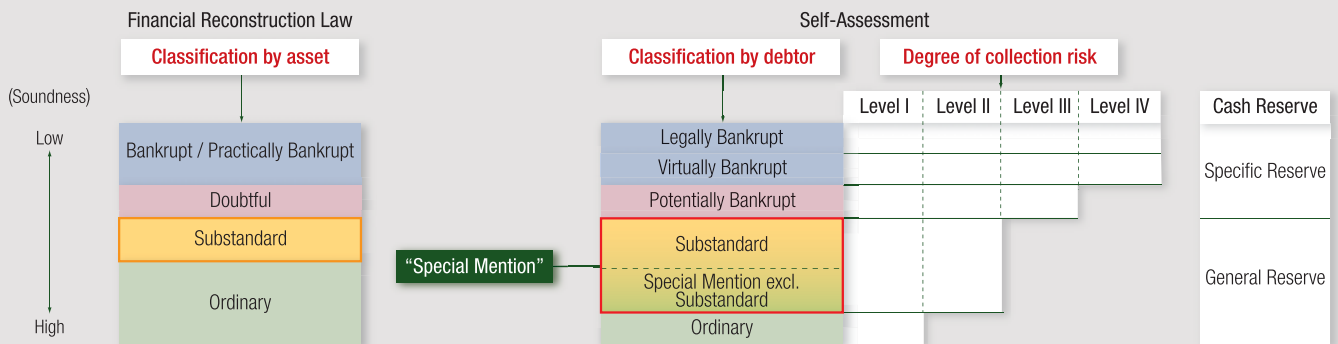
The 1998 Financial Reconstruction Law (“FRL”) requires banks to assess their assets (loans, securities lent, foreign exchange, accrued interests, temporary payment equivalent to loans, and acceptances and guarantees) and classify them into four categories: “Bankrupt and Practically Bankrupt,” “Doubtful,”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

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

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

By definition, “Legally Bankrupt” and “Virtually Bankrupt” in the self-assessment system are equivalent to the “Bankrupt” and “Practically Bankrupt” categories in FRL, and “Potentially Bankrupt” in the self-assessment system is equivalent to “Doubtful” in FRL.

Financial Reconstruction Law and Self-Assessment

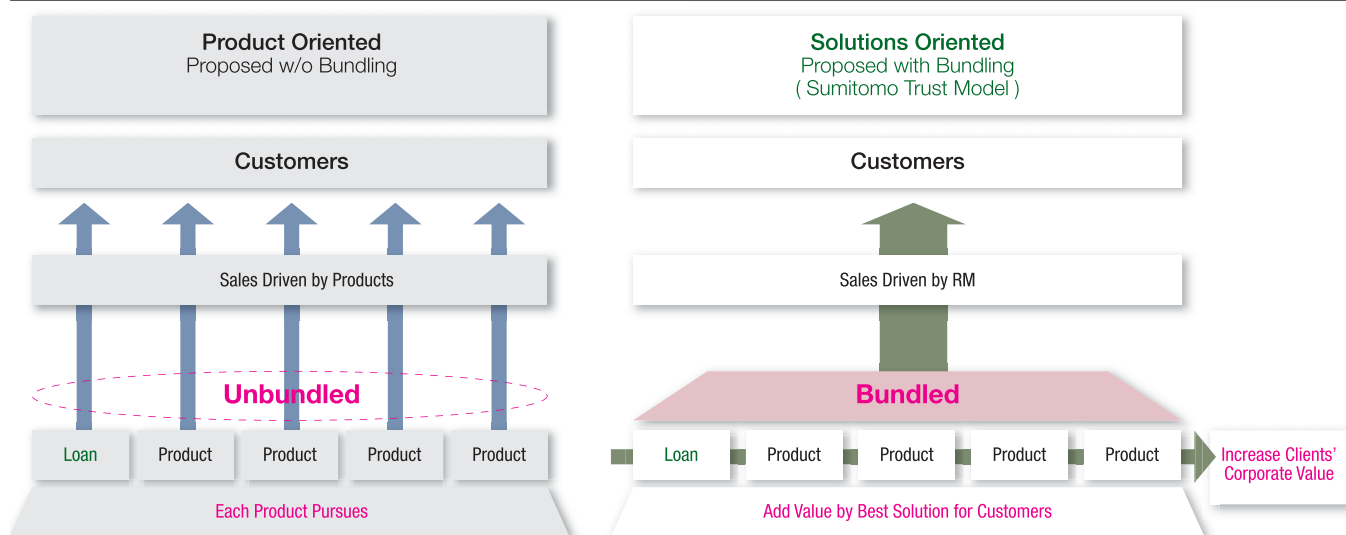


II. Integrating Commercial Banking and Trust Services

We have continuously emphasized that our key strengths stem from our business model, which is based on the cross-selling of banking and trust products. While other banking groups now have affiliated trust banks, we consider our business model to be superior in that our inte-

grated RM system is optimally designed from the customers' point of view. Our management independence allows us to freely seek the best solutions for our customers.

Strategy for Integrated RM (Relationship Management)



Through our integrated RM strategy, we aim to provide customers with optimal solutions by enabling relationship managers to select and bundle the most suitable products from an abundant lineup of banking and trust products at their discretion and in cooperation with product departments.

Currently, many major financial institutions are introducing holding company or division company structures to promote the independence of each division or group company. On the other hand, they are also trying to offer a wide range of products or services to customers. These efforts, however, often fail amid difficulties in overcoming the “fragmentation” that hinders effective integration of products or services, resulting in opportunity losses. In addition to our inte-

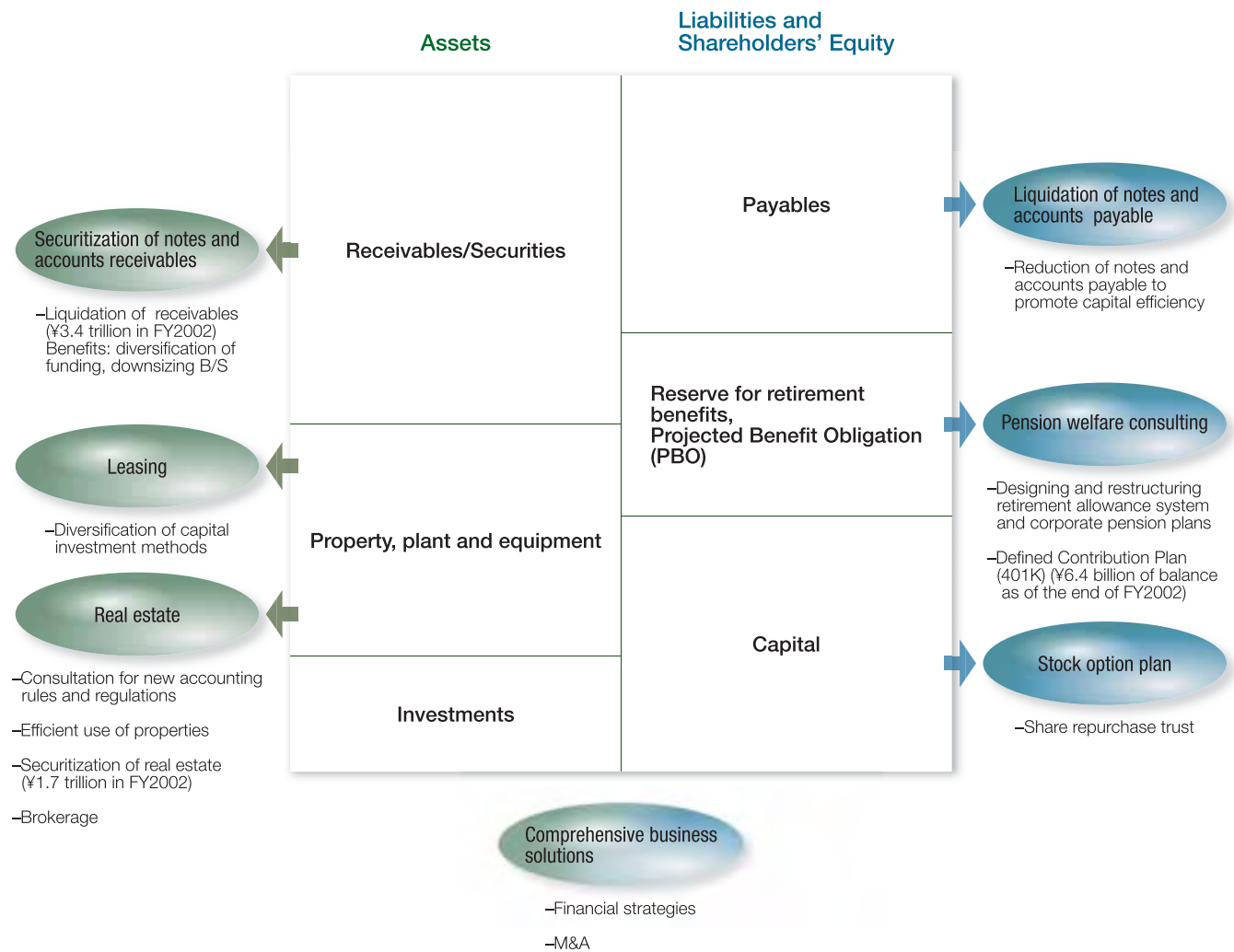
grated RM strategy, we are also introducing a business group management system to clarify each business group's responsibilities in terms of costs and profits. We do not expect to suffer any negative effects from introducing this system, as we are mainly promoting our integrated RM strategy that emphasizes the re-bundling and cross-selling of products and services, and believe that this will be more effective in increasing clients' corporate value as well as our own profitability. Another advantage in promoting this strategy is the fact that all members of the group share this same belief.

In this model, there are two skills that are indispensable for relationship managers. First is the analytical skill required to find ways to increase the clients' corporate value, and second is the ability to orchestrate product lines. To support these skills, we have established a corporate

information LAN that enables relationship managers and product departments to share the latest and most precise information on clients' needs and strategies. We hold annual meetings with clients in which we propose for solutions for their various needs, such as finance, pension plans, real estate management, and stock transfer agency services. After thoroughly discussing clients' needs to determine the optimal solutions, we then simulate the conclusions reached in these meetings using our *Sumishin Corporate Finance Advisor* software, which computes the changes in financial

status caused by the proposed solutions. This approach has proven to be very effective. We saw growth in the volume of assets under management, particularly for the clients with whom we held meetings. The increase in assets under management will lead to an increase in the percentage of fee income to total revenue, which is one of our medium-term goals. We are also encouraging relationship managers to increase sales of fee-income-based products and services by setting targets for them as well as encouraging them to enhance their consulting skills.

Sumitomo Trust's Comprehensive Solutions to Restructuring Corporate Clients' Balance Sheets



Overview of Operations — Business of Sumitomo Trust

Overview of Sumitomo Trust's Business

	Commercial Banking	Pension		Real Estate	Securities Processing	Transfer Agency
Corporate Customers	Domestic/International Lending ¥10 trillion	Asset Management	Institutional Investors	Brokerage	Custodial Services	Transfer Agency
	Assets/Liabilities Securitization ¥4 trillion	Asset Management Consultation		Securitization		IR Supporting Services
	Settlement	Accounting Consultation		Real Estate Management	Global Custody ¥13 trillion	Voting Solicitation
	Deposits ¥4 trillion	Regulatory Consultation		Investment Advisory	Specified Money Trust ¥9 trillion	
Individual Customers	Residential Mortgage Loans ¥1 trillion			<Sumishin Realty Co., Ltd. (Subsidiary)> No.6 position in Residential Property Brokerage		
	Deposits / investment Trusts ¥8.1 trillion	Assets under Management ¥16 trillion			Assets under Custody ¥42 trillion	Shareholders under Administration 5,911 thousand
Inter-bank Operations	Money Market Operations		Trust/Custody Business			
	Foreign Exchange					
	Cash Management					

Business Group Management System



(After April 2002)

(Note) At the beginning of fiscal year 2000, Sumitomo Trust introduced the business group management system, consisting of five business groups: the Consumer and Corporate Finance Group, the Global Credit Investment Group, the Treasury and Financial Products Group, the Fiduciary Services Group and the Real Estate Group.

In April 2002, the retail customer section and corporate customer section in the Consumer and Corporate Finance Group were separated, with the former becoming the independent "Retail Financial Services Group," and the latter merging with the Global Credit Investment Group and forming the "Wholesale Financial Services Group."

Operation Summary by Business Group

(Billions of Yen)	FY2002		FY2001		Change		Outsourcing fee paid to JTSS	Outsourcing fee paid to JTAS	Net business profit of subsidiaries
	Gross business profit	Net business profit	Gross business profit	Net business profit	Gross business profit	Net business profit			
Wholesale Financial Services Group	88.0	66.2	140.7	61.3	5.5	8.5			0.5
Retail Financial Services Group	58.2	3.6							
Treasury and Financial Products Group	73.1	64.0	66.6	57.6	6.5	6.4			
Fiduciary Services Group	40.8	18.9	46.0	22.1	-5.2	-3.2	13.5	4.7	3.4
Pension Asset Management	29.5	15.8	29.3	14.7	0.2	1.1	(+0.6)	(—)	0.0
Securities Processing Services	3.5	0.6	3.9	0.9	-0.4	-0.3	8.1		2.1
Stock Transfer Agency	7.8	2.6	12.9	6.5	-5.1	-3.9	(+0.1)		1.2
Real Estate Group	15.2	6.1	18.5	9.2	-3.3	-3.1	5.4	4.7	0.1
							(+0.5)	(—)	
Total Profit Before Credit Costs	275.2	158.8	271.7	150.2	3.5	8.6			4.7

Note: Gross business profits and net business profits are before credit costs.

Figures in parentheses denote the differences from the previous fiscal year.

Retail Financial Services Group



Takashi Nakamura Group President

The Retail Financial Services Group responds to customer needs by providing a wide range of products, easy access to services, and sophisticated consulting services. In fiscal year 2002, we launched the *Sumishin Private Trust Club* service and strengthened our private banking business. Also, we focused on diversifying our delivery channels, such as branch offices, online banking, call centers and ATMs (including those operated nationwide through the Japanese postal service), in order to provide our customers with easier access to our products, services and necessary information. Our multi-channel strategies are key to expanding our customer base and lowering overall costs of operations. In 2002, the Retail Financial Services Group achieved strong financial results, with a gross profit of ¥58.2 billion.

Sumitomo Trust provides a variety of products for retail customers, which include fixed-term deposits, loan trusts, and performance-based trusts and investment trusts, as well as loans such as residential mortgages, consumer loans and loans for apartment owners. We also provide *will trust* and real estate brokerage services.

In the wake of financial market uncertainty and changes to the financial system, such as the abolishment of full deposit guarantees, customers have an ever greater need for professional consultation and relationship-driven exclusive services in managing and administering assets and property.

Responding to this demand, Sumitomo Trust enhanced its consulting services by launching the CRM (customer relationship management) system *i-Ships* and by deploying financial consultants to all its branches. Moreover, responding to the need of affluent customers for sophisticated services, we introduced the *Sumishin Private Trust Club* service in July 2002, and established the Private Banking Department in Tokyo and Osaka. This new service, in tandem with our long and successful history of private banking and other reliable services such as estate consultation, puts us in an excellent position for future growth.

Sumitomo Trust Private Banking

Sumishin Private Trust Club is a club with free membership exclusively for affluent customers that provides comprehensive consultation services for customer assets. Its services consist of trust bank specialties, which include asset management, real estate brokerage and consultation, tax consultation, asset administration, and estate consultation. Club members have access not only to services for retail customers, but also to those designed for corporate customers, including asset allocation, a service we provide to large-scale funds such as corporate pensions. We also collaborate with Pictet Asset Management (JAPAN) Ltd. and J.P. Morgan Fleming Asset Management (JAPAN) Ltd. to respond to the diversified investment needs of our customers. In addition, we have developed a unique approach with services such as healthcare consultation and art collection services, which helps to create long-term relationships with high net worth customers.

Sumitomo Trust Direct (Internet and Telephone Banking) and *i-Stations*

Our network of 51 branch offices is relatively small, but efficient, and we boast a diverse array of delivery channels for the convenience of our customers. We have 12 mini-branches called *i-Stations*—small specialty offices located in heavily populated suburban areas in Tokyo and Osaka that offer extended business hours. Customers can also use any of a network of 26,000 post office ATMs and 4,700 convenience store ATMs. Additionally, we provide *Sumitomo Trust Direct*, an Internet-based asset management and consulting service, as well as telephone banking. We view *Sumitomo Trust Direct* as a powerful “value-added” tool to attract and retain new customers while helping to eliminate costly operations in an increasingly competitive banking environment.

Wholesale Financial Services Group



Yutaka Morita Group President

In April 2002, we integrated the Corporate Customer Group and the Global Credit Investment Group to provide corporate customers with more market- and solutions-oriented products and services, while at the same time diversifying and optimizing our portfolio. Our integrated relationship management strategies combine banking and trust products in a cross-selling platform of versatile services and solutions. Despite today's stagnant business environment, the Wholesale Financial Services Group succeeded in producing a gross profit of ¥88.0 billion in fiscal year 2002. We continuously strive to create the next generation solutions required by corporate customers.

1. Commercial loans

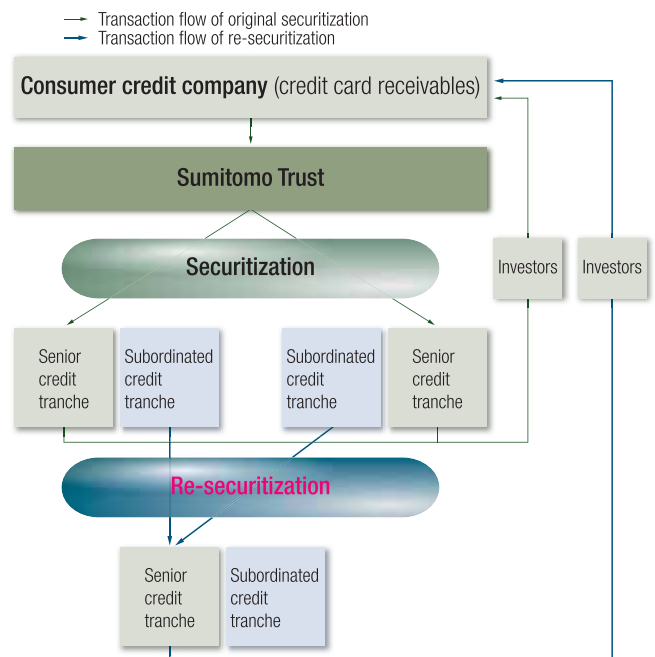
As for our commercial loan portfolio, we are focusing on profitability and efficiency in order to maintain solid asset quality, rather than absolute growth of revenues through increases in loan volume. Therefore, the Bank does not intend to enlarge the size of risk assets but rather to pursue further diversification with interchange of credits and optimization of the portfolio. In order to achieve this, the Bank takes advantage of the secondary market of credit products

such as asset-backed securities as well as the primary market of syndicated loans, non-recourse loans and project financing.

2. Securitization

The securitization market in Japan has expanded rapidly alongside corporate demand for restructuring and diversified funding sources as well as investor demand for alternative investments, given the low interest rates of the current market environment. Our securitization business has expanded steadily ever since we first securitized receivables in 1991. We now are one of the leading players in the securitization of various financial claims, including leases, real estate—in cooperation with the Real Estate Group—and other financial instruments. In April 2003, we developed and introduced the concept of the re-securitization of subordinated credit tranche for consumer finance companies. We re-securitize the subordinated portion resulting from previous securitization programs in which the originators hold the subordinated portion in their investment account. This new structure enables the originators to expand fundraising opportunities.

Consumer Loan Re-securitization Structure



Re-securitization program enabled the credit company to raise new fund

3. Real Estate Non-recourse Loans

With the expansion of the real estate securitization market, real estate financing structures have become more diversified than ever before. Non-recourse loans are a new type of financing structure in which collateral is limited to specific projects. They are currently undergoing rapid growth due to the increased number of urban redevelopment projects. The non-recourse loan market in Japan has doubled in size to about ¥2 trillion in just a year, with the balance of non-recourse loans held by Sumitomo Trust at ¥362.2 billion as of March 2003.

4. Advisory and Consulting Services

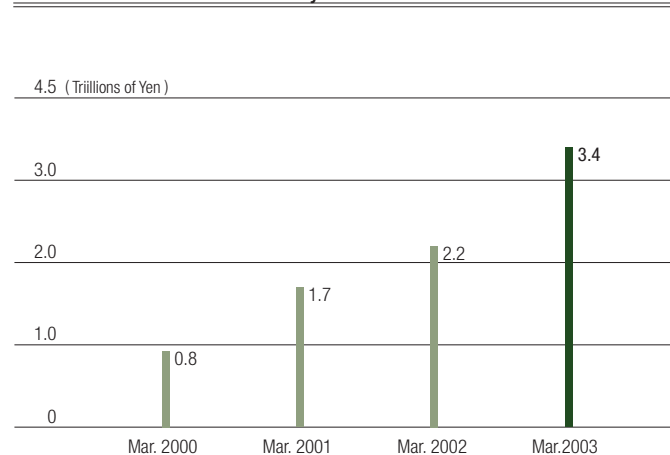
We provide advisory services to corporate customers planning mergers and acquisitions, capital tie-ups and business spin-offs. We fully utilize our trust capabilities in providing these services. Further, we provide tailored consultation services and offer solutions for customers seeking to raise corporate value. As a particularly effective consulting tool, we use *Sumishin Corporate Finance Advisor*, managerial accounting software we developed in collaboration with an accounting firm.

5. Global Credit Investment

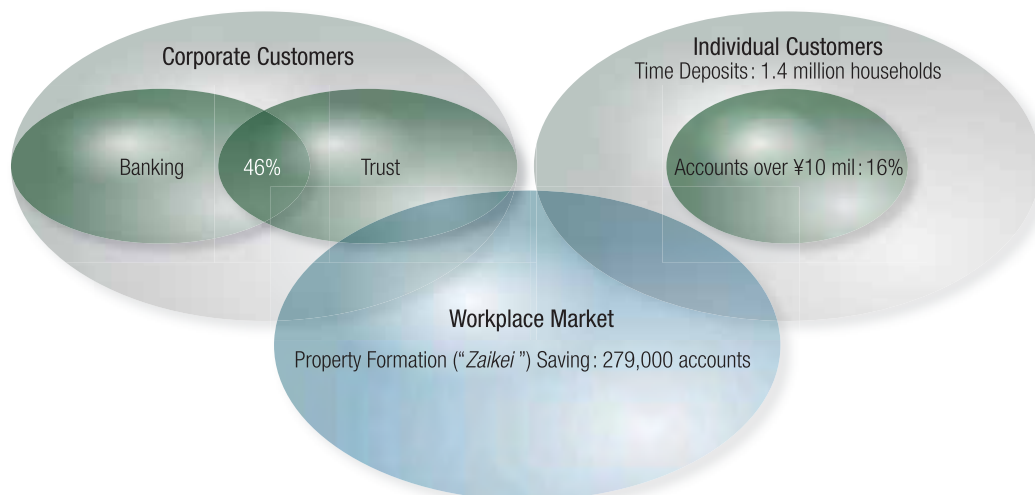
Credit investment attempts to maximize returns on investments by building well-balanced portfolios composed of products such as loans and corporate bonds. In recent years,

Japan has seen rapid growth in asset-backed securities (ABS) and a gradual development of secondary markets for corporate loans, influenced by U.S. market trends. Japan's credit markets are expected to gain the same level of liquidity and marketability as in the U.S. Following this trend, in the domestic market we now mainly invest in corporate bonds, ABS and syndicated loans. In overseas markets, we seek to optimize our portfolio by diversifying investments in a wide range of credit, taking advantage of three overseas branches in New York, London and Singapore and a subsidiary in Hong Kong. In addition, STB Investment Corporation, a subsidiary in Japan, manages investments in domestic venture capital companies and in overseas private equity funds.

Volume of Securitized Receivables by Sumitomo Trust



Cross-Selling Platform



Treasury and Financial Products Group



Sakae Yashiro Group President

The Treasury and Financial Products Group is responsible for stabilizing bottom-line profit through company-wide asset and liability management (ALM) and for a majority of the financial market management activities related to our banking business. We also offer financial products to customers that utilize derivatives and foreign exchanges.

ALM has been increasing significance in the wake of growing uncertainty over the world economy. Mark-to-market valuation is also being applied to a wider range of assets and liabilities designated by international accounting standards. Furthermore, both financial institutions and corporations in general are being required to manage market risk in a more sophisticated manner. Being fully aware of our increasing responsibilities and the importance of ALM, we are striving to further enhance our capabilities.

1. ALM Planning and Operations

Our priorities in ALM for the whole banking business are to yield stable profits and to maintain the Bank's financial strength. In fiscal year 2002, despite unfavorable market conditions due to a stagnant economy, our ALM strategy was successful, and contributed to a ¥73.1 billion gross profit for the Treasury and Financial Products Group, a 10% increase from the previous fiscal year. In the first half of fiscal year 2002, as we saw that deflationary pressures were likely to persist in the U.S. and Europe, we increased our foreign bond portfolio in order to stabilize the Bank's entire portfolio, including cross-shareholdings. The strong inverse correlation between Japanese stock prices and interest rate of U.S. Treasury Note helped us to maintain stable profitability. In the second half of fiscal year 2002, we reduced our balance of foreign bonds to optimize the Bank's entire portfolio. By the end of fiscal year 2002 the Bank also successfully reduced cross-shareholdings to below the level of Tier 1 capital, mitigating the downward risk related to the Japanese equity market.

2. Trading and Market-Making Activities

We manage a wide range of financial products, including swaps, options, forward contracts and futures, in both interest rate and foreign exchange fields. Leveraging our worldwide network, we trade and make markets for these products 24 hours a day in New York, London and Tokyo. While we consistently generate profits from trading activities by utilizing sophisticated risk management systems, we also develop market-making initiatives to stabilize these profits. Going forward, we intend to further expand our solid customer base of institutional investors.

3. Product Development

In recent years, both corporate and individual customers have become more familiar with interest and foreign exchange derivatives. Responding to the growing demands for product diversification, we have developed and promoted new products packaged with derivatives, which enable small- and medium-sized corporations to access sophisticated instruments. Our new deposits containing derivatives have also become quite popular for their higher returns among individual customers who have lost enthusiasm for ordinary financial products due to interest rates, which remain extremely low. We continuously provide useful news and information on the market environment and derivatives products to customers in order to promote new financial technologies.



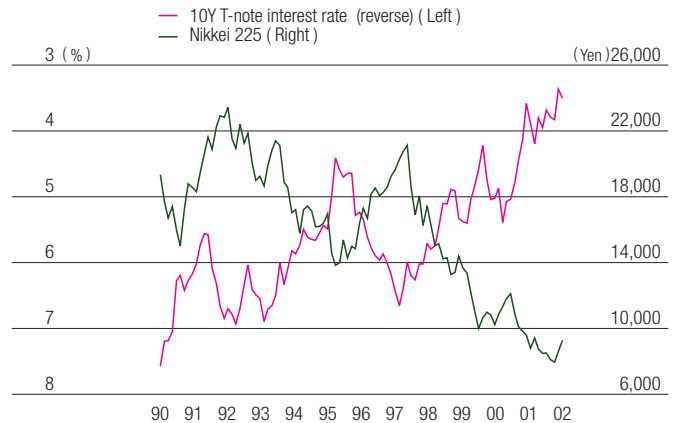
ALM Strategy

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

Balanced Business Portfolio



US Treasury and Japanese Equities



Fiduciary Services Group



Takaaki Hatabe Group President

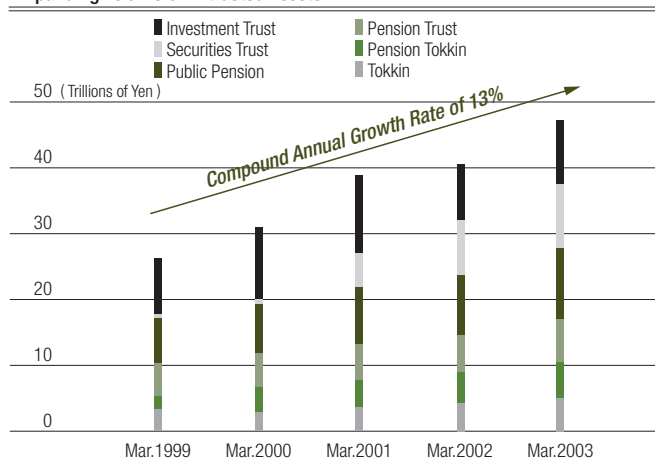
The Fiduciary Services Group is engaged in businesses that represent the heart of Sumitomo Trust's *raison d'être*. The group's business falls into three categories: 1) asset management; 2) securities processing; and 3) stock transfer agency. As an independent trust bank, we are proud of our high ratio of fee income, which, at 30% in consolidated basis of total revenue, provides us with diversified profit sources and distinguishes us from mega banking groups in Japan. In fiscal year 2002, despite a sluggish stock market, entrusted assets grew ¥1.9 trillion year-on-year due to the addition of newly entrusted assets in the Public Pension and Tokkin* funds. Along with the diversification of pension plans resulting from the introduction of defined contribution pension plans, or Japanese 401(k)s, we also expect increasing demand for professional support in restructuring pension plans, and we aim to increase our entrusted assets by continuing to provide sophisticated consultation services.

1. Asset Management

We provide asset management services for corporate customers as well as public pensions. The volume of assets under our management amounts to over ¥16 trillion, positioning us as one of the largest institutional investors in Japan.

Our wide array of quality products gives customers

Expanding Volume of Entrusted Assets



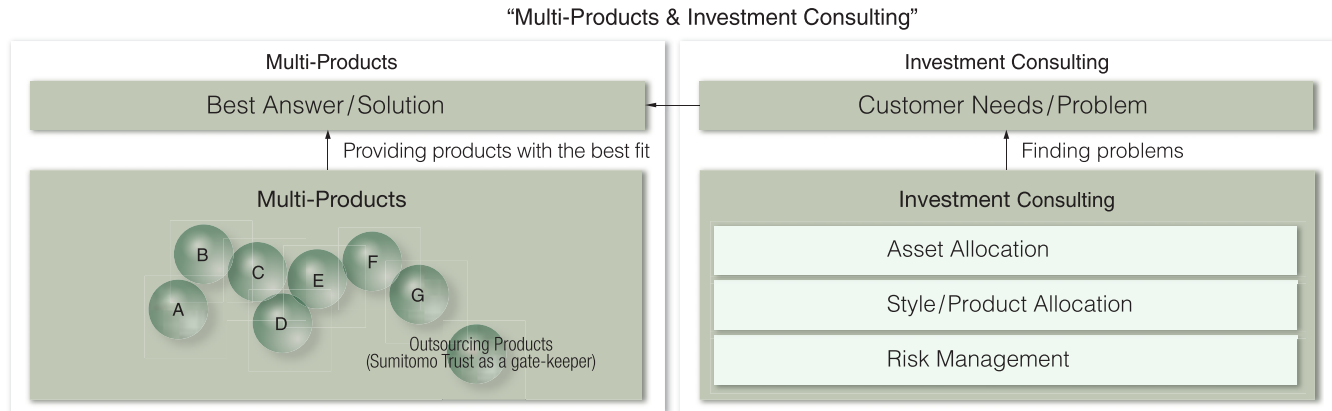
opportunities to benefit from portfolio management experts who specialize in specific asset classes and investment styles. Our diversified products are supported by high quality research. For instance, in foreign equity investment, our alliance with Alliance Capital Management and Dresdner RCM enables us to share research offices and resources in New York, London, and Hong Kong. In addition, we also offer alternative investment services and products, such as Forex overlay and Fund of Funds, to further optimize customers' portfolios.

We are also trying to enhance and improve our consulting service function to provide optimal asset management plans to customers. Japanese pension systems and accounting procedures are changing dramatically. Corporations' financial soundness and the welfare system for employees have been shaken by the declines in global stock markets. We make every effort to understand the objectives, financial requirements, risk tolerance and best welfare system for our customers. Our consultants are well versed in pension welfare systems and accounting standards and provide versatile services to meet each customer's specific goals.

This strategy to provide customized solutions with multiple products and multiple asset management plans to customers guarantees a long-term, firm relationship between us and our customers which we call a "strategic partnership."

* Specified Money Trusts

Pension Management Business Model



2. Securities Processing

“Securities processing” is a generic term within securities management that encompasses the custody, settlement and reporting services offered to corporate customers and institutional investors. Our professional team understands the enormous and complex fiduciary responsibilities of a trustee. To further consolidate the securities processing business, we established Japan Trustee Services Bank, Ltd. (JTSB), a joint venture with Daiwa Bank (currently Resona Bank) and Mitsui Trust Holdings, which joined in September 2002. In the information processing business, which includes securities processing and stock transfer agency services, we endeavor to set new standards of excellence by providing cutting-edge services and utilizing the advantages of economies of scale created by our alliances with other financial institutions.

Securities processing includes the following services:

- i) Specified Money Trust – We work to follow detailed instructions from customers, providing custodial services such as order placement, delivery, settlement of securities, and reporting services.
- ii) Investment Trust – Investment Trust is managed by asset management companies. Customer needs for investment trusts as a main investment product for defined contribution pension plans are increasing. We provide custody, settlement and reporting services for securities in investment trusts.
- iii) Securities Trust – We provide services such as delivery,

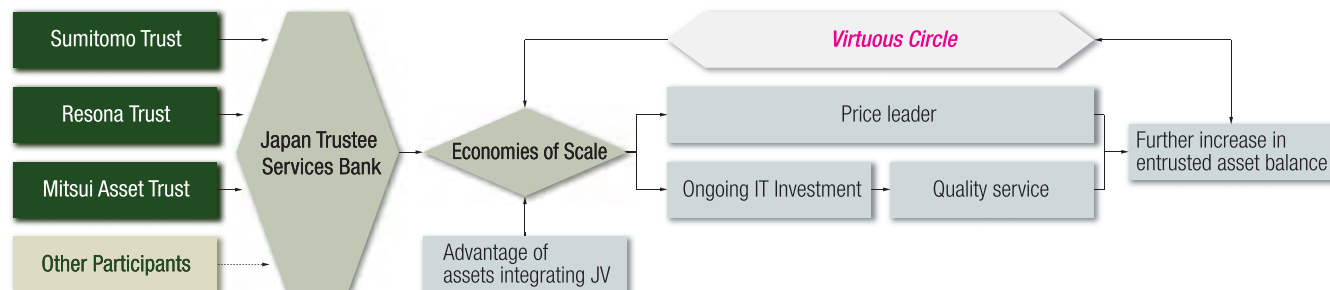
custody, settlement, and receipt of dividends for securities entrusted by our customers, mainly life insurers, so they can outsource their back office transactions.

iv) Global Custody – We have two major overseas subsidiaries which maintain a strong market position in the global custody services. Sumitomo Trust & Banking Co. (U.S.A.) and Sumitomo Trust & Banking (Luxembourg) S.A. provide a global custody services, focusing on securities processing for various overseas markets. In particular, our U.S. subsidiary has a network of over 90 markets all over the world and a good reputation as one of the best Japanese global custodians. Also, our U.S. subsidiary opened a representative office in Tokyo in October 2002 in order to provide timely and high quality services to our customers in Japan.

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

New Business Development – JTSB has sought to be a forerunner in developing the master trust business in the Japanese market. Besides integrating our trust assets with JTSB, we also established Nippon Record Keeping Network Co., Ltd. for “Master Record Keeping Services” jointly with 48 other financial institutions, including banks and securities companies, to provide state-of-the-art reporting services relating to performance evaluation and risk analy-

Economies of Scale in Trust Operations – JTSB



ses. In addition, we have begun a universal comparison service, which facilitates customers' efforts to compare their investments' performance with those of competing products. In this way, we are enhancing customer convenience by cooperating with other trust banks.

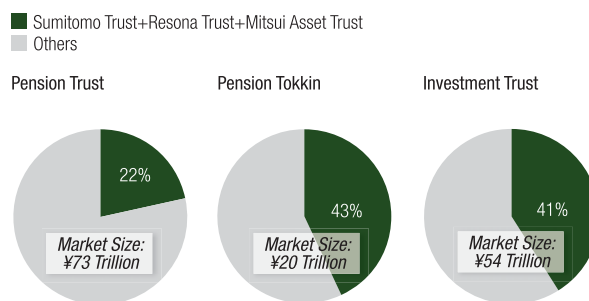
3. Stock Transfer Agency

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

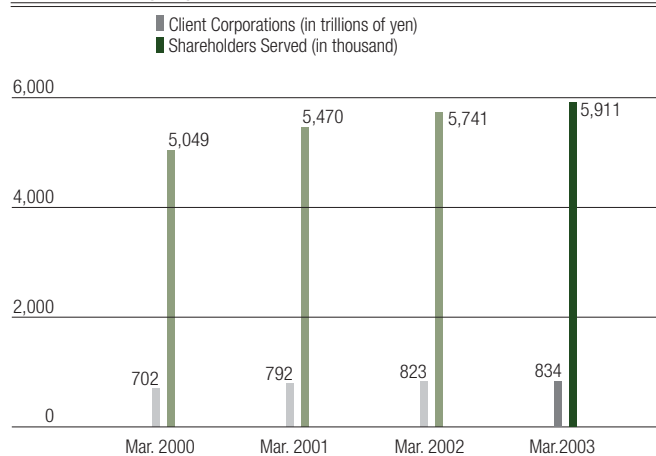
Our stock transfer agency services have a good reputation, with 834 corporate customers and 5,911 thousand shareholders benefiting from our services. We also provide consulting services to our corporate customers on topics such as mergers and acquisitions, share exchanges and stock splits. Further, a unique website named "Japan Investment Forum" (in English only) has been established, with a view to introducing major Japanese corporations to foreign institutional investors and providing information about the shareholder meetings at these corporations (URL: <http://www.japaninvestforum.com>).

We are also upgrading our services. In October 2002, we commenced operations of Japan TA Solution, Ltd. jointly established with Japan Securities Agents, Ltd. The company specializes in system management and data processing in the stock transfer agency business. This venture has enabled us to meet customers' higher needs for proper and prompt operation with the most advanced system. It has also benefited us by helping us pursue economies of scale. We have also started development of a next generation stock transfer agency service system called "NEO·CAROL." This is planned to start operations in January 2004.

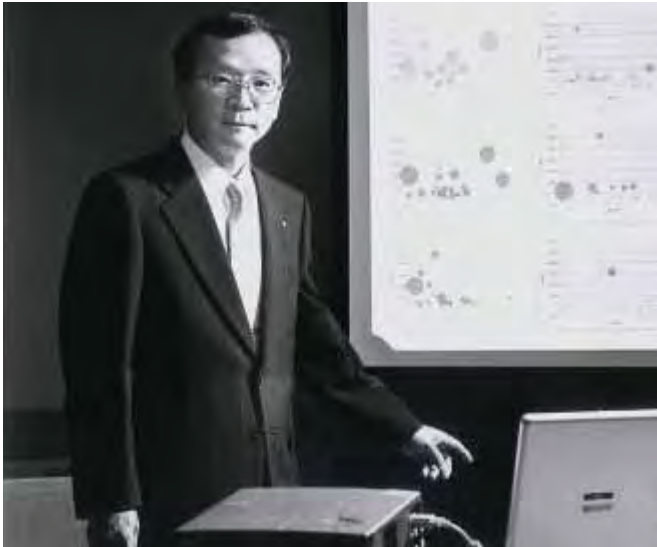
JTSB's Market Shares



Stock Transfer Agency



Real Estate Group



Masao Shibuya Group President

Sumitomo Trust is at the forefront of a drastically changing real estate market. We are a premier provider of integrated real estate services, including brokerage services for commercial and residential properties, securitization services provided as part of our real estate management trusts, investment advisory services, and appraisal services. Corporations are seeking solutions to maintaining financial strength in the face of the introduction of real estate mark-to-market accounting (accounting for impairment of fixed assets), which is slated for the fiscal year ending March 2006. Our professional team, including real estate appraisers, certified architects and financial consultants, leverage expertise gained through experience in the real estate brokerage and management trust businesses and provide optimal solutions to our customers. Behind continuous efforts to provide solutions-oriented services to our commercial and residential customers, our group produced a non-consolidated gross profit of ¥15.2 billion in fiscal year 2002.

1. Brokerage Services

The market in the brokerage business has remained solid since its gradual recovery began in 1999. Using strong market knowledge and experience, Sumitomo Trust pro-

vides its customers with the highest level of brokerage services. Sumishin Realty Company, Limited, one of our subsidiaries, also deals with residential property brokerage, with approximately 40 offices in major metropolitan areas. In fiscal year 2002, our real estate brokerage revenue in consolidated basis resulted in ¥16.5 billion.

2. Securitization Services

In recent years, corporations have had a strong need to reform their financial structures, selling their assets and reducing their interest-bearing debts in order to survive the deflationary economy. Our real estate securitization services, taking the form of real estate management trusts, respond to corporations' specific needs. Our customized services include consulting on securitization structures and marketing of securitized products. The services also include management of property, as well as conducting due diligence and cash flow management for entrusted assets. We are trying to build long-lasting strategic partnerships with our customers. We presently enjoy the second position in the securitization services industry with over ¥1.7 trillion in assets in real estate management trusts as of March 2003, a growth of ¥325 billion, or 19.1%, from the previous year.

3. Investment Advisory Services

We are also engaged in consulting services for real estate investments targeting both domestic and foreign institutional investors. Investor interest in securitized real estate, especially as an alternative investment vehicle, has been growing. Our experiences and knowledge in the real estate business, sophisticated investment decision support systems, and strong network both with the originators and institutional investors enable us to provide sophisticated investment advice and deliver best-fit solutions for customers.

4. Appraisal Services

We also offer a full range of real estate appraisal services provided by professional expert appraisers. Corporations' needs for these services are growing rapidly, reflecting the increasing use of mergers and acquisitions, changes in accounting standards and more real estate securitizations. We are recognized among private and public entities as one of the most prestigious land appraisers in the market.

Risk Management System

OVERVIEW

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

Risk Management System

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

Credit, Market and Liquidity Risks

With respect to credit risk, market risk and liquidity risk, all of which are classified as quantifiable risks, risk-taking is an indispensable part of the Bank's efforts to raise revenues. Therefore, it is critical to appropriately manage risks and to allocate appropriate risk exposure in order to maximize

earnings at a specified level of risk.

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

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

Compliance and Operational Risks

It is critical for financial institutions to minimize non-quantifiable risks such as compliance and operational risks. Operational risk is defined as the potential loss resulting from failed information systems or operating processes, or external events. The resulting losses may be financial or non-financial in nature, such as the loss of reputation or regulatory standing. It is particularly important to minimize these non-quantifiable risks in the Bank's core business of trust services since safekeeping entrusted assets requires a tremendous level of fiduciary responsibility. In this way, the Bank implements rigorous and effective risk management measures, primarily through the departments responsible for managing each type of risk, and works to strengthen its internal inspection and audit system as well as introduce external audits. Meanwhile, the Bank continuously improves the management of non-quantifiable risks by developing future standards. For example, taking into consideration the new global policy called Basel 2, the Bank is preparing to quantifiably measure previously non-quantifiable risks affecting operation and systems.

CREDIT RISK

Credit Rating System

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

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

Credit Risk Management System

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

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

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

Credit Exposure

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

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

Credit Rating System

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

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

Appropriate Return for Risk

The Bank seeks to acquire loan spreads that justify the credit risk involved as well as to diversify its credit portfolio and maintain and improve its financial strength. The Bank measures profitability levels in view of expense ratios and

expected loss ratios for each credit rating, and prices individual loans in a manner commensurate with its risk level.

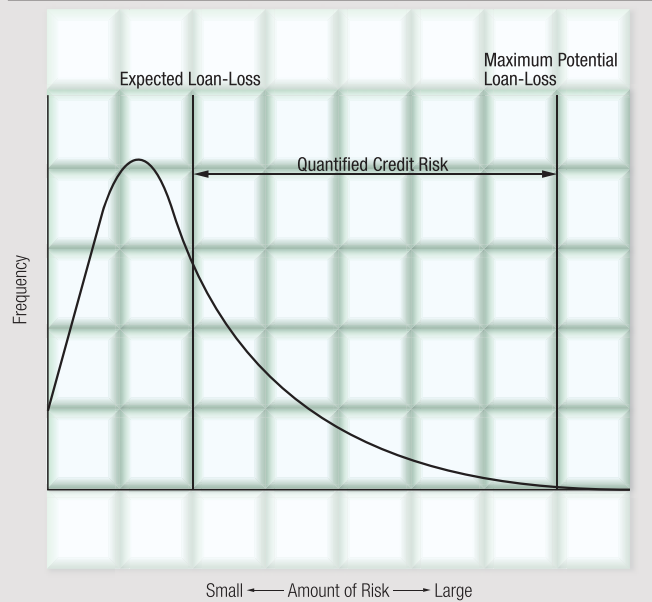
Credit Risk Quantification

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

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

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

Quantified Credit Risk



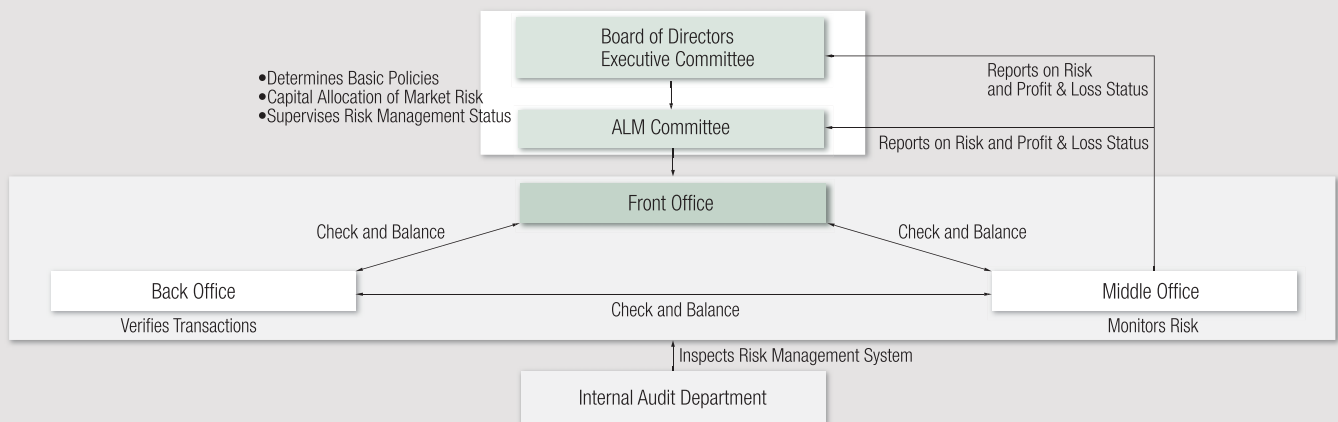
MARKET AND LIQUIDITY RISKS

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

Market and Liquidity Risk Management System

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

Risk Management System of Market and Liquidity Risks



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

The ALM Committee determines basic policies relating to the management of market risk by establishing risk limits and loss amount limits that correspond to the particular characteristics of individual positions and business activity. The ALM Committee also determines basic policies relating to the management of liquidity risk by setting guidelines based on expected liquidity and the available liquidity and monitoring their implementation. In addition, the ALM Committee sets contingency plans for scenarios involving liquidity risk.

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

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

Methods of Risk Measurement

The Bank's market risk management system employs Value at Risk (VaR) 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. In addition to calculating VaR, the Bank's market risk management system is capable of performing simulations and calculating various other risk management indicators, thereby providing a highly sophisticated means of controlling market risk. This system is based on the delta method using covariance matrices for

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

Market Value

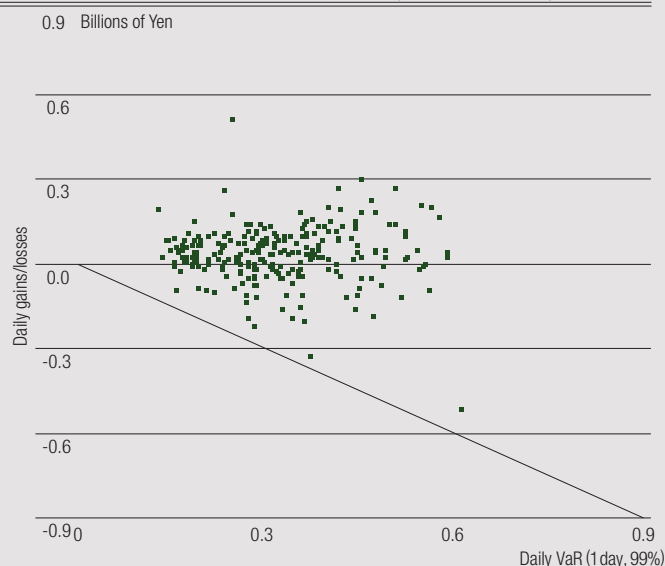
Market risk for the Bank's trading activities in fiscal year 2002 is summarized as follows:

VaR for Fiscal Year 2002 (99% confidence level, one-day holding period)

	Billions of Yen		
	Maximum	Minimum	Average
Interest rate risk	4.9	0.7	2.2
Foreign exchange risk	4.4	0.4	1.0
Consolidated VaR	6.1	1.4	3.3

* The table includes only the market risk for the trading account.

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



Stress Tests

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

Back Testing

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

VaR with actual daily gains and losses or simulated gains and losses within a fixed portfolio. The results of back testing for fiscal year 2002 confirm that the Bank's risk measurement method is accurate, as actual gains and losses were all within the range estimated by VaR calculations.

Strategic Cross-Shareholding Risk Management

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

The Bank measures the market risk of strategic cross-

shareholding by utilizing a market risk management system, and manages risk by taking into consideration the customer's financial strength. The Bank has a clear direction to reduce the market risk of strategic cross-shareholding, while carefully examining the expected return from relationships with important customers.

Settlement Risk

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

COMPLIANCE SYSTEM

Trust banks are engaged in a wide array of activities that contribute to the stabilization of Japan's financial system, development of the national economy, and enhancement of social welfare through lending as well as trust and asset management services. Accordingly, the Bank believes that a strong commitment to compliance is essential to fulfilling its responsibilities toward society and maintaining solid public confidence. In April 1998, the Bank formulated an Ethics Charter outlining proper behavior for management and employees. As stated in the Ethics Charter, the Bank envisions compliance activities as one of its top management priorities, vowing to "strictly adhere to all laws, rules and social regulations," "respect human rights and ethics and not trespass against moral law," and "behave with honesty and fairness." The Bank works to achieve these goals by strengthening its compliance system and implementing various compliance measures.

Compliance System

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

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

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

Compliance Measures

1) Compliance Standards

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

2) Compliance Program

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

3) Double Layer Compliance System

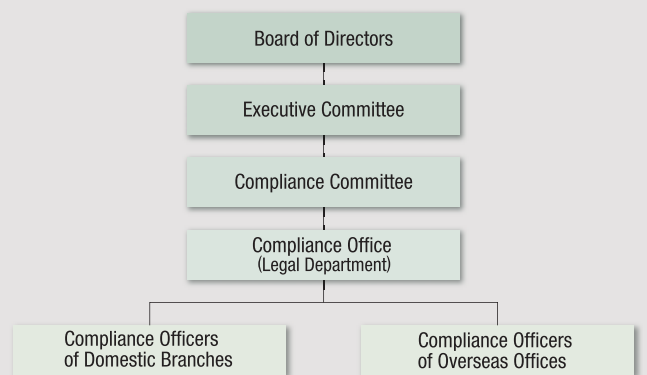
Primary compliance checks are made at all domestic and overseas branches by the appointed compliance officers. Further compliance checks are made by the Internal Audit Department.

4) Compliance Training

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

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

Compliance System



OPERATIONAL RISK

Operations Risk

Operations risk is the risk of losses caused by malpractice on the part of Bank employees or failure to fulfill their responsibilities in an appropriate manner.

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

Systems Risk

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

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

and improvement of information security.

Specifically, the Bank first analyzes specific risks inherent in each system and then builds multiple communication lines and backup systems and prepares contingency plans to cope with such risks. In daily operations, the Bank works to monitor systems risk, prevent systems failure and recover systems promptly in accordance with manuals when a problem is found. While the open network exemplified by the Internet makes our life more convenient, it creates new risks, making the Bank's internal computer network vulnerable to outside attack and endangering customer privacy and the Bank's confidential information. To promptly identify problems in our network, the Bank watches out for attacks on the Internet on a 24-hour basis, and tests simulated hacking on its own network every month.

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

Event risk

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

Sumitomo Trust Risk Management System Outline (As of August 1, 2003)

Credit, Market and Liquidity Risks

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

Note 1 : Includes credit risk related to settlement risk

2 : Includes liquidity risk related to settlement risk

Compliance, Operations and Systems, and Event Risks

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

FINANCIAL SECTION

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FEATURES OF TRUST BANKS' FINANCIAL STATEMENTS

1. Features of Trust Banks' Balance Sheets

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

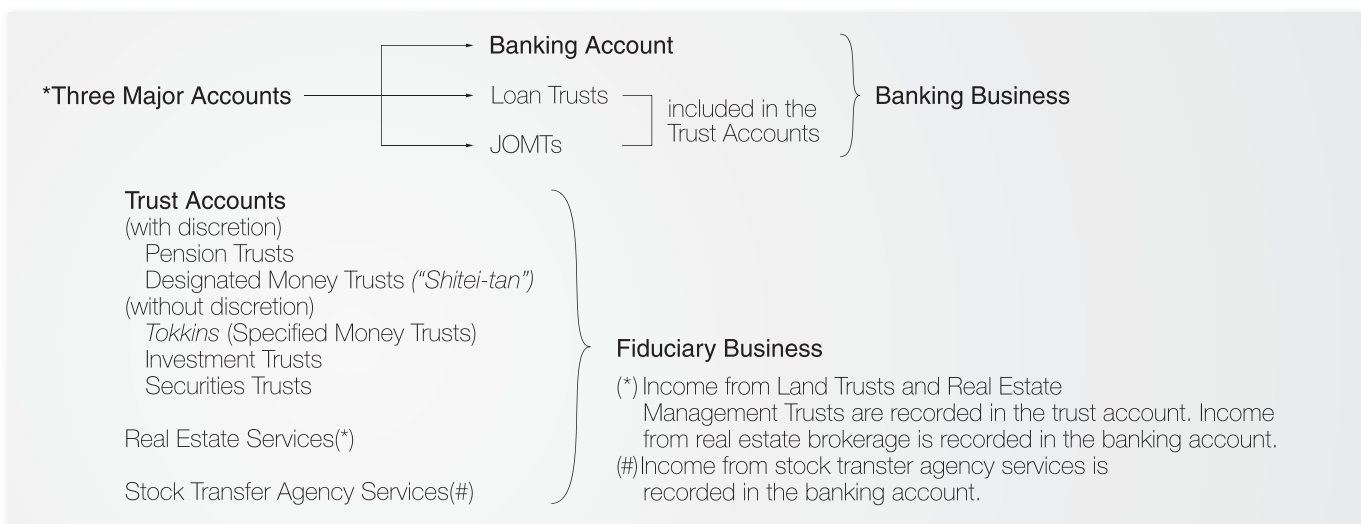
Among various trust accounts, Loan Trusts and Jointly-Operated Money Trusts ("JOMTs") are subject to principal-guaranteed contracts provided by trust banks and covered by deposit insurance. From the viewpoint that the banking account bears contingent liability by virtue of principal-guaranteed contracts attached to these two types of trusts, these trusts are included in banks' risk assets for the purpose of calculating the BIS capital adequacy ratio. At present, 50% of the total principal amount after deduction of the loan amount lent from 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. Sumitomo Trust, though, refers to the banking account, Loan Trusts, and JOMTs as the "three major accounts" and manages them as a part of the banking business. We manage profits and losses, conduct asset liability management, and control the default risks of the three major

accounts in an integrated manner. As a case in point, our data for the loan-deposit margin on 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 Reserves for Possible Impairment of Principal. The reserve account for Loan Trusts is stipulated in the Loan Trust Act. In accordance with the Act, trust banks are currently required to set no less than 2.5% and no more than 4.0% of loan trust fees aside for the reserve until it amounts to 0.5% of the total principal amount of Loan Trusts. The reserve account for JOMTs is set aside at the rate of 0.3% of the balance of loans and other claims. For reference, non-performing claims of Loan Trusts and JOMTs are disposed of



by direct write-offs to individual loans or other claims.

Balance sheets of trust banks feature accounts for inter-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 the banking account,” posted on the asset side of the trust account. Please note that assets on the balance sheets for Loan Trusts and JOMTs are

classified into “loans and bills discounted,” “securities,” and “other.” “Other” accounts consist mainly of loans to the banking account.

2. Features of Income Statement of Trust Banks

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

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

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

Among various accounts on the income statements of trust banks, “trust fees” and “fees and commissions” require special mention. For the purpose of financial statements, fees and commissions earned based on trust agreements are booked as “trust fees” and those earned without trust agreements are booked as “fees and commissions.” Trust fees include “trust fees from Loan Trusts and JOMTs” and “other trust fees” derived from various trust businesses such as pension and institutional asset management, securities processing services (Investment Trusts and Tokkins), and real estate services (Land Trusts and Real Estate Management Trusts). “Fees and commissions” are those derived from 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.)

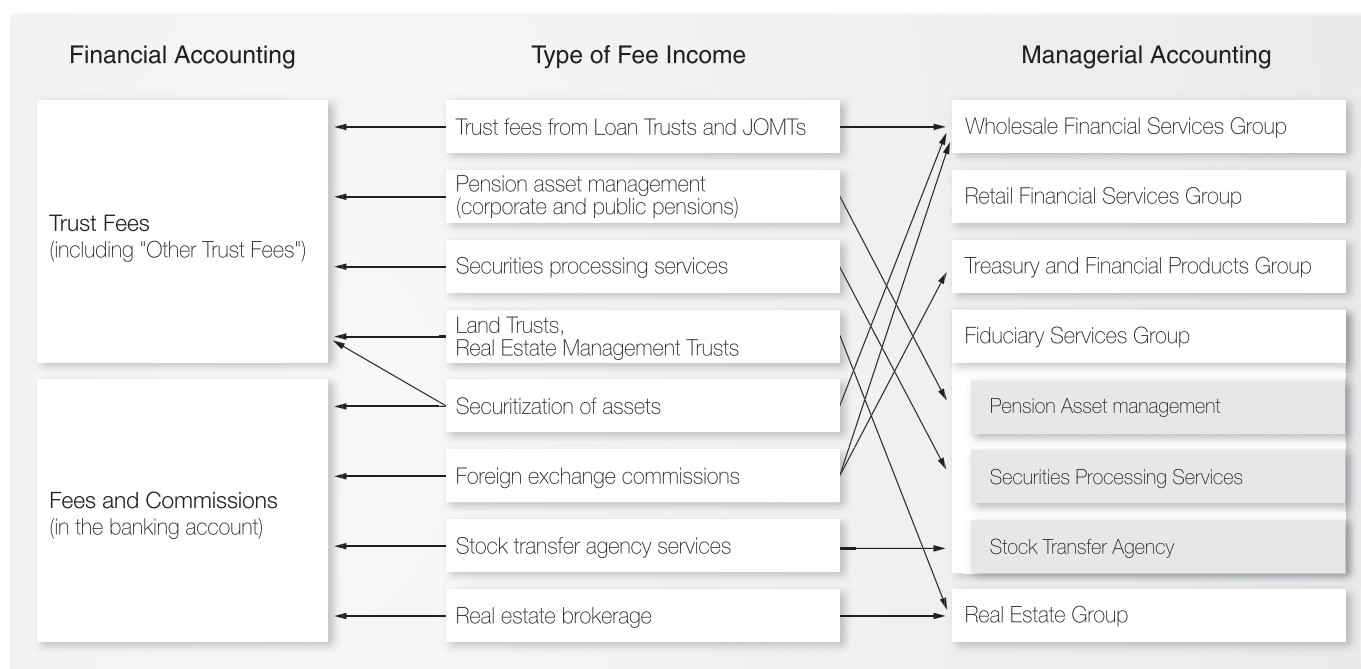
* Some of the “other trust fees” are received only once in the second half of each fiscal year. As a consequence, the amount of “trust fees” for the second half of each fiscal year exceeds that for the first half of the same fiscal year. Such imbalance is adjusted for the purpose of managerial accounting.

4. Managerial Accounting for Trust Banks

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

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

(*) In April 2002, the five business groups were reorganized into the current status based on customer attributes (See Note in page 18 for further explanation regarding restructuring of the business group management system.)



MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

Overview of Fiscal Year 2002 Results

The fiscal year 2002 will be remembered as another sluggish one due to continuous declines in the stock market. The Nikkei 225 index posted a new record low since 1983 and TOPIX also fell to a low of 770.62 in March and closed at 788.00 at the end of March. The FSA launched its "financial revival program," which made banks rush to dispose of their bad debts and all major banks except Sumitomo Trust raised capital from the market. Such actions impacted negatively on bank sector share prices.

Under these circumstances, the Bank's loss before income tax on a consolidated basis was ¥126.4 billion and ¥104.7 billion on a non-consolidated basis, down by ¥70.0 billion and ¥39.7 billion, respectively. The main reason for these losses was ¥127.9 billion in net losses from investment in securities, which included ¥101.0 billion in devaluation losses due to the decline of stock prices. A ¥57.4 billion loss from the contribution of investment securities to employee retirement benefit trust was posted as an extraordinary loss. The Bank compensated the unfunded portion of its pension benefit plan by transferring stocks and realized a similar loss. With respect to the level of credit costs, which has been one of the main concerns for the banking sector over the past several years, the Bank's credit costs were ¥87.8 billion on a consolidated basis, substantially smaller than ¥156.1 billion of net business profit (before trust account credit costs and net transfers to general reserve). The Bank's BIS capital adequacy ratio and Tier I ratio were 10.48% and 6.09%, down by 0.38% and 0.07%, respectively. This was mainly because of the repayment of subordinated bonds due to the government as of the end of March 2003. However, these ratios remain among the highest in Japan's banking industry, illustrating the Bank's sound capital base. The dividend paid on the common stock was ¥3 per share, which was reduced by ¥2 from fiscal year 2001. No interim dividend was paid. The dividend paid on the preferred stock was ¥6.08 per share, the same as in fiscal year 2001.

Trust Fees

Trust fees saw a decrease of ¥9.0 billion, or 11.2%, from fiscal year 2001, mainly due to a large decline in Loan Trust and Jointly-Operated Money Trust (JOMT) balances. Because of historically low long-term interest rates, there was a shift of customers' money from those accounts to banking account time deposits. This caused a decline of ¥11.6 billion, in trust fees of loan Trust and JOMTs before credit costs. In contrast, net interest income from banking was pushed up by the increase in time deposit balances. Fees from

entrusted assets ("Other Trust Fees") decreased ¥1.0 billion, or 2.1%, from fiscal year 2001, mainly due to the lower market value of entrusted assets, which offset the positive impact from higher entrusted asset volume.

Net Interest Income

Net interest income increased by ¥46.7 billion, or 44.6%, from fiscal year 2001, with the decrease in interest expenses (¥106.0 billion or 47.1%) surpassing the decline in interest income (¥59.2 billion or 17.9%). Income from foreign bond operations substantially improved, owing to a successful asset and liability management (ALM) strategy along with the favorable market conditions in U.S. dollar and euro markets.

Net Fees and Commissions

Net fees and commissions, which consist of non-interest income from the Bank's banking operations (not from trust operations) decreased slightly by ¥0.2 billion, or 0.7%, from fiscal year 2001. Outsourcing fees paid to Japan Trustee Services Bank, Ltd., stayed at the same level as fiscal year 2001, or ¥12.8 billion. The establishment of a new joint venture subsidiary for transfer agency services pushed up outsourcing fees only on the parent income statement by ¥4.6 billion. Securitization, syndicated loans, as well as structured finance fees compensated for the decline in real estate brokerage fees.

Net Trading Account Revenue

Net trading account revenue saw a large increase of ¥2.9 billion, or 62.0%, from fiscal year 2001. Net revenue from trading securities was ¥0.2 billion and net revenue from trading-related financial derivatives soared by ¥2.4 billion to ¥7.1 billion.

Net Other Operating Income

Net other operating income decreased by ¥36.7 billion, or 89.5%, from fiscal year 2001, largely due to a decrease in net gains on bonds.

General and Administrative Expenses

General and Administrative Expenses increased slightly by ¥0.2 billion, or 0.2%, from fiscal year 2001, personnel expenses decreased by ¥1.8 billion, or 2.6%, and other expenses increased ¥2.3 billion, or 3.8%.

Net of Other Income and Expenses

Net of other income and expenses decreased by ¥73.3 billion to minus ¥262.3 billion. Net of securities gains and losses resulted in minus ¥127.9 billion, with ¥101.0 billion in losses coming from the

devaluation of securities. Expenses relating to problem loans, which here represent the total of credit costs in the banking account and net transfers to the general reserve, amounted to ¥67.5 billion, down ¥18.4 billion from fiscal year 2001.

Operating Results (Consolidated)

YEARS ENDED MARCH 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2003	2002	Changes	2003
Trust Fees	¥ 71,382	¥ 80,421	¥ (9,039)	\$ 594
Net Interest Income	151,611	104,844	46,767	1,262
Net Fees and Commissions	36,091	36,372	(280)	300
Net Trading Account Revenue	7,615	4,698	2,917	63
Net Other Operating Income	4,304	41,079	(36,775)	36
General and Administrative Expenses	135,147	134,857	289	1,125
Net of Other Income and Expenses	(262,352)	(189,030)	(73,322)	(2,184)
Income (Loss) before Income Taxes	(126,493)	(56,470)	(70,022)	(1,053)
Net Income (Loss)	(72,967)	(42,480)	(30,486)	(607)

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, Investment Trusts, Securities Trusts, etc. Whereas the first type is a part of interest income, the second is a part of non-interest income. The first type of trust fees equaled ¥41.4 billion (before elimination of credit costs in the trust accounts), down 21.8% from fiscal year 2001. The decreases in the balance of Loan Trusts and JOMTs 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 floating rate deposit products in the banking account. Other trust fees were down

by ¥1.0 billion, or 2.1%. Fees from asset management decreased slightly. A decline of ¥74.0 billion was seen in the volume of pension trusts that represents the ending balance of entrusted corporate pension assets. This decline in the volume was due to the shrinking of the Japanese equity market. A ¥1.3 trillion increase in Designated Money Trusts, a part of Money Trusts that represents public pension and other entrusted assets, partly compensated for the decline in asset management fees. Investment securities trust volume decreased slightly, by ¥86.7 billion, also adversely affected by the stagnant market environment. Money Entrusted other than Money Trusts, Securities Trust, and Money Claim Trusts, increased due to the expansion of outsourcing and securitization businesses (see the Statement of Trust Accounts for detailed figures on page 75).

Trust Fees

YEARS ENDED MARCH 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2003	2002	Changes	2003
Net Trust Fees	¥71,382	¥80,421	¥ (9,039)	\$594
Trust Accounts Credit Costs (Eliminated)	20,308	23,981	(3,672)	169
Trust Fees from Loan Trusts and Jointly-Operated Money Trusts	41,485	53,102	(11,616)	345
(before eliminating trust accounts credit costs)				
Profits and Losses on Sale of Securities	(2,649)	(7,395)	4,745	(22)
Other Trust Fees	50,205	51,300	(1,095)	418

Net Interest Income

In fiscal 2002, not only the sluggish domestic economy but also the slowdown in the worldwide economy led to a continuous downward trend in interest rates. Interest expense dropped sharply from ¥225.0 billion to ¥119.0 billion, or 47.1%, resulting in an increase in net inter-

est income of ¥46.7 billion, or 44.6%. Thanks to the successful ALM operation, this significant increase in net interest income was realized by foreign bond operations including both U.S. Treasury and euro bonds. The domestic loan-deposit margin stayed at same level as in fiscal year 2001, improving slightly by four basis points (see page 46).

Net Interest Income (Consolidated)

YEARS ENDED MARCH 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2003	2002	Changes	2003
Interest Income	¥270,666	¥329,927	¥ (59,261)	\$2,253
Interest on Loans and Discounts	132,691	141,296	(8,605)	1,104
Interest and Dividends on Securities	122,966	175,122	(52,156)	1,023
Interest on Deposits with Banks	5,578	8,703	(3,124)	46
Interest on Interest Swaps	385	518	(132)	3
Other	9,043	4,286	4,756	75
Interest Expenses	119,054	225,083	(106,029)	991
Interest on Deposits	42,793	76,625	(33,831)	356
Interest on Borrowings and Rediscounts	3,031	6,443	(3,412)	25
Interest on Corporate Bonds	6,769	8,098	(1,329)	56
Interest on Convertible Bonds	22	34	(11)	0
Interest on Interest Swaps	17,250	37,403	(20,153)	144
Other	49,186	96,477	(47,290)	409
Net Interest Income	151,611	104,844	46,767	1,262

Net Other Operating Income

Net other operating income saw a decrease of ¥36.7 billion, or 89.5%, from fiscal year 2001. Due to a significant decline in net gains on bonds, the Bank posted a ¥0.8 billion loss in fiscal year 2002 compared with gains of ¥25.8 billion the previous year. Both of

the uncategorized portions of other operating income and operating expenses (categorized as “other”) declined significantly, by ¥116.9 and ¥108.2 billion, respectively. This was caused by the change of the status of STB Leasing Ltd., from a consolidated subsidiary as of March 2002 to an affiliate accounted for using the equity method.

Net Other Operating Income (Consolidated)

YEARS ENDED MARCH 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2003	2002	Changes	2003
Other Operating Income	¥123,267	¥192,192	(68,925)	\$1,026
Gains on Foreign Exchange Transactions	4,813	3,321	1,492	40
Gains on Sale of Bonds (1)	117,829	65,818	52,011	981
Gains on Financial Derivatives	—	5,522	(5,522)	—
Other	624	117,530	(116,906)	5
Other Operating Expenses	118,963	151,112	(32,149)	990
Losses on Sale of Bonds (2)	116,582	35,309	81,272	970
Losses on Redemption of Bonds (3)	2,073	1,037	1,036	17
Losses on Devaluation of Bonds (4)	2	3,643	(3,641)	0
Losses on Financial Derivatives	280	2,815	(2,535)	2
Other	25	108,307	(108,282)	0
Net Other Operating Income	4,304	41,079	(36,775)	36
Net Gains (Losses) on Bonds [(1)-(2)-(3)-(4)](#)	(828)	25,828	(26,656)	(7)

General and Administrative Expenses

Total general and administrative expenses increased slightly by ¥0.2 billion, or 0.2%, from fiscal year 2001. Personnel expenses declined ¥1.8 billion mainly because of a reduction in the number of employees. Most of the increase in non-personnel expenses is attributable to establishment of Japan TA Solution Ltd. The Bank's efforts to

reduce costs have been successful over the last four years. In March 2003, the Bank had successfully achieved its target level for general and administrative expenses in March 2005, which was set in the "Plan for Restoring Sound Management" announced in August 2001.

General and Administrative Expenses (Consolidated)

YEARS ENDED MARCH 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2003	2002	Changes	2003
Personnel Expenses	¥ 67,292	¥ 69,133	¥(1,841)	\$ 560
Other (Non-Personnel Expenses)	62,407	60,081	2,325	519
Taxes other than Income Taxes	5,447	5,642	(194)	45
Total	¥135,147	¥134,857	¥ 289	\$1,125

Net of Other Income and Expenses

Net of other income and expenses decreased by ¥73.3 billion to minus ¥262.3 billion. The main factor here was the negative influence of the continuous downtrend in the stock market during fiscal year 2002. Above all, the devaluation of "available-for-sale securities" amounted to ¥101.1 billion, losses on the sale of shares and other securities increased by ¥16.2 billion to ¥41.1 billion, and gains

on sales of shares and other securities decreased by ¥10.0 billion. Expenses relating to problem loans, which represent the total of credit costs in the banking account and net transfer to the general reserve, amounted to ¥67.5 billion, down ¥18.4 billion, or 21.4%, from fiscal year 2001. The Bank's credit costs have been continuously decreasing since fiscal year 1999.

Net of Other Income and Expenses (Consolidated)

YEARS ENDED MARCH 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2003	2002	Changes	2003
Net of Securities Gains and Losses	¥(127,952)	¥(104,130)	¥(23,822)	\$(1,065)
Gains on Sale of Shares and Other Securities	14,243	24,295	(10,052)	119
Losses on Sale of Shares and Other Securities	41,151	24,913	16,238	343
Losses on Devaluation of Shares and Other Securities	101,044	103,513	(2,468)	841
Expenses Relating to Problem Loans (Banking Account Credit Cost)	67,590	86,041	(18,451)	563
Claims Written-Off	40,669	31,862	8,806	338
Provision for Reserve for Possible Loan Losses	9,635	56,879	(47,244)	80
General Reserves	5,058	5,369	(311)	42
Specific Loan Loss Reserves	4,798	53,368	(48,569)	40
Reserves for Loans to Restructuring Countries	(220)	(1,857)	1,636	(2)
Losses on Sale of Loans to the CCPC	—	322	(322)	—
Losses on Bulk Sales	16,731	(3,443)	20,174	139
Other Credit Costs	554	420	133	5
Other Expenses.....	85,125	29,926	55,199	708
Other Gains	18,316	31,068	(12,751)	152
Net of Other Income and Expenses	(262,352)	(189,030)	(73,322)	(2,184)

Financial Condition

Total Assets

As of March 31, 2003, the Bank's total assets stood at ¥15,779.7 billion, down ¥924.2 billion, or 5.5%, from March 31, 2002. This is mainly due to the ¥1,611.5 billion, or 31.7%, decrease in investment securities. Broken down by securities, Japanese government bonds decreased by ¥189.7 billion to ¥773.0 billion, stocks decreased by ¥417.0 billion to ¥601.1 billion, and "other securities," which mainly consist of foreign government bonds, declined by ¥890.1 billion, or 33.6%, to ¥1,753.5 billion. Loans and bills discounted rose by ¥220.6 billion to ¥9,143.1 billion thanks to growth of market-oriented credit products, such as syndicated loans project finances, and purchases of loans in secondary markets.

Total Liabilities and Stockholders' Equity

Total liabilities of the Bank as of March 31, 2002 amounted to ¥15,062.8 billion, which was down ¥893.2 billion, or 5.5%, from March 31, 2002. Deposits rose by ¥527.0 billion to ¥8,698.8 billion,

while negotiable certificates deposits dropped by ¥43.6 billion to ¥1,558.6 billion. Collateral for lending securities decreased by ¥489.8 billion to ¥386.8 billion and borrowed money from trust accounts declined by ¥597.1 billion to ¥1,477.3 billion.

Stockholders' equity fell by ¥31.8 billion, or 4.8%, from March 31, 2002. This is mainly attributable to a decline in retained earnings caused by a ¥72.9 billion net loss. Net unrealized losses on available-for-sale securities, net of tax, decreased to ¥11.3 billion from ¥57.0 billion, mainly because of lower valuations of stocks held by the Bank.

Capital

The BIS capital adequacy ratio and Tier I capital ratio declined by 0.38 percentage points and 0.07 percentage points to 10.48% and 6.09%, respectively. Tier I capital was reduced by ¥27.9 billion compared with March 2002 due to a ¥72.9 billion net loss.

BIS Capital Adequacy Ratio

AS OF MARCH 31	Billions of Yen, except for percentages		
	2003	2002	Changes
Total Qualifying Capital	¥ 1,213.9	¥ 1,293.6	¥ (79.6)
Tier I Capital	706.1	734.1	(27.9)
Net Unrealized Losses on Available-for-sale Securities, Net of Tax	(11.2)	(57.0)	45.7
including: Non-cumulative Preferred Securities (*)	83.0	83.0	—
Tier II Capital	511.3	562.4	(51.0)
Upper Tier II	197.0	293.8	(96.7)
Subordinated Debts	104.5	205.5	(100.9)
General Reserve for Possible Loan Losses	88.2	84.0	4.2
Unrealized Gains on Land after 55% Discount	4.1	4.2	0.0
Lower Tier II	314.3	268.5	45.7
Deductive Items (-)	3.5	2.9	0.6
Total Risk-Adjusted Assets	11,580.8	11,908.0	(327.1)
On-Balance-Sheet Items	10,474.8	10,364.4	110.4
Off-Balance-Sheet Items	1,042.6	1,475.0	(432.3)
Market Risk Equivalents	63.3	68.5	(5.2)
Tier I Capital Ratio	6.09%	6.16%	(0.07)%
BIS Capital Ratio	10.48%	10.86%	(0.38)%

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

Classified Assets under Financial Reconstruction Law

As of March 31, 2002, the total of “Bankrupt and Practically Bankrupt,” “Doubtful,” and “Substandard” (Banking and Trust Accounts combined; parent basis) loans decreased significantly by ¥286.8 billion, or 41.6%, mainly due to aggressive sale and disposal

of those problem loans during fiscal year 2002. The coverage ratio for classified assets also improved in every category, and the percentage of classified assets to total assets resulted in 3.6%, which was the lowest among major Japanese banks.

Total Classified Assets

(Banking and Trust Accounts Combined)

Classification	Billions of Yen							
	Balance		Coverage Ratio		Collateral/Reserve	Reserve Ratio		
	Mar.2003	Mar.2002	Mar.2003	Mar.2002		Mar.2003	Mar.2003	Mar.2002
Bankrupt and Practically Bankrupt (A)	29.0	47.2	100%	99%	Specific Reserve	1.2	100%	94%
					Collateral/Guarantee	27.7		
Doubtful (Kiken-Saiken)(B)	176.7	424.4	85%	82%	Uncovered	25.4		
					Specific Reserve	43.3	62%	63%
					Collateral/Guarantee	107.8		
Substandard (Yo-Kanri-Saiken)(C)	196.5	217.5	71%	64%	Uncovered	56.5		
					General Reserve	39.8	41%	33%
					Collateral/Guarantee	100.1		
Ordinary Assets (Seijo-Saiken)	10,764.8	10,627.8			General Reserve	47.3		
					Reserve for Losses to			
Total of (A), (B) and (C)	402.2	689.0			Restructuring Countries	0.9		
Total	11,167.0	11,316.9						

Banking Account (After Partial Direct Write-Off)
(Non-consolidated)

Billions of Yen								
Classification	Balance		Coverage Ratio		Collateral/Reserve	Reserve Ratio		
	Mar.2003	Mar.2002	Mar.2003	Mar.2002		Mar.2003	Mar.2003	Mar.2002
Bankrupt and Practically Bankrupt (D)	22.0	34.0	100%	100%	Specific Reserve	1.3	100%	100%
					Collateral/Guarantee	20.7		
					Uncovered	21.4		
Doubtful (Kiken-Saiken)(E)	159.8	376.5	86%	83%	Specific Reserve	43.4	66%	67%
					Collateral/Guarantee	95.0		
					Uncovered	38.4		
Substandard (Yo-Kanri-Saiken)(F)	156.6	148.5	75%	67%	General Reserve	39.8	50%	43%
					Collateral/Guarantee	78.3		
Ordinary Assets (Seijo-Saiken)	9,284.7	8,878.7			General Reserve	47.3		
Total of (D), (E) and (F)	338.4	559.1			Reserve for Losses to Restructuring Countries	1.0		
Total	9,623.1	9,437.8						

Trust Accounts
(Non-consolidated)

Billions of Yen							
Classification	Balance		Coverage Ratio		Collateral/Reserve	Reserves	
	Mar.2003	Mar.2002	Mar.2003	Mar.2002			
Bankrupt and Practically Bankrupt (G)	7.1	13.2	100%	98%	Collateral/Guarantee	7.1	Reserve for Loan Trust (Tokubetsu-Ryuhokin)
Doubtful (Kiken-Saiken)(H)	16.9	47.9	75%	69%	Uncovered	4.1	12.0
					Collateral/Guarantee	12.8	Reserve for JOMTs
Substandard (Yo-Kanri-Saiken) (I)	39.9	68.9	54%	59%	Uncovered	18.1	(Saiken Shoukyaku)
					Collateral/Guarantee	21.8	Junbikin) 0.8
Ordinary Assets (Seijo-Saiken)	1,480.1	1,749.1					
Total of (G), (H) and (I)	63.8	130.0					
Total	1,544.0	1,879.1					

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

YEARS ENDED MARCH 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2003	2002	Changes	2003
Banking Account.....	¥65,619	¥ 81,431	¥(15,812)	\$546
Claims Written-Off	40,392	31,579	8,813	336
Provision for Reserve for Possible Loan Losses	7,942	52,940	(44,998)	66
General Reserves	5,136	6,223	(1,087)	43
Specific Loan Loss Reserves	3,027	48,574	(45,547)	25
Reserves for Loans to Restructuring Countries	(220)	(1,857)	1,636	(2)
Losses on Sale of Loans to the CCPC	—	322	(322)	—
Losses on Bulk Sales	16,731	(3,447)	20,178	139
Other Credit Costs	554	37	516	5
Trust Accounts.....	20,308	23,981	(3,672)	169
Claims Written-Off	17,516	22,827	(5,311)	146
Losses on Sale of Loans to the CCPC	1,667	1,666	0	14
Losses on Bulk Sales	1,125	(511)	1,637	9
Total Credit Costs	¥85,928	¥105,413	¥(19,484)	\$715

Spread (Domestic Three Major Accounts)

Banking A/C	Percentage points		
	2003	2002	Changes
YEARS ENDED MARCH 31			
Average Yield on Interest-Earning Assets (a).....	1.22%	1.30%	(0.08)%
Loans and Bills Discounted (A)	1.41%	1.45%	(0.04)%
Securities	1.04%	1.14%	(0.10)%
Average Yield on Interest-Bearing Liabilities (b).....	0.27%	0.34%	(0.07)%
Deposits (B)	0.17%	0.25%	(0.08)%
Gross Margin (a)-(b).....	0.95%	0.96%	(0.01)%
Loan-Deposit Margin (A)-(B).....	1.24%	1.20%	0.04%

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

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

The Company

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

The Securities

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

Dividend

(General)

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

(Dividend Limitation)

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

(Distributable Profits Limitation)

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

(Mandatory Dividends)

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

(Liquidation Period)

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

(Insolvency Certificate)

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

(No Dividend Instruction / Reduced Dividend Instruction)

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

(Supervisory Period Dividend Instruction)

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

Redemption

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

Use of Proceeds

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

Subordinated Loan

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

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

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

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

CONSOLIDATED BALANCE SHEETS — The Sumitomo Trust & Banking Company, Limited at March 31, 2003 and 2002

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2003	2002	2003
Assets:			
Cash and Due from Banks (Notes 2 and 29)	¥ 673,327	¥ 835,193	\$ 5,604
Call Loans and Bills Bought	47,596	98,378	396
Commercial Paper and Other Debt Purchased (Note 2)	98,668	51,009	821
Trading Assets (Notes 2,3 and 9)	679,926	515,827	5,659
Money Held in Trust (Notes 2 and 4)	—	59,665	—
Investment Securities (Notes 2, 5 and 9)	3,458,250	5,069,838	28,783
Loans and Bills Discounted (Notes 6 and 9)	9,143,155	8,922,465	76,098
Foreign Exchanges	13,534	7,656	113
Other Assets (Notes 2 and 7)	1,089,701	629,475	9,070
Premises and Equipment (Notes 2 and 8)	116,026	121,158	966
Deferred Tax Assets (Note 24)	279,420	250,365	2,326
Customers' Liabilities for Acceptances and Guarantees (Note 17)	319,217	364,550	2,657
Reserve for Possible Loan Losses (Note 2)	(139,060)	(221,562)	(1,157)
Total Assets (Note 27)	¥15,779,764	¥16,704,021	\$131,334
Liabilities:			
Deposits (Notes 9 and 10)	¥ 8,698,805	¥ 8,171,802	\$ 72,400
Negotiable Certificates of Deposit (Note 10)	1,558,646	1,602,252	12,973
Call Money and Bills Sold (Note 9)	268,700	627,512	2,236
Payables Under Repurchase Agreements (Note 9)	928,932	928,407	7,731
Collateral for Lending Securities (Note 9)	386,870	876,757	3,220
Trading Liabilities (Notes 2 and 3)	330,403	203,045	2,750
Borrowed Money (Note 11)	141,657	131,149	1,179
Foreign Exchanges	9,718	4,809	81
Corporate Bonds (Note 12)	306,100	433,498	2,548
Convertible Bonds (Note 13)	75	6,000	1
Borrowed Money from Trust Account (Note 14)	1,477,346	2,074,447	12,296
Other Liabilities (Note 16)	624,572	518,386	5,198
Reserve for Employee Bonuses (Note 2)	3,975	4,752	33
Reserve for Employee Retirement Benefits (Notes 2 and 15)	2,279	2,515	19
Reserve for Possible Losses on Loans Sold (Note 2)	—	250	—
Deferred Tax Liabilities (Note 24)	178	45	1
Deferred Tax Liabilities on Revaluation Reserve for Land (Notes 8 and 24)	3,702	3,687	31
Negative Goodwill (Note 2)	1,659	2,212	14
Acceptances and Guarantees (Note 17)	319,217	364,550	2,657
Total Liabilities	15,062,840	15,956,082	125,367
Minority Interest	89,093	88,290	742
Stockholders' Equity:			
Preferred Stock (Note 18)	50,000	50,000	416
Common Stock (Note 18)	237,015	234,053	1,973
Capital Surplus (Note 18)	240,435	237,472	2,001
Retained Earnings (Note 18)	114,190	195,034	950
Revaluation Reserve for Land, Net of Tax (Note 8)	5,604	5,809	47
Net Unrealized Gains (Losses) on Available-for-Sale Securities, Net of Tax (Note 2)	(11,309)	(57,022)	(94)
Foreign Currency Translation Adjustment	(3,741)	(1,465)	(31)
Treasury Stock (Note 18)	(4,363)	(4,233)	(36)
Total Stockholders' Equity	627,830	659,647	5,225
Total Liabilities, Minority Interest and Stockholders' Equity	¥15,779,764	¥16,704,021	\$131,334

	Yen		U.S. Dollars (Note 1)
Net Assets per Share (Note 2)	¥ 361.44	¥ 386.86	\$ 3.01

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS — The Sumitomo Trust & Banking Company, Limited for the years ended March 31, 2003 and 2002

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2003	2002	2003
Income:			
Trust Fees	¥ 71,382	¥ 80,421	\$ 594
Interest Income:			
Interest on Loans and Discounts	132,691	141,296	1,104
Interest and Dividends on Securities	122,966	175,122	1,023
Other Interest Income (Note 19)	15,007	13,507	125
	270,666	329,927	2,253
Fees and Commissions	59,445	61,041	495
Trading Revenue (Note 20)	8,094	5,354	67
Other Operating Income (Note 21)	123,267	192,192	1,026
Other Income (Note 22)	32,560	55,364	271
Total Income (Note 27)	565,416	724,301	4,706
Expenses:			
Interest Expenses:			
Interest on Deposits	42,793	76,625	356
Interest on Borrowings and Rediscounts	3,031	6,443	25
Other Interest Expenses (Note 19)	73,229	142,013	609
	119,054	225,083	991
Fees and Commissions	23,353	24,668	194
Trading Expenses (Note 20)	478	655	4
Other Operating Expenses (Note 21)	118,963	151,112	990
General and Administrative Expenses (Note 23)	135,147	134,857	1,125
Other Expenses (Notes 22 and 24)	294,912	244,394	2,455
Total Expenses (Note 27)	691,909	780,772	5,759
Income (Loss) before Income Taxes (Note 27)	(126,493)	(56,470)	(1,053)
Income Taxes: (Note 24)			
Current	1,028	4,543	9
Deferred	(57,483)	(22,516)	(478)
Minority Interest in Net Income	2,927	3,983	24
Net Income (Loss)	¥ (72,967)	¥(42,480)	\$ (607)
<hr/>			
	Yen		U.S. Dollars (Note 1)
Net Income (Loss) per Share (Note 2)	¥ (50.80)	¥ (29.87)	\$ (0.42)

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY — The Sumitomo Trust & Banking Company, Limited for the years ended March 31, 2003 and 2002

	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 Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Treasury Stock
Balance at March 31, 2001	125,000	1,451,977	¥50,000	¥233,985	¥237,405	¥225,110	¥ 23,653	¥ —	¥(6,315)	¥(2,170)
Net Income (Loss)						(42,480)				
Cash Dividends Paid						(5,451)				
Shares Issued upon Conversion										
of Convertible Bonds		270		67	67					
Net Change								(57,022)	4,849	(2,062)
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property						17,856	(17,844)			
Balance at March 31, 2002	125,000	1,452,247	¥50,000	¥234,053	¥237,472	¥195,034	¥ 5,809	¥(57,022)	¥(1,465)	¥(4,233)
Net Income (Loss)						(72,967)				
Cash Dividends Paid						(7,993)				
Shares Issued upon Conversion										
of Convertible Bonds		11,850		2,962	2,962					
Net Change								45,712	(2,275)	(130)
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property						116	(204)			
Balance at March 31, 2003	125,000	1,464,097	¥50,000	¥237,015	¥240,435	¥114,190	¥ 5,604	¥(11,309)	¥(3,741)	¥(4,363)

	Millions of U.S. Dollars (Note 1)								
	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Revaluation Reserve for Land	Net Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Treasury Stock	
Balance at March 31, 2002	\$416	\$1,948	\$1,976	\$1,623	\$48	\$(475)	\$(12)	\$(35)	
Net Income (Loss)				(607)					
Cash Dividends Paid				(67)					
Shares Issued upon Conversion									
of Convertible Bonds		25	25						
Net Change						380	(19)	(1)	
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property				1	(2)				
Balance at March 31, 2003	\$416	\$1,973	\$2,001	\$ 950	\$47	\$ (94)	\$(31)	\$(36)	

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS — The Sumitomo Trust & Banking Company, Limited for the years ended March 31, 2003 and 2002

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2003	2002	2003
Cash Flows from Operating Activities :			
Income (Loss) before Income Taxes and Minority Interest	¥ (126,493)	¥ (56,470)	\$ (1,053)
Depreciation	6,785	7,100	56
Amortization of Negative Goodwill	(552)	(553)	(5)
Equity in Losses (Earnings) of Affiliates	(786)	8	(7)
Increase (Decrease) in Reserve for Possible Loan Losses	(82,501)	40,704	(687)
Increase (Decrease) in Reserve for Losses on Investment Securities	—	(7)	—
Increase (Decrease) in Reserve for Possible Losses on Loans Sold	(250)	(3,128)	(2)
Increase (Decrease) in Reserve for Employee Bonuses	(776)	4,752	(6)
Increase (Decrease) in Reserve for Employee Retirement Benefits	(235)	1,048	(2)
Interest Income	(270,666)	(329,927)	(2,253)
Interest Expenses	119,054	225,083	991
Losses (Gains) on Securities	81,319	70,147	677
Losses (Gains) on Money Held in Trust	1,402	122	12
Losses (Gains) on Foreign Exchange	51,557	(225,442)	429
Losses (Gains) on Sale of Premises and Equipment	1,712	(2,249)	14
Net Decrease (Increase) in Trading Assets	(164,099)	124,741	(1,366)
Net Increase (Decrease) in Trading Liabilities	127,358	3,976	1,060
Net Decrease (Increase) in Loans and Bills Discounted	(219,972)	(768,949)	(1,831)
Net Increase (Decrease) in Deposits	527,003	452,011	4,386
Net Increase (Decrease) in Negotiable Certificates of Deposit	(43,605)	629,237	(363)
Net Increase (Decrease) in Borrowed Money other than Subordinated Borrowings	(7,991)	59,738	(67)
Net Decrease (Increase) in Due from Banks other than from Bank of Japan	(20,923)	274,416	(174)
Net Decrease (Increase) in Call Loans and Others	3,122	(41,607)	26
Net Decrease (Increase) in Collateral for Borrowing Securities	1,004	1,306	8
Net Increase (Decrease) in Call Money and Others	(358,286)	1,137,921	(2,982)
Net Increase (Decrease) in Collateral for Lending Securities	(489,887)	(1,421,772)	(4,077)
Net Decrease (Increase) in Foreign Exchange Assets	(35,549)	9,683	(296)
Net Increase (Decrease) in Foreign Exchange Liabilities	4,908	(3,021)	41
Net Increase (Decrease) in Borrowed Money from Trust Account	(597,100)	(909,405)	(4,970)
Interest Income Received on Cash Basis	278,581	339,903	2,319
Interest Expenses Paid on Cash Basis	(121,339)	(241,643)	(1,010)
Other-Net	(62,958)	(301,455)	(524)
Subtotal	(1,400,166)	(923,729)	(11,653)
Income Tax Paid	(1,171)	(4,929)	(10)
Net Cash Provided by (Used in) Operating Activities	(1,401,338)	(928,658)	(11,663)
Cash Flows from Investing Activities :			
Purchase of Securities	(8,816,946)	(8,104,083)	(73,383)
Proceeds from Sales of Securities	8,674,149	8,516,275	72,194
Proceeds from Redemption of Securities	1,428,656	877,043	11,891
Increase in Money Held in Trust	(36,000)	—	(300)
Decrease in Money Held in Trust	94,241	15,811	784
Purchases of Premises and Equipment	(5,593)	(10,401)	(47)
Proceeds from Sales of Premises and Equipment	2,096	39,339	17
Cash Decrease due to Sale of a Subsidiary	—	(2,051)	—
Purchase of Stock of Consolidated Subsidiaries	(387)	—	(3)
Net Cash Provided by (Used in) Investing Activities	1,340,216	1,331,933	11,155
Cash Flows from Financing Activities :			
Proceeds from Subordinated Borrowings	78,500	35,000	653
Payments of Subordinated Borrowings	(60,000)	—	(499)
Proceeds from Subordinated Bonds and Convertible Bonds	21,348	49,604	178
Redemption of Subordinated Bonds and Convertible Bonds	(148,726)	(60,767)	(1,238)
Proceeds from Issuance of Stock to Minority Stockholders	800	—	7
Cash Dividends Paid	(7,983)	(5,446)	(66)
Cash Dividends Paid to Minority Shareholders	(2,645)	(2,869)	(22)
Purchases of Treasury Stock	(130)	(2,062)	(1)
Net Cash Provided by (Used in) Financing Activities	(118,838)	13,457	(989)
Effect on Exchange Rate Changes on Cash and Cash Equivalents	(2,828)	7,553	(24)
Net Change in Cash and Cash Equivalents	(182,788)	424,286	(1,521)
Cash and Cash Equivalents at Beginning of Year	664,515	240,229	5,531
Cash and Cash Equivalents at End of Year	¥ 481,726	¥ 664,515	\$ 4,009

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Financial Statements

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

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

The Bank, a Japanese corporation, maintains its records and prepares its financial statements in Japanese yen. The accompanying U.S. dollar financial statements have been translated from yen for convenience, and as a matter of arithmetical computation only, at the rate of ¥120.15 to U.S. \$1.00, the exchange rate prevailing at March 31, 2003. The convenience translations would not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

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

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

2. Significant Accounting Policies and Practices

(a) Consolidation

The consolidated financial statements include the accounts of the Bank and significant subsidiaries, which are controlled 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. In the total of 20 subsidiaries for the year ended March 31, 2003, the significant subsidiaries are 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 is amortized over a reasonable period of time not exceeding twenty years, while immaterial differences are recognized entirely as expenses when incurred.

Investments in affiliates over which the Bank has ability to exercise significant influence on operating and financial policies of the investees, are accounted for by the equity method. The affiliates to which equity method applies are 5 affiliates in total, including Japan Trustee Services Bank, Ltd., as of March 31, 2003.

(b) Foreign currency translation

Assets and liabilities denominated in foreign currencies are primarily translated into Japanese yen at the exchange rate at the 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 Japanese yen at the exchange rate at the end of each fiscal year except for shareholders’ equity accounts, which are translated at the historical rates.

The Bank had adopted the Japanese Institute of Certified Public Accountants (“JICPA”) Industry Auditing Committee Report No. 20, “Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transactions in the Banking Industry” prior to April 1, 2002. However from this fiscal year, the Bank adopted the JICPA Industry Auditing Committee Report No. 25, in accordance with the temporary treatment regulated by “Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transactions in the Banking Industry.”

The Bank utilized currency swaps for managing risks derived from currency and interest rate changes of foreign currency denominated transactions. Certain currency swaps transactions, which qualify conditions as defined in JICPA Industry Auditing Committee Report No.25, are not marked to market. For those swaps, the Bank accrues interest according to the swap contract term over the con-

tract period and recognized as interest income or expense.

(c) Cash and cash equivalents

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

(d) Trading account activities

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

(e) Evaluation for securities

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

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

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

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

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

(f) Derivatives and hedge accounting

In accordance with the temporary treatment regulated by “Treatment for Accounting and Auditing concerning application of Accounting Standard for Financial Instruments in the Banking Industry” (JICPA Industry Auditing Committee Report No. 24), the Bank adopts “Macro Hedge Accounting” to account for certain interest related derivatives, which are utilized to manage interest rate exposures of certain changes of transactions such as loans and deposits. The Bank manages interest exposures based on the methodology so called “Risk Adjustment Approach” which is stated in “Temporary Treatment for Accounting and Auditing concerning Application of Accounting Standard for Financial Instruments in the Banking Industry” (JICPA Industry Auditing Committee Report No.15). The Bank capitalizes gains and losses derived from the hedging instruments until expenses or revenues of the hedging transactions are recognized in income. The Bank has established its risk management policy to control its activities. Under such risk management policy, the Bank assesses hedge effectiveness 1) by monitoring aggregate amount of risks of the hedging instruments and verifying that aggregated risk amount does not exceed the pre-determined threshold amount and 2) by verifying whether the hedging instruments effectively off-set risks of the hedged items.

The Bank also applies fair value hedge to mitigate foreign currency exchange rate exposures in available-for-sale securities denominated in foreign currency (other than bonds) as “Portfolio Hedges” when the hedged foreign currency securities are specified in advance to the inception of the transactions and spot and forward liabilities exist on a foreign currency basis that exceed acquisition costs of the foreign currency securities designated as hedged items.

The Bank also adopts individual deferred hedge accounting for specific assets and liabilities.

(g) Premises and equipment

Depreciation for buildings and equipment is primarily calculated as follows.

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

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

(h) Software

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

(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 asset quality and the internal rules regarding reserves for possible credit losses.

For claims to debtors who are legally bankrupt (due to bankruptcy,

subject to the Japanese Civil Rehabilitation Law, suspension of transactions with banks by the rules of clearinghouses, etc.) or virtually bankrupt, the specific reserve is provided based on the amount of claims, 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 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 claim, who are likely to become bankrupt or to whom the Bank has Restructured Loans (see following note 6), which their 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 contracted interest rate before relaxing to support and the present book value of the claims.

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

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

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

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 ¥157,499 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 losses on investment securities

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

(k) Reserve for employee bonuses

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

(l) Reserve for employee retirement benefits

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

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

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

(m) 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.

(n) Amounts per share

Net assets per share are calculated by dividing net assets excluding the amount of preferred shares and expected dividend for preferred shares outstanding by the number of common shares outstanding at the end of the fiscal year. Net income (loss) per share is computed based on the end of the fiscal year new accounting standard, "Accounting Standard for Earnings Per Share" (Accounting Standards Board Statement No. 2) and "Implementation Guidance for Accounting Standard for Earnings Per Share" (Financial Standards Implementation Guidance No. 4) which the bank has adopted from this fiscal year. The effect on net income (loss) per share of the adoption of this new accounting standard was immaterial. For the fiscal year 2002 and 2001, however, diluted net income per share was not available, since Net loss was stated.

3. Trading Assets and Trading Liabilities

(a) Trading Assets at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2003	2002	2003
Trading Account Securities	¥ 13,586	¥ 24,363	\$ 113
Trading-Related Financial Derivatives	334,058	198,843	2,780
Derivatives of Trading Securities	1	—	0
Derivatives of Securities Related to Trading Transactions	1	164	0
Other Trading Assets	332,279	292,455	2,766
Total	¥679,926	¥515,827	\$5,659

(b) Trading Liabilities at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2003	2002	2003
Derivatives of Trading Securities	¥ 9	¥ 2	\$ 0
Derivatives of Securities Related to Trading Transactions	278	482	2
Trading-Related Financial Derivatives	330,115	202,560	2,748
Total	¥330,403	¥203,045	\$2,750

4. Money Held in Trust

Money Held in Trust for Trading Purpose at March 31, 2003 and 2002:

	Millions of Yen			
	2003		2002	
	Book Value	Net Unrealized Gain (Loss) Reflected in the Statement of Income	Book Value	Net Unrealized Gain (Loss) Reflected in the Statement of Income
Money Held in Trust for Trading Purpose	¥ —	¥ —	¥59,665	¥ (60)

5. Investment Securities

Investment securities held at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2003	2002	2003
Japanese Government Bonds	¥ 773,056	¥ 962,835	\$ 6,434
Japanese Local Government Bonds	32,739	94,652	272
Japanese Corporate Bonds	297,814	350,509	2,479
Japanese Stocks	601,111	1,018,140	5,003
Others	1,753,528	2,643,700	14,594
Total	¥3,458,250	¥5,069,838	\$28,783

6. Loans and Bills Discounted

Loans and Bills Discounted at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Bills Discounted	¥ 18,044	¥ 32,151	\$ 150
Loans on Bills	1,218,297	1,327,289	10,140
Loans on Deeds	6,695,645	6,363,222	55,727
Overdrafts	1,211,168	1,199,801	10,080
Total	¥9,143,155	¥8,922,465	\$76,098

Under the Self-Assessment Rules of the Bank, the Bank classified loans to borrowers which were categorized as virtually bankrupt or potentially bankrupt, even if their interest payments were not overdue for more than six months, as “Delinquent Loans.” The total of ¥157,499 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, is directly written off from the claims in the fiscal year 2002.

Loans and Bills Discounted for 2003 and 2002 include the followings:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Loans in Bankruptcy Proceedings	¥ 14,912	¥ 13,401	\$ 124
Other Delinquent Loans	166,152	394,563	1,383
Loans more than Three Months Past Due	1,637	4,990	14
Restructured Loans	155,410	146,014	1,293

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

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

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

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

7. Other Assets

Other Assets at March 31, 2003 and 2002 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Prepaid Expenses	¥ 250	¥ 689	\$ 2
Accrued Income	73,942	88,683	615
Collateral Deposits on Securities Borrowed	—	1,004	—
Derivatives other than in the Trading Account	472,464	297,020	3,932
Deferred Hedge Losses	36,409	55,419	303
Other	506,633	186,658	4,217
Total	¥1,089,701	¥629,475	\$9,070

Other includes the amount of ¥5,814 million of provisional payment of the withholding tax. The Bank received reassessment notice from tax office claiming the Bank’s responsibility for collecting with-

holding tax on some of its repurchase agreement transactions. However, the Bank filed a petition with Tax Tribunal objecting to such tax imposition, and the claim is on trial.

8. Premises and Equipment

Premises and Equipment at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Land	¥ 48,209	¥ 48,693	\$ 401
Buildings	106,222	106,414	884
Equipment	44,452	45,982	370
Other	21,380	22,568	178
Subtotal	220,265	223,659	1,833
Accumulated Depreciation	(104,239)	(102,501)	(868)
Net Book Value	¥ 116,026	¥121,158	\$ 966

In accordance with the Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land, the Bank recorded a ¥5,604 million of unrealized revaluation gain in stockholders' equity, of which ¥3,702 million of deferred tax was deducted from the gross surplus, as of March 31, 2003, based on the evaluations as of

March 31, 1999, after accounting for premises sold. As of March 31, 2003, it is estimated that current fair value of the land would be ¥11,870 million less than the above-mentioned gross surplus.

9. Assets Pledged

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

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Assets pledged as collateral:			
Trading Assets	¥ 276,031	¥ 272,713	\$ 2,297
Investment Securities	1,420,050	2,485,842	11,819
Loans and Bills Discounted	277,941	365,460	2,313
Corresponding liabilities of the assets pledged as collateral:			
Deposits	22,079	1,343	184
Call Money and Bills Sold	268,700	527,512	2,236
Payables under Repurchase Agreements	928,932	928,407	7,731
Collateral for Lending Securities	386,870	876,757	3,220

10. Deposits and Negotiable Certificates of Deposit

Deposits and negotiable certificates of deposit at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Current Deposits, Ordinary Deposits and Deposits at Notice	¥ 1,750,455	¥1,774,055	\$14,569
Time Deposits	6,548,289	5,935,426	54,501
Other	400,060	462,320	3,330
Subtotal	8,698,805	8,171,802	72,400
Negotiable Certificates of Deposit	1,558,646	1,602,252	12,973
Total	¥10,257,451	¥9,774,054	\$85,372

11. Borrowed Money

Borrowed Money at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Subordinated Debt	¥113,500	¥ 95,000	\$ 945
Other Borrowed Money	28,157	36,149	234
Total	¥141,657	¥131,149	\$1,179

Average interest rates of the borrowed money were 1.93% and 2.11% for the year ended March 31, 2003 and 2002, respectively.

Years to Maturity

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Less than 1 year	¥ 1,518	¥87,262	\$ 13
More than 1 year but less than 2 years	5,392	753	45
More than 2 years but less than 3 years	3,266	5,126	27
More than 3 years but less than 4 years	266	3,000	2
More than 4 years but less than 5 years	15,184	0	126

12. Corporate Bonds

Corporate Bonds at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
(a) Series 1 Perpetual Subordinated Unsecured Bonds	¥ —	¥100,000	\$ —
(b) Series 1 Unsecured Redeemable Subordinated Bonds	100,000	100,000	832
(c) Euro Medium-term and Perpetual Subordinated Notes	206,100	233,498	1,715
Total	¥306,100	¥433,498	\$2,548

(a) Series 1 Perpetual Subordinated Unsecured Bonds were issued on March 30, 1998 under the Law Concerning Emergency Measures for Stabilizing Financial Functions. And the Bank exercised an option to redeem on March 31, 2003.

(b) Series 1 Unsecured Redeemable Subordinated Bonds were issued on March 30, 1999, pursuant to the Law Concerning Emergency Measures for the Early Strengthening of the Functions of the Financial System, bearing interest at six month Yen LIBOR plus 1.53% p.a. until March 31, 2006, and 2.03% p.a. thereafter.

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

For the year ended March 31, 2003, the Bank and its subsidiary have issued ¥21,400 million of notes under the programme, and exercised options to redeem notes totaling ¥48,726 million.

13. Convertible Bonds

Convertible Bonds at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
0.5% Yen Mandatory Exchangeable Subordinated Notes due 2007	¥75	¥6,000	\$1

The issuer that is wholly-owned subsidiary, STB Cayman Capital Limited may at its option elect to redeem all or a portion of the convertible bonds on October 1 of any year from 2002 through 2006 in

common stock of the Bank, and all (but not part) of the convertible bonds in cash on October 1 of any year from 2002 through 2007.

Summary of conditions of the convertible bonds are as follows:

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

14. Borrowed Money from Trust Account

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

15. Reserve for Employee Retirement Benefits

The liabilities for the retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Projected Benefit Obligation	¥(163,815)	¥(162,831)	\$(1,363)
Plan Assets (market value)	158,427	123,429	1,319
Unrecognized Net Plan Assets	(1,781)	—	(15)
Unrecognized Net Transition Obligation	7,319	10,979	61
Unrecognized Net Actuarial Loss	74,154	43,401	617
Unrecognized Net Prior Service Cost	2,360	4,181	20
Prepaid Pension Cost	(78,943)	(21,675)	(657)
Amount Recognized in the Balance Sheets	¥ (2,279)	¥ (2,515)	\$ (19)

Retirement benefits expenses which are included in the consolidated statements of operations for the year ended March 31, 2003 and 2002 were comprised of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Service Costs-benefits earned during the year	¥ 4,546	¥ 4,452	\$ 38
Interest Cost on Projected Benefit Obligation	4,808	5,352	40
Expected Return on Plan Assets	(5,903)	(6,521)	(49)
Amortization of Prior Service Cost	448	298	4
Amortization of Net Actuarial Loss	4,573	2,337	38
Amortization of Net Transition Obligation	3,659	3,948	30
Others	2,487	1,676	21
Amount Expensed in the Statements of Operations	¥14,620	¥11,543	\$122

The discount rate and the rate of expected return on plan assets used by the Bank were 3.0% and 2.5–4.5%, respectively for the fiscal year 2002, which had been 3.0% and 5.5%, respectively for the fis-

cal year 2001. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years.

16. Other Liabilities

Other Liabilities at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Accrued Expenses	¥ 51,898	¥ 54,621	\$ 432
Unearned Income	9,974	11,875	83
Derivatives other than for Trading Account	488,552	340,392	4,066
Other	74,146	111,495	617
Total	¥624,572	¥518,386	\$5,198

Other for 2003 and 2002 include Unpaid Expenses for Trading Account.

17. Acceptances and Guarantees

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

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

sents the Bank's right of indemnity from customers.

Regarding Guaranteed Trusts, the Bank guaranteed the principal amount of ¥968,763 million, ¥913,544 million for Jointly-Operated Money Trusts and ¥2,110,727 million, ¥3,154,240 million for Loan Trusts at March 31, 2003 and 2002, respectively.

18. Stockholders' Equity

The numbers of authorized and issued preferred and common stock at the end of March 31, 2003 and 2002 were as follows:

	2003		2002	
	Authorized	Issued	Authorized	Issued
Preferred Stock	250,000,000	125,000,000	250,000,000	125,000,000
Common Stock	3,000,000,000	1,464,097,764	3,000,000,000	1,452,247,764

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.

Effective October 1, 2001, the Commercial Code 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.

Effective April 1, 2002, the Bank adopted the new accounting standard for treasury stock and reversal of statutory reserves (Accounting Standards Board Statement No. 1, "Accounting Standard for Treasury Stock and Reversal of Statutory Reserves," issued by the Accounting Standards Board of Japan on February 21, 2002).

The adoption of the new accounting standard had no impact on the financial statements.

Stock Option Plan

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

included in treasury stock in the consolidated balance sheets. The following table summarizes information about stock options outstanding.

	2002	2001	2000	1999
Type of stock	Common stock	Common stock	Common stock	Common stock
Maximum number of shares granted	3,000,000	3,000,000	3,100,000	220,000
Number of shares granted	2,514,000	2,587,000	2,831,000	165,000
Number of eligible persons	426	374	331	124
Exercise price	656	795	758	727
Exercise period	Jul.1, 2004 to Jun.30, 2006	Jul.1, 2003 to Jun.30, 2005	Jul.1, 2002 to Jun.30, 2004	Jul.1, 2001 to Jun.30, 2003

19. Other Interest Income and Expenses

(a) Other Interest Income for the years ended March 31, 2003 and 2002:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Interest Income on Deposits with Banks	¥ 5,578	¥ 8,703	\$ 46
Interest Income on Interest Swaps	385	518	3
Other Interest Income	9,043	4,286	75
Total	¥15,007	¥13,507	\$125

(b) Other Interest Expenses for the years ended March 31, 2003 and 2002:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Interest Expense on Corporate Bonds	¥ 6,769	¥ 8,098	\$ 56
Interest Expense on Convertible Bonds	22	34	0
Interest Expense on Payables under Repurchase Agreement	18,069	43,465	150
Interest Expense on Interest Swaps	17,250	37,403	144
Interest Expense on Collateral for Lending Securities.....	19,402	6,017	161
Other Interest Expense	11,714	46,994	97
Total	¥73,229	¥142,013	\$609

20. Trading Revenue and Expenses

(a) Trading Revenue for the years ended March 31, 2003 and 2002:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Revenue from Trading Securities and Derivatives	¥ 722	¥ 389	\$ 6
Revenue from Trading-Related Financial Derivatives Transactions	7,106	4,637	59
Other Trading Revenue	265	327	2
Total	¥8,094	¥5,354	\$67

(b) Trading Expenses for the years ended March 31, 2003 and 2002:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Expenses on Securities Related to Trading Transactions	¥478	¥655	\$4
Total	¥478	¥655	\$4

21. Other Operating Income and Expenses

(a) Other Operating Income for the years ended March 31, 2003 and 2002

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Net Gains on Foreign Exchange Transactions	¥ 4,813	¥ 3,321	\$ 40
Gains on Sale of Bonds	117,829	65,818	981
Revenue from Derivatives other than for Trading Account	—	5,522	—
Other	624	117,530	5
Total	¥123,267	¥192,192	\$1,026

(b) Other Operating Expenses for the years ended March 31, 2003 and 2002:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Losses on Sale of Bonds	¥116,582	¥ 35,309	\$970
Losses on Redemption of Bonds	2,073	1,037	17
Losses on Devaluation of Bonds	2	3,643	0
Expense from Derivatives other than for Trading Account	280	2,815	2
Other	25	108,307	0
Total	¥118,963	¥151,112	\$990

Note : Revenue and Expense from Derivatives other than for Trading Account were not offset each other for the year ended March 31, 2002.

22. Other Income and Expenses

(a) Other Income for the years ended March 31, 2003 and 2002:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Gains on Sale of Shares and Other Securities	¥14,243	¥24,295	\$119
Gains on Money Held in Trust	110	30	1
Gains on Dispositions of Premises and Equipment	218	4,750	2
Gains on Stock Derivatives Transactions	8,097	3,005	67
Other	9,890	23,282	82
Total	¥32,560	¥55,364	\$271

(b) Other Expenses for the years ended March 31, 2003 and 2002:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Provisions for Reserve for Possible Loan Losses	¥ 9,635	¥ 56,879	\$ 80
Claims Written Off	40,669	31,862	338
Losses on Sale of Shares and Other Securities	41,151	24,913	342
Losses on Devaluation of Shares and Other Securities	101,044	103,513	841
Losses on Money Held in Trust	1,512	153	13
Losses on Dispositions of Premises and Equipment	1,932	2,500	16
Losses from Contribution of Investment Securities to Employee Retirement Benefits Trust.....	57,469	—	478
Other	41,497	24,572	345
Total	¥294,912	¥244,394	\$2,455

23. General and Administrative Expenses

General and Administrative Expenses for the years ended March 31, 2003 and 2002:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Taxes other than Income Taxes	¥ 5,447	¥ 5,642	\$ 45
Personnel Expenses	67,292	69,133	560
Other	62,407	60,081	519
Total	¥135,147	¥134,857	\$1,125

24. Income Taxes

Income taxes, which consist of corporation, inhabitant and enterprise taxes, are calculated based on taxable income. The approximate statutory effective rates of income taxes were 38.76% and 38.83% for the years ended March 31, 2003 and 2002, respectively. Due to the absence of taxable income resulting from the deduction

of the write-offs of loans, current income taxes mainly consisted of income tax of consolidated subsidiaries for the years ended March 31, 2003 and 2002.

Deferred Tax Assets and Liabilities at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2003	2002	2003
Tax Loss Carryforwards	¥130,626	¥ 31,569	\$1,087
Devaluation of Securities	54,591	56,436	454
Reserve for Possible Loan Losses (including Direct Write-offs of Loans with Guarantees or Collateral)	52,389	124,635	436
Unrealized Income	10,103	1,502	84
Net Unrealized Losses on Available-for-Sale Securities	8,012	36,416	67
Other Addition	35,824	14,103	298
Valuation Allowance	(6,466)	(7,215)	(54)
Amount set off against Deferred Tax Liabilities	(5,661)	(7,082)	(47)
Deferred Tax Assets	¥279,420	¥250,365	\$2,326
Deferred Tax Liabilities	¥ 178	¥ 45	\$ 1
Deferred Tax Liabilities on Revaluation Reserve for Land	¥ 3,702	¥ 3,687	\$ 31

External Standards Taxation on Banks

With the implementation of the “Metropolitan ordinance regarding the imposition of enterprise taxes through external standards taxation on banks in Tokyo” (Tokyo Metropolitan Ordinance No.145, 2000) (“the

metropolitan ordinance”), enterprise taxes, which were hitherto levied on income, are now levied on gross business profits.

On October 18, 2000, the Bank filed a lawsuit with the Tokyo District Court against the Tokyo metropolitan government and the Governor of Tokyo seeking to void the metropolitan ordinance. On March 26, 2002, the Tokyo District Court rendered a judgment in favor of the Bank and ordered the Tokyo metropolitan government to refuse ¥2,264 million of taxes paid in advance with ¥100 million of compensatory award for the Bank's damages. On March 29, 2002, the Tokyo metropolitan government appealed the judgment to the Tokyo High Court, and on April 9, 2002, the plaintiff banks at the first trial including the Bank also lodged an appeal with the Tokyo High Court. On January 30, 2003, the Tokyo High Court rendered a judgment in favor of the Bank and ordered the Tokyo metropolitan government to refuse ¥4,693 million of taxes paid in advance. On February 10, 2003, the Tokyo metropolitan government appealed the judgment to the Supreme Court and on February 13, 2003 the plaintiff banks at the first trial including The Bank also lodged an appeal. It is the opinion of the Bank that the metropolitan ordinance is both unconstitutional and illegal. The Bank has asserted this opinion in the courts and the matter is still in litigation.

The fact that during this fiscal year the Bank has applied the same

Basis of Enterprise Taxes

With the implementation of the "Revision of the Local Tax Law" (Legislation No.9, March 2003) on March 31, 2003, a part of the tax basis of enterprise taxes is to be a combination of "amount of added value", and "amount of capital" from the fiscal year beginning on April 1, 2004. A part of the enterprise taxes are not pertinent to the enterprise taxes that have tax basis of income-related amounts.

In connection with the "Revision of the Local Tax Law", the effective statutory tax rates of the bank used in the calculations of deferred tax assets and liabilities from the fiscal year beginning on

treatment as in the previous fiscal year, accounting for the taxation in accordance with the metropolitan ordinance as included in (other expense), is because the Bank has deemed it appropriate at this stage to continue with the same accounting treatment as before. Thus, the application of this accounting does not mean that the Bank has agreed with the Tokyo metropolitan government that the metropolitan ordinance is constitutional and lawful.

Estimated taxation under the metropolitan ordinance to the Bank was recorded in Other Expenses in the amount of ¥2,458 million in this fiscal year. Since the taxation under the metropolitan ordinance does not have future income tax effect, it was not included in the calculation of the deferred taxes, and as a result, Deferred Tax Assets as of March 31, 2003 decreased by ¥12,318 million in comparison with the case that the enterprise taxes under the prior tax regulation would have been levied on income. Further, there were also a decrease in Deferred Tax Liabilities on Revaluation Reserve for Land of ¥103 million, a decrease in Net Unrealized Gains (Losses) on Available-for-Sale Securities, Net of Tax of ¥378 million and an increase in Revaluation Reserve for Land, Net of Tax of ¥103 million, respectively.

April 1, 2004 changed from 38.76% to 40.46%. As a result, there were an increase in Deferred Tax Assets of ¥8,668 million and a decrease in Income Taxes Deferred of ¥8,668 million, respectively. There were also an increase in Deferred Tax Liabilities on Revaluation Reserve for Land of ¥92 million, a decrease in Revaluation Reserve for Land, Net of Tax of ¥92 million and an increase in Net Unrealized Gains (Losses) on Available-for-Sale Securities, Net of Tax of ¥336 million, respectively.

25. Lease Transactions

As lessor:

There was no reporting item as lessor at March 31, 2003 and 2002. Although STB Leasing Co., Ltd., which engaged in leasing business as mainly lessor, was excluded from consolidated subsidiaries in the

fiscal year 2001, the statements of operations of this company have been included in the consolidated financial statements until the fiscal year 2001.

As lessee:

(a) Finance Leases

Total lease payments under finance leases where the ownership is not transferred to the lessee was ¥559 million (\$5 million) and ¥74 million (\$1 million) for the years ended March 31, 2003 and

2002, respectively, and the total of future lease payments to be paid under such finance leases at March 31, 2003 and 2002 were as stated below.

March 31, 2003	Millions of Yen	Millions of U.S. Dollars (Note1)
Payable Fee (within one year).....	¥303	\$3
Payable Fee (more than one year).....	318	3
Total	¥621	\$5

March 31, 2002	Millions of Yen
Payable Fee (within one year).....	¥ 572
Payable Fee (more than one year).....	451
Total	¥1,023

(b) Operating Leases

Total of future lease payments to be paid under operating leases at March 31, 2003 and 2002 were as stated below:

March 31, 2003	Millions of Yen	Millions of U.S. Dollars (Note1)
Payable Fee (within one year).....	¥ 2,417	\$ 20
Payable Fee (more than one year).....	19,340	161
Total	¥21,758	\$181

March 31, 2002	Millions of Yen
Payable Fee (within one year).....	¥ 2,417
Payable Fee (more than one year).....	21,758
Total	¥24,175

26. Subsequent Event

(a) On June 27, 2003, the stockholders of the Bank authorized the following appropriations of retained earnings as of March 31, 2003.

	Millions of Yen	Millions of U.S. Dollars (Note1)
Appropriations:		
Transfer to Legal Reserve	¥1,100	\$ 9
Cash Dividends for Preferred Stock (¥6.08 per share)	760	6
Cash Dividends for Common Stock (¥3.00 per share)	4,374	36

(b) On June 27, 2003, the stockholders of the Bank also approved the following:

The stock option plan allows eligible participants to purchase the Bank's common stock at 105% of the average market closing price on the granted date. The participants may exercise the option from July 1, 2005 to June 30, 2007.

Summarized information:

- Type of stock Common stock
- Maximum number of shares granted . . .1,500,000
- Number of eligible persons 480
- Exercise period Jul.1, 2005 to Jun.30, 2007

27. Segment Information

The following tables present information attributable to domestic and overseas operations for the years ended March 31, 2003 and 2002, and identifiable assets of each operation at March 31, 2003 and 2002.

Year Ended March 31, 2003	Millions of Yen						
	Japan	Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
Total Income:							
Unaffiliated Customers	¥ 446,188	¥ 55,704	¥ 50,391	¥ 13,131	¥ 565,416	¥ —	¥ 565,416
Intersegment	6,979	7,918	2,120	781	17,800	17,800	—
Total Income	453,167	63,623	52,511	13,913	583,216	17,800	565,416
Total Expenses	589,955	56,689	47,481	10,729	704,855	12,945	691,909
Income (Loss)							
before Income Taxes	¥ (136,787)	¥ 6,933	¥ 5,030	¥ 3,184	¥ (121,638)	¥ 4,854	¥ (126,493)
AT MARCH 31, 2003							
Total Assets	¥14,861,699	¥1,271,983	¥784,983	¥640,614	¥17,559,282	¥1,779,517	¥15,779,764

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

Year Ended March 31, 2003	Millions of U.S. Dollars						
	Japan	Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
Total Income:							
Unaffiliated Customers	\$ 3,714	\$ 464	\$ 419	\$ 109	\$ 4,706	\$ —	\$ 4,706
Intersegment	58	66	18	7	148	148	—
Total Income	3,772	530	437	116	4,854	148	4,706
Total Expenses	4,910	472	395	89	5,866	108	5,759
Income (Loss)							
before Income Taxes	\$ (1,138)	\$ 58	\$ 42	\$ 27	\$ (1,012)	\$ 40	\$ (1,053)
AT MARCH 31, 2003							
Total Assets	\$123,693	\$10,587	\$6,533	\$5,332	\$146,145	\$14,811	\$131,334

28. Market Value Information

(1) Securities

The information includes a part of Commercial Paper and Other Debt Purchased treated as securities in “Accounting Standard for Financial Instruments.”

(a) Trading Securities

March 31, 2003	Millions of Yen	
	Book Value	Net Unrealized Gain (Loss) Reflected in the Statements of Operations
Trading Securities	¥345,866	¥173

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

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

March 31, 2003	Millions of Yen				
	Book Value	Market Value	Net	Unrealized Gain(Loss)	
				Gain	(Loss)
Japanese Government Bonds	¥ —	¥ —	¥ —	¥ —	¥ —
Japanese Local Government Bonds	—	—	—	—	—
Japanese Corporate Bonds	—	—	—	—	—
Foreign Government Bonds and Others	18,022	18,700	678	999	320
Total	¥18,022	¥18,700	¥678	¥999	¥320

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

Note : Market Value are based on the closing prices at the end of the fiscal period.

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

March 31, 2003	Millions of Yen				
	Cost	Book Value	Net	Unrealized Gain(Loss)	
				Gain	(Loss)
Japanese Stocks	¥ 588,781	¥ 525,156	¥(63,625)	¥35,432	¥(99,057)
Japanese Bonds	1,095,127	1,103,590	8,462	8,560	(98)
Government Bonds	771,895	773,056	1,161	1,220	(59)
Local Government Bonds	31,504	32,739	1,234	1,238	(4)
Corporate Bonds	291,727	297,793	6,066	6,101	(34)
Foreign Securities and Others	1,583,417	1,619,188	35,770	47,463	(11,692)
Total	¥3,267,326	¥3,247,934	¥(19,391)	¥91,456	¥(110,848)

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

1) Values in the balance sheets 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 internal rules of self-assessment of asset, a “remarkable decline in the market value” is recognized based on the classification of issuers as follows:

- Issuer who are legally bankrupt, virtually bankrupt or likely to become bankrupt : Market value is lower than cost
- Issuer who are substandard :
Market value is 30% or more lower than cost
- Other issuer who are ordinary :
Market value is 50% or more lower than cost

(d) Investment Securities without Market Value

The following tables summarize main items of book values of securities with no available fair values at March 31, 2003 and 2002.

March 31, 2003	Millions of Yen
	Book Value
Unlisted Foreign Securities	¥121,750
Unlisted Japanese Stocks, excluding stocks sold in public market	55,710
Trust Certificates of Loan Trust	18,071

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

(e) Available-for-Sale Securities sold during the years ended March 31, 2003 and 2002

Year ended March 31, 2003	Millions of Yen		
	Amount Sold	Gain	(Loss)
Available-for-Sale Securities	¥8,906,938	¥132,072	¥(110,214)

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

(f) Redemption Schedule of Bonds

The table for redemption schedule of bonds classified as Available-for-Sale Securities with maturity and Held-to-Maturity Debt Securities at March 31, 2003 and 2002 are as follows:

March 31, 2003	Millions of Yen			
	Book Value			
	Less than 1 year	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Bonds	¥333,890	¥ 689,336	¥ 78,661	¥ 1,701
Japanese Government Bonds	305,395	467,661	—	—
Japanese Local Government Bonds	—	16,514	16,225	—
Japanese Corporate Bonds	28,495	205,161	62,436	1,701
Others	157,272	615,988	737,424	205,440
Total	¥491,163	¥1,305,325	¥816,085	¥207,141

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

(2) Financial Derivatives

(a) Interest Related Transactions

Interest Related Transactions at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen							
	2003				2002			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Listed								
Interest Futures								
Sold	¥ 4,121,446	¥ 156,962	¥ (4,905)	¥ (4,905)	¥ 4,809,187	¥ 381,051	¥ (897)	¥ (897)
Purchased	4,293,304	171,146	5,471	5,471	4,423,293	348,049	(536)	(536)
Interest Options								
Sold	963,808	—	(143)	7	951,023	—	(112)	121
Purchased	842,235	—	159	(7)	959,958	—	115	(133)
Over-the-Counter								
Forward Rate Agreements								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Interest Rate Swaps								
Fix Rcv-Flt Pay	11,357,723	9,735,692	315,416	315,416	10,232,630	8,190,257	240,017	240,017
Flt Rcv-Fix Pay	10,834,784	9,348,652	(316,994)	(316,994)	9,686,264	7,829,844	(251,565)	(251,565)
Flt Rcv-Flt Pay	2,252,100	2,153,600	3,311	3,311	2,136,674	2,066,100	6,636	6,636
Interest Options								
Sold	524,120	351,810	(1,438)	1,766	486,026	416,071	(1,843)	1,522
Purchased	289,415	150,680	2,893	384	307,971	284,646	3,566	189
Other Interest Related								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total			¥ 3,770	¥ 4,451			¥ (4,618)	¥ (4,644)

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

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

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

(b) Currency Related Transactions

Currency Related Transactions at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen							
	2003				2002			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Over-the-Counter								
Currency Swaps	¥46,655	¥44,058	¥3,276	¥3,276	¥52,182	¥48,862	¥3,612	¥3,612
Forward								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Currency Options								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Other Currency Related								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total			¥3,276	¥3,276			¥3,612	¥3,612

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

Derivative transactions subject to hedge accounting treatments and the transaction referred to in note 3) below are excluded from the schedule above.

2) Market Value is calculated mainly using discounted present value.

3) For previous period, in accordance with “Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transactions in the Banking

Industry” (JICPA Industry Auditing Committee Report No.20), for this period, in accordance with the temporary treatment 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), currency swaps subject to the accrual-basis Standard for Foreign Currency Accounting treatment are excluded from this category. Currency swaps subject to accrual-basis calculation are as shown below.

	Millions of Yen					
	2003			2002		
	Contract Value	Market Value	Unrealized Gain (Loss)	Contract Value	Market Value	Unrealized Gain (Loss)
Currency Swaps	¥589,146	¥(875)	¥(875)	¥538,119	¥(1,195)	¥(1,195)

Forward Exchange Contracts and Currency Options whose unrealized gains (losses) are reflected on the statements of operations after being evaluated on a Mark-to-Market basis as of March 31, 2003 and 2002, and such transactions accompanied by foreign currency

monetary claims or obligations, which are either reflected on the balance sheets as of March 31, 2003 and 2002 or eliminated therefrom in the process of consolidation, are excluded from this category.

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

	Millions of Yen			
	2003		2002	
	Contract Value		Contract Value	
Listed				
Currency Futures				
Sold.....	¥	—	¥	—
Purchased.....		—		—
Currency Options				
Sold.....		—		—
Purchased.....		—		—
Over-the-Counter				
Forward				
Sold.....		2,527,166		3,455,681
Purchased.....		2,477,226		3,423,121
Currency Options				
Sold.....		3,766		151,605
Purchased.....		3,575		98,078
Other Currency Related				
Sold.....		—		—
Purchased.....		—		—

(c) Stock Related Transactions

Stock Related Transactions at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen							
	2003				2002			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Listed								
Stock Index Futures								
Sold.....	¥8,713	¥—	¥ (8)	¥ (8)	¥31,080	¥—	¥—	¥—
Purchased.....	649	—	(18)	(18)	—	—	—	—
Stock Index Options								
Sold.....	5,180	—	(84)	63	2,450	—	(21)	19
Purchased.....	—	—	—	—	—	—	—	—
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.....			¥(111)	¥ 36			¥(21)	¥19

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

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

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

(d) Bond Related Transactions

Bond Related Transactions at March 31, 2003 and 2002 consolidated of the following:

	Millions of Yen							
	2003				2002			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Listed								
Bond Futures								
Sold.....	¥278,195	¥ —	¥(988)	¥(988)	¥199,253	¥ —	¥ (47)	¥ (47)
Purchased.....	257,253	—	702	702	184,182	—	(270)	(270)
Bond Future Options								
Sold.....	360	—	(0)	1	—	—	—	—
Purchased.....	480	—	2	(0)	—	—	—	—
Over-the-Counter								
Bond Options								
Sold.....	—	—	—	—	—	—	—	—
Purchased.....	—	—	—	—	—	—	—	—
Others								
Sold.....	—	—	—	—	—	—	—	—
Purchased.....	—	—	—	—	—	—	—	—
Total.....			¥(285)	¥(285)			¥(317)	¥(317)

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

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

2) Market value transactions listed are calculated mainly using the closing prices on the Tokyo Stock Exchange and others. Market value 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, 2003 and 2002.

(f) Credit Derivative Transactions

Credit Derivative Transactions at March 31, 2003 and 2002 consolidated of the following:

	Millions of Yen							
	2003				2002			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Over-the-Counter								
Credit Derivative Transaction								
Sold.....	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased.....	229,852	1,000	137	(179)	—	—	—	—
Total.....			¥137	¥(179)			¥—	¥—

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

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

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

29. Statement of Cash Flows

Following table shows the reconciliation between Cash and Cash Equivalents in the statements of cash flows, and Cash and Due from Banks in the balance sheets at March 31, 2003 and 2002.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2003	2002	2003
Cash and Due from Banks.....	¥ 673,327	¥ 835,193	\$ 5,604
Due from Banks (excluding due from Bank of Japan).....	(191,601)	(170,677)	(1,595)
Cash and Cash Equivalents	¥ 481,726	¥ 664,515	\$ 4,009

Significant non-cash transactions for the years ended March 31, 2003 and 2002 are provided as follows.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2003	2002	2003
Increase in Capital due to conversion of convertible bonds.....	¥2,962	¥ 67	\$25
Increase in Capital Surplus due to conversion of convertible bonds	2,962	67	25
Decrease in Convertible Bonds	¥5,925	¥135	\$49

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of The Sumitomo Trust and Banking Company, Limited and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, 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 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 Sumitomo Trust and Banking Company, Limited and subsidiaries as of March 31, 2003 and 2002, 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 as described in Note 1 to the consolidated financial statements.

Without qualifying our opinion, we draw attention to Note 2 (e) to the consolidated financial statements. A new accounting requirement for available-for-sale securities with available fair market values was applied prospectively in the year ended March 31, 2002 under the accounting standards for financial instruments.

The consolidated financial statements as of and for the year ended March 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis set forth in Note 1 to the consolidated financial statements.



Tokyo, Japan
June 27, 2003

STATEMENTS OF TRUST ACCOUNT (UNAUDITED)

At March 31	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2003	2002	2003
Assets:			
Loans and Bills Discounted.....	¥ 1,761,904	¥ 1,972,582	\$ 14,664
Investment Securities	4,476,065	3,433,949	37,254
Money Held in Trust	39,465,647	38,002,542	328,470
Securities Held in Custody Accounts.....	1,188	1,868	10
Securities Lent.....	—	6,000	—
Money Claims	3,223,012	2,424,250	26,825
Premises and Equipment	1,968,312	1,691,527	16,382
Other Claims	72,290	127,316	602
Loans to Banking Account.....	1,477,346	2,074,447	12,296
Cash and Due from Banks.....	170,363	157,091	1,418
Total Assets	¥52,616,131	¥49,891,577	\$437,920
Liabilities:			
Money Trusts.....	¥20,108,266	¥17,939,003	\$167,360
Pension Trusts	5,477,868	5,551,957	45,592
Property Formation Benefit Trusts.....	11,515	11,694	96
Loan Trusts.....	1,963,838	2,986,125	16,345
Securities Investment Trusts	6,804,661	6,891,416	56,635
Money Entrusted, other than Money Trusts.....	3,215,853	2,894,559	26,765
Securities Trusts	8,430,286	8,267,249	70,165
Money Claim Trusts.....	2,868,189	1,992,498	23,872
Equipment Trusts	5,925	6,968	49
Land and Fixtures Trusts.....	190,265	204,569	1,584
Other Trusts.....	3,539,459	3,145,533	29,459
Total Liabilities	¥52,616,131	¥49,891,577	\$437,920

Note: U.S. dollar amounts are translated solely for convenience at the rate of ¥120.15 to U.S.\$1.00, at March 31, 2003.

NOTES TO STATEMENTS OF TRUST ACCOUNT (UNAUDITED)

Basis of Presenting Financial Statements

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

Loans and Bills Discounted

Loans and Bills Discounted at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2003	2002	2003
Loans on Deeds	¥1,458,764	¥1,696,613	\$12,141
Loans on Bills.....	303,139	275,969	2,523
Bills Discounted	—	—	—
Total	¥1,761,904	¥1,972,582	\$14,664

The balances of Guaranteed Trust Account Loans as of March 31, 2003 and 2002 were ¥1,543,950 million and ¥1,879,071 million, respectively, which included the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2003	2002	2003
Loans in Bankruptcy Proceedings.....	¥ 5,847	¥ 6,441	\$ 49
Other Delinquent Loans	18,078	54,580	150
Loans more than Three Months Past Due	1,519	538	13
Restructured Loans.....	38,373	68,403	319

Note: Refer to page 56 for the definition of each item.

Securities

Securities held at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2003	2002	2003
Japanese National Government Bonds.....	¥1,543,093	¥ 982,460	\$12,843
Japanese Local Government Bonds	179,661	206,987	1,495
Japanese Corporate Bonds and Debentures	655,527	387,772	5,456
Japanese Corporate Shares	1,182,747	956,428	9,844
Foreign Securities.....	915,036	827,903	7,616
Other Securities	—	72,397	—
Total	¥4,476,065	¥3,433,949	\$37,254

Loans to Banking Account

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

Balance of Jointly-Operated Money Trusts

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

Funds in a trust account that are reinvested in other trusts 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, 2003 and 2002 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)
	2003	2002	2003
Assets:			
Loans and Bills Discounted.....	¥280,574	¥243,028	\$2,335
Securities	168,399	15,289	1,402
Other	522,026	656,626	4,345
Total.....	¥971,000	¥914,944	\$8,082
Liabilities:			
Principal	¥968,763	¥913,544	\$8,063
Reserve for Possible Impairment of Principal.....	844	731	7
Other	1,392	667	12
Total.....	¥971,000	¥914,944	\$8,082

Balance of Loan Trusts

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

The balance of Loan Trusts at March 31, 2003 and 2002 was as follows:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2003	2002	2003
Assets:			
Loans and Bills Discounted.....	¥1,263,376	¥1,636,042	\$10,515
Securities	116,591	266,478	970
Other	758,016	1,285,403	6,309
Total.....	¥2,137,984	¥3,187,925	\$17,794
Liabilities:			
Principal	¥2,110,727	¥3,154,240	\$17,567
Reserve for Possible Impairment of Principal.....	12,003	18,621	100
Other	15,254	15,063	127
Total.....	¥2,137,984	¥3,187,925	\$17,794

NON-CONSOLIDATED BALANCE SHEETS — The Sumitomo Trust & Banking Company, Limited at March 31, 2003 and 2002

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2003	2002	2003
Assets:			
Cash and Due from Banks.....	¥ 670,518	¥ 822,915	\$ 5,581
Call Loans	30,000	80,063	250
Commercial Paper and Other Debt Purchased.....	95,869	44,261	798
Trading Assets.....	679,926	515,827	5,659
Money Held in Trust	—	59,665	—
Investment Securities	3,468,066	5,069,781	28,864
Loans and Bills Discounted	9,168,024	8,918,757	76,305
Foreign Exchanges	13,534	7,656	113
Other Assets	1,075,893	619,527	8,955
Premises and Equipment	105,000	109,882	874
Deferred Tax Assets	266,881	246,914	2,221
Customers' Liabilities for Acceptances and Guarantees.....	432,641	501,254	3,601
Reserve for Possible Loan Losses	(136,094)	(217,066)	(1,133)
Reserve for Losses on Investment Securities.....	(719)	(1,129)	(6)
Total Assets	¥15,869,541	¥16,778,313	\$132,081
Liabilities:			
Deposits	¥ 8,689,399	¥ 8,141,452	\$ 72,321
Negotiable Certificates of Deposit	1,558,646	1,607,512	12,973
Call Money	60,000	285,012	499
Payables under Repurchase Agreements.....	928,932	928,407	7,731
Collateral for Lending Securities	386,870	876,757	3,220
Bills Sold	208,700	342,500	1,737
Trading Liabilities	330,403	203,045	2,750
Borrowed Money.....	424,279	445,609	3,531
Foreign Exchanges	45,333	5,006	377
Corporate Bonds.....	106,600	202,000	887
Convertible Bonds.....	75	6,000	1
Borrowed Money from Trust Account.....	1,477,346	2,074,447	12,296
Other Liabilities.....	576,154	500,109	4,795
Reserve for Employee Bonuses.....	3,141	3,948	26
Reserve for Employee Retirement Benefits	315	817	3
Reserve for Possible Losses on Loans Sold	—	250	—
Deferred Tax Liabilities on Revaluation Reserve for Land	2,199	2,184	18
Acceptances and Guarantees	432,641	501,254	3,601
Total Liabilities	15,231,038	16,126,315	126,767
Stockholders' Equity:			
Preferred Stock	50,000	50,000	416
Authorized-250,000,000 shares			
Issued-125,000,000 shares			
Common Stock	237,015	234,053	1,973
Authorized-3,000,000,000 shares			
Issued-1,464,097,764 shares			
Capital Surplus	240,435	237,472	2,001
Additional Paid-in Capital	240,435	237,472	2,001
Retained Earnings	123,970	188,412	1,032
Legal Retained Earnings	44,503	42,903	370
Voluntary Reserves	129,873	159,874	1,081
Unappropriated Profit (Undisposed Loss) at End of the Period.....	(50,406)	(14,364)	(420)
Revaluation Reserves for Land, Net of Tax	3,236	3,441	27
Net Unrealized Gains (Losses) on Available-for-Sale Securities, Net of Tax.....	(11,790)	(57,149)	(98)
Treasury Stock.....	(4,363)	(4,233)	(36)
Total Stockholders' Equity	638,503	651,997	5,314
Total Liabilities and Stockholders' Equity	¥15,869,541	¥16,778,313	\$132,081

	Yen		U.S. Dollars (Note 1)
Net Assets per Share	¥ 368.76	¥ 381.57	\$ 3.07

See accompanying notes.

NON-CONSOLIDATED STATEMENTS OF OPERATIONS — The Sumitomo Trust & Banking Company, Limited for the years Ended March 31, 2003 and 2002

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2003	2002	2003
Income:			
Trust Fees	¥ 71,382	¥ 80,421	\$ 594
Interest Income:			
Interest on Loans and Discounts	131,841	139,195	1,097
Interest and Dividends on Securities	126,856	176,823	1,056
Other Interest Income	14,835	13,512	123
	273,533	329,532	2,277
Fees and Commissions	45,748	45,346	381
Trading Revenue	8,094	5,354	67
Other Operating Income	123,259	73,771	1,026
Other Income	51,360	51,951	427
Total Income	573,379	586,377	4,772
Expenses:			
Interest Expenses:			
Interest on Deposits	42,209	75,250	351
Interest on Borrowings and Rediscounts	9,173	10,475	76
Other Interest Expenses	69,336	136,147	577
	120,718	221,874	1,005
Fees and Commissions	27,309	23,121	227
Trading Expenses	478	655	4
Other Operating Expenses	118,901	41,374	990
General and Administrative Expenses	119,010	123,249	991
Other Expenses	291,726	241,136	2,428
Total Expenses	678,145	651,411	5,644
Income (Loss) before Income Taxes	(104,766)	(65,034)	(872)
Income Taxes:			
Current	103	106	1
Deferred	(48,305)	(22,933)	(402)
Net Income (Loss)	¥ (56,565)	¥ (42,207)	\$ (471)
Net Income (Loss) per Share			
	¥ (39.49)	¥ (29.68)	\$(0.33)
Cash Dividends per Share (Preferred Stock)	6.08	6.08	0.05
Cash Dividends per Share (Common Stock)	3.00	5.00	0.02

See accompanying notes.

NON-CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

— The Sumitomo Trust & Banking Company, Limited for the years ended March 31, 2003 and 2002

	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 Unrealized Gains (Losses) on Available-for-Sale Securities	Treasury Stock
Balance at March 31, 2001	125,000	1,451,977	¥50,000	¥233,985	¥237,405	¥215,848	¥ 23,653	¥ —	¥ —
Net Income (Loss).....						(42,207)			
Cash Dividends Paid.....						(5,451)			
Shares Issued upon Conversion									
of Convertible Bonds.....		270		67	67				
Net Change.....								(57,149)	(4,233)
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property.....						20,224	(20,212)		
Balance at March 31, 2002	125,000	1,452,247	¥50,000	¥234,053	¥237,472	¥188,412	¥ 3,441	¥(57,149)	¥(4,233)
Net Income (Loss).....						(56,565)			
Cash Dividends Paid.....						(7,993)			
Shares Issued upon Conversion									
of Convertible Bonds.....		11,850		2,962	2,962				
Net Change.....								45,358	(130)
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property.....						116	(204)		
Balance at March 31, 2003	125,000	1,464,097	¥50,000	¥237,015	¥240,435	¥123,970	¥ 3,236	¥(11,790)	¥(4,363)

	Millions of U.S. Dollars (Note 1)						
	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Revaluation Reserve for Land	Net Unrealized Gains (Losses) on Available-for-Sale Securities	Treasury Stock
Balance at March 31, 2002	\$416	\$1,948	\$1,976	\$1,568	\$29	\$(476)	\$(35)
Net Income (Loss).....				(471)			
Cash Dividends Paid.....				(67)			
Shares Issued upon Conversion							
of Convertible Bonds.....		25	25				
Net Change.....						378	(1)
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property.....				(1)	(2)		
Balance at March 31, 2003	\$416	\$1,973	¥2,001	\$1,032	\$27	\$ (98)	\$(36)

See accompanying notes.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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

1. Basis of Presenting Financial Statements

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

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

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

The Bank, a Japanese corporation, maintains its records and pre-

pare its financial statements in Japanese yen. The accompanying U.S. dollar financial statements have been translated from yen for convenience, and as a matter of arithmetical computation only, at the rate of ¥120.15 to U.S.\$1.00, the exchange rate prevailing at March 31, 2003. The convenience translations would not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

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

2. Significant Accounting Policies and Practices

The Bank adopted new Japanese accounting standards for financial instruments on available-for-sale securities with fair market value in the year ended March 31, 2002.

Treasury stocks, which were previously included in securities, are reported in stockholders’ equity as a negative balance from the year ended March 31, 2002, in accordance with “Partial revision of the Enforcement Ordinance for the Banking Law,” effective October 1, 2001.

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

Independent Auditors' Report

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


We have audited the accompanying non-consolidated balance sheets of The Sumitomo Trust and Banking Company, Limited as of March 31, 2003 and 2002, and the related non-consolidated statements of operations 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 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 Sumitomo Trust and Banking Company, Limited as of March 31, 2003 and 2002, and the non-consolidated results of its operations for the years then ended, in conformity with accounting principles generally accepted in Japan as described in Note 1 to the non-consolidated financial statements.

Without qualifying our opinion, we draw attention to Note 2 to the non-consolidated financial statements. A new accounting requirement for available-for-sale securities with available fair market values was applied prospectively in the year ended March 31, 2002 under the accounting standards for financial instruments.

The non-consolidated financial statements as of and for the year ended March 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the non-consolidated financial statements expressed in yen have been translated into United States dollars on the basis set forth in Note 1 to the non-consolidated financial statements.

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

Tokyo, Japan
June 27, 2003

SUPPLEMENTARY FINANCIAL INFORMATION

Loans by Industry (Consolidated basis)

(i) Banking Account

At March 31, 2003	Millions of Yen	Millions of U.S. Dollars (Note 1)
	2003	2003
Domestic Offices (Excluding Offshore Loans):		
Manufacturing	¥1,334,972	\$11,111
Agriculture, Forestry, Fishing, and Mining	8,675	72
Construction.....	180,224	1,500
Energy.....	157,827	1,314
Communication	297,686	2,478
Transportation.....	489,441	4,074
Wholesale and Retail	850,035	7,075
Finance and Insurance	2,213,194	18,420
Real Estate	919,838	7,656
Various Services	1,121,047	9,330
Local Governments.....	1,822	15
Individuals and Others.....	968,918	8,064
Subtotal.....	8,543,685	71,108
Overseas Offices (Including Offshore Loans of Domestic Offices):		
Governments and Official Institutions	6,449	54
Banks and Other Financial Institutions	2,432	20
Others.....	590,587	4,915
Subtotal.....	599,469	4,989
Total	¥9,143,155	\$76,098

At March 31, 2002	Millions of Yen
	2002
Domestic Offices (Excluding Offshore Loans):	
Manufacturing	¥1,286,448
Agriculture, Forestry, Fishing, and Mining	7,203
Construction.....	223,678
Energy.....	66,609
Transportation and Communication	539,150
Wholesale, Retail and Restaurant.....	796,095
Finance and Insurance	1,986,047
Real Estate	1,126,213
Various Services	1,235,792
Local Governments.....	51,122
Individuals and Others.....	912,755
Subtotal.....	8,231,112
Overseas Offices (Including Offshore Loans of Domestic Offices):	
Governments and Official Institutions	9,085
Banks and Other Financial Institutions	3,913
Others.....	678,353
Subtotal.....	691,352
Total	¥8,922,465

(ii) Trust Account

	Millions of Yen	Millions of U.S. Dollars (Note 1)
At March 31, 2003	2003	2003
Domestic Offices (Excluding Offshore Loans):		
Manufacturing	¥ 154,067	\$ 1,282
Agriculture, Forestry, Fishing, and Mining	410	3
Construction.....	50,501	420
Energy.....	164,704	1,371
Communication	9,973	83
Transportation.....	243,604	2,027
Wholesale and Retail	62,303	519
Finance and Insurance	386,477	3,217
Real Estate	204,467	1,702
Various Services	187,061	1,557
Local Governments.....	41,799	348
Individuals and Others.....	256,533	2,135
Total	¥1,761,904	\$14,664

	Millions of Yen
At March 31, 2002	2002
Domestic Offices (Excluding Offshore Loans):	
Manufacturing	¥ 146,398
Agriculture, Forestry, Fishing, and Mining	1,040
Construction.....	53,126
Energy.....	187,645
Transportation and Communication	262,248
Wholesale, Retail and Restaurant	92,565
Finance and Insurance	348,876
Real Estate	304,066
Services.....	237,780
Local Governments.....	44,026
Individuals and Others.....	294,812
Total	¥1,972,582

Note: New "Standard Industrial Classification in Japan (by Statistics Bureau)" was applied from Oct. 1, 2002. New Standard is used for the data as of Mar. 2003, and previous standard is used for the data as of Mar. 2002.

FIVE-YEAR SUMMARY — The Sumitomo Trust & Banking Company, Limited at/for the years ended March 31

CONSOLIDATED STATEMENTS OF BANKING ACCOUNT	Millions of Yen				
	2003	2002	2001	2000	1999
AT YEAR-END					
Assets:					
Cash and Due from Banks	¥ 673,327	¥ 835,193	¥ 685,323	¥ 766,200	¥ 986,673
Investment Securities.....	3,458,250	5,069,838	6,566,313	4,864,909	3,694,469
Loans and Bills Discounted.....	9,143,155	8,922,465	8,193,779	7,728,968	7,374,575
Premises and Equipment	116,026	121,158	155,717	172,469	169,472
Customers' Liabilities for					
Acceptances and Guarantees	319,217	364,550	379,695	328,201	426,647
Other	2,208,847	1,612,377	2,068,240	2,007,671	2,406,732
Reserve for Possible Loan Losses	(139,060)	(221,562)	(188,057)	(345,639)	(462,642)
Reserve for Losses Investment Securities	—	—	(7)	—	—
Total Assets	¥15,779,764	¥16,704,021	¥17,861,005	¥15,522,780	¥14,595,927
Liabilities:					
Deposits and Negotiable Certificates of Deposit.....	¥10,257,451	¥ 9,774,054	¥ 8,692,805	¥ 7,674,061	¥ 7,043,257
Acceptances and Guarantees	319,217	364,550	379,695	328,201	426,647
Other	4,486,172	5,817,477	7,935,759	6,695,223	6,334,764
Total Liabilities	15,062,840	15,956,082	17,008,260	14,697,487	13,804,669
Minority Interest	89,093	88,290	91,076	89,776	89,054
Total Stockholders' Equity	627,830	659,647	761,668	735,516	702,203
Total Liabilities, Minority Interest and Stockholders' Equity	¥15,779,764	¥16,704,021	¥17,861,005	¥15,522,780	¥14,595,927
FOR THE YEAR					
Income:					
Trust Fees	¥ 71,382	¥ 80,421	¥ 95,807	¥ 96,228	¥ 143,698
Interest Income	270,666	329,927	346,568	391,291	521,387
Fees and Commissions	59,445	61,041	49,767	43,887	40,830
Trading Revenue.....	8,094	5,354	10,569	6,102	4,663
Other Operating Income	123,267	192,192	218,280	216,598	276,670
Other Income	32,560	55,364	175,695	257,753	40,802
Total Income	¥ 565,416	¥ 724,301	¥ 896,688	¥ 1,011,861	¥ 1,028,054
Expenses:					
Interest Expenses	¥ 119,054	¥ 225,083	¥ 275,270	¥ 294,416	¥ 428,330
Fees and Commissions	23,353	24,668	17,881	9,677	9,845
Trading Expenses	478	655	34	95	—
Other Operating Expenses.....	118,963	151,112	175,256	213,232	205,521
General and Administrative Expenses.....	135,147	134,857	138,088	142,807	158,577
Other Expenses	294,912	244,394	200,236	271,476	408,785
Total Expenses	¥ 691,909	¥ 780,772	¥ 806,766	¥ 931,706	¥ 1,211,060
Income (Loss) before Income Taxes	¥ (126,493)	¥ (56,470)	¥ 89,922	¥ 80,155	¥ (183,006)
Net Income (Loss)	(72,967)	(42,480)	41,017	32,214	(136,742)
PER SHARE (Common Stock)					
Net Income (Loss) per Share (Yen).....	¥ (50.80)	¥ (29.87)	¥ 27.88	¥ 21.89	¥ (103.56)
Net Assets per Share (Yen)	361.44	386.86	456.65	440.07	422.88

FIVE-YEAR SUMMARY — The Sumitomo Trust & Banking Company, Limited at/for the years ended March 31

NON CONSOLIDATED STATEMENTS OF BANKING ACCOUNT	Millions of Yen				
	2003	2002	2001	2000	1999
AT YEAR-END					
Assets:					
Cash and Due from Banks	¥ 670,518	¥ 822,915	¥ 654,527	¥ 756,332	¥ 1,004,395
Investment Securities.....	3,468,066	5,069,781	6,563,542	4,856,061	3,674,312
Loans and Bills Discounted	9,168,024	8,918,757	8,292,615	7,777,439	7,415,150
Premises and Equipment	105,000	109,882	148,691	158,887	160,434
Customers' Liabilities for					
Acceptances and Guarantees	432,641	501,254	511,434	478,596	545,247
Other	2,162,103	1,573,916	1,620,586	1,487,697	1,819,551
Reserve for Possible Loan Losses	(136,094)	(217,066)	(207,330)	(290,035)	(406,769)
Reserve for Losses on					
Investment Securities.....	(719)	(1,129)	(1,983)	—	—
Total Assets	¥15,869,541	¥16,778,313	¥17,582,082	¥15,224,977	¥14,212,320
Liabilities:					
Deposits and Negotiable Certificates of Deposit.....	¥10,248,045	¥ 9,748,964	¥ 8,680,056	¥ 7,653,422	¥ 7,057,617
Acceptances and Guarantees	432,641	501,254	511,434	478,596	545,247
Other	4,550,351	5,876,096	7,629,698	6,368,210	5,918,936
Total Liabilities	15,231,038	16,126,315	16,821,190	14,500,228	13,521,800
Stockholders' Equity:					
Capital Stock.....	287,015	284,053	283,985	282,068	277,005
Reserves and Surplus.....	351,487	367,944	476,906	442,681	413,514
Total Stockholders' Equity	638,503	651,997	760,892	724,749	690,520
Total Liabilities and Stockholders' Equity	¥15,869,541	¥16,778,313	¥17,582,082	¥15,224,977	¥14,212,320
FOR THE YEAR					
Income:					
Trust Fees	¥ 71,382	¥ 80,421	¥ 95,807	¥ 96,228	¥ 143,698
Interest Income	273,533	329,532	347,484	389,657	513,581
Fees and Commissions	45,748	45,346	35,672	32,659	30,943
Trading Revenue.....	8,094	5,354	7,215	4,735	3,241
Other Operating Income	123,259	73,771	91,927	107,945	185,211
Other Income	51,360	51,951	173,823	252,533	40,020
Total Income	¥ 573,379	¥ 586,377	¥ 751,931	¥ 883,759	¥ 916,696
Expenses:					
Interest Expenses	¥ 120,718	¥ 221,874	¥ 269,509	¥ 291,813	¥ 420,544
Fees and Commissions	27,309	23,121	14,130	6,744	8,611
Trading Expenses	478	655	54	409	40
Other Operating Expenses.....	118,901	41,374	56,259	111,930	128,116
General and Administrative Expenses.....	119,010	123,249	128,551	133,294	144,356
Other Expenses	291,726	241,136	199,159	262,839	398,556
Total Expenses	¥ 678,145	¥ 651,411	¥ 667,664	¥ 807,031	¥ 1,100,226
Income (Loss) before Income Taxes	¥ (104,766)	¥ (65,034)	¥ 84,266	¥ 76,728	¥ (183,530)
Net Income (Loss)	(56,565)	(42,207)	42,642	33,015	(107,122)
Cash Dividends.....	5,134	7,993	10,877	10,866	9,251
PER SHARE (Common Stock)					
Net Income (Loss) per Share (Yen).....	¥ (39.49)	¥ (29.68)	¥ 28.96	¥ 22.44	¥ (81.13)
Cash Dividends per Share (Yen)	3.00	5.00	7.00	7.00	7.00
Net Assets per Share (Yen)	368.76	381.57	455.16	432.55	414.67

FIVE-YEAR SUMMARY — The Sumitomo Trust & Banking Company, Limited at years ended March 31

STATEMENTS OF TRUST ACCOUNT	Millions of Yen				
	2003	2002	2001	2000	1999
AT YEAR-END					
Assets:					
Loans and Bills Discounted.....	¥ 1,761,904	¥ 1,972,582	¥ 2,607,797	¥ 3,179,040	¥ 3,756,410
Investment Securities.....	4,476,065	3,433,949	2,927,611	19,887,162	16,486,602
Other Assets.....	46,378,161	44,485,044	44,649,862	18,887,301	15,851,199
Total Assets	¥52,616,131	¥49,891,577	¥50,185,272	¥41,953,504	¥36,094,212
Liabilities:					
Money Trusts.....	¥20,108,266	¥17,939,003	¥16,704,918	¥15,429,819	¥12,576,074
Pension Trusts.....	5,477,868	5,551,957	5,398,553	5,315,209	4,739,400
Property Formation Benefit Trusts.....	11,515	11,694	12,580	13,364	14,936
Loan Trusts.....	1,963,838	2,986,125	4,274,930	5,516,283	6,527,520
Other Trusts.....	25,054,641	23,402,795	23,794,289	15,678,827	12,236,279
Total Liabilities	¥52,616,131	¥49,891,577	¥50,185,272	¥41,953,504	¥36,094,212

TOTAL EMPLOYABLE FUNDS	Millions of Yen				
	2003	2002	2001	2000	1999
AT YEAR-END					
Deposits	¥10,248,045	¥ 9,748,964	¥ 8,680,056	¥ 7,653,422	¥ 7,057,617
Money Trusts.....	20,108,266	17,939,003	16,704,918	15,429,819	12,576,074
Pension Trusts.....	5,477,868	5,551,957	5,398,553	5,315,209	4,739,400
Property Formation Benefit Trusts.....	11,515	11,694	12,580	13,364	14,936
Loan Trusts.....	1,963,838	2,986,125	4,274,930	5,516,283	6,527,520
Total Employable Funds*	¥37,809,535	¥36,237,746	¥35,071,038	¥33,928,098	¥30,915,549

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

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SUBSIDIARIES AND AFFILIATED COMPANIES* as of July 1, 2003

Japan

Name	Paid-in Capital (Millions)	Ownership (%)	Group Ownership (%)	Established
The Sumishin Shinko Company Limited	¥ 50	100.0	0.0	June 1948
Sumishin Business Service Company, Limited	¥ 50	100.0	0.0	June 1986
STB Personnel Service Co., Ltd.	¥ 80	100.0	0.0	July 1995
STB Investment Corporation	¥ 35	100.0	0.0	March 2000
Sumishin Loan Guaranty Company Limited	¥ 5,190	100.0	0.0	November 1983
Sumishin Guaranty Company Limited	¥ 7,100	98.8	0.3	August 1977
Japan TA Solution, Ltd.	¥ 2,005	80.0	0.0	July 1998
Sumishin Information Service Company Limited	¥ 100	5.0	65.0	February 1973
Sumishin Card Company, Limited	¥ 50	5.0	50.0	June 1983
Sumishin Realty Company, Limited	¥ 300	5.0	55.0	January 1986
STB Asset Management Co., Ltd.	¥ 300	5.0	95.0	November 1986
STB Research Institute Co., Ltd.	¥ 300	5.0	95.0	July 1988
STB Leasing Co., Ltd.	¥ 1,731	5.0	34.4	July 1985
BUSINEXT CORPORATION.....	¥ 3,500	40.0	0.0	January 2001
Human Resource Management Service & Consulting Co., Ltd.	¥ 519	35.9	0.0	May 2002
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

Overseas

Name	Paid-in Capital (Millions)	Ownership (%)	Group Ownership (%)	Established
The Sumitomo Trust Finance (H.K.) Ltd.	\$ 45	100.0	0.0	July 1978
Sumitomo Trust and Banking (Luxembourg) S.A.	\$ 30	100.0	0.0	April 1985
STB Finance Cayman Ltd.	\$ 0.01	100.0	0.0	January 1993
STB Cayman Capital Ltd.	\$ 0.01	100.0	0.0	May 1997
STB Preferred Capital (Cayman) Ltd.	¥85,000	100.0	0.0	February 1999
Sumitomo Trust and Banking Co.(U.S.A.)	\$ 56	100.0	0.0	May 2002

* As defined by the accounting principles accepted in Japan.

BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND AUDITORS as of August 1, 2003

Chairman of the Board

Hitoshi Murakami *

President & CEO

Atsushi Takahashi *

Deputy President Executive Officer

Yutaka Morita *
Group President, Wholesale Financial Services

Senior Executive Officers

Eiichi Tanabe *

Takaaki Hatabe *
Group President, Fiduciary Services

Toshiharu Sakurai
Deputy Group President, Wholesale Financial Services

Managing Executive Officers

Hirokazu Mizukami *
Deputy Group President, Wholesale Financial Services

Sakae Yashiro *
Group President, Treasury and Financial Products
General Manager, Treasury Operations Dept.
President, STB Finance Cayman Ltd.
President, STB Cayman Capital Ltd.
President, STB Preferred Capital (Cayman) Ltd.

Kazuo Miyakawa *

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

Hideo Fujii *

Takashi Nakamura *
Group President, Retail Financial Services

Masao Shibuya *
Group President, Real Estate

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

Shuichi Shimizu
Deputy Group President, Fiduciary Services

Executive Officers and General Managers

Yukio Aoyama
General Manager, Nagoya Branch

Takashi Shingai
General Manager, Fukuoka Branch

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

Masahiko Nakai
General Manager, Retail Business Planning and Promotion Dept.

Zengo Tanoue
General Manager, Kyoto Branch

Masakiyo Inoue
General Manager, Tokyo Corporate Business Dept. IV

Akio Otsuka
General Manager, Corporate Trust Business Dept. I

Takayuki Yamada
General Manager, Tokyo Corporate Business Dept. III

Hiroaki Okuno
General Manager, IT & Business Processing Dept.

Teruhiko Sugita
General Manager, Tokyo Corporate Business Dept. I

Kiyoshi Mukohara
General Manager, Global Credit Supervision Dept.

Standing Statutory Auditor

Shigeru Tomoda

Statutory Auditors

Tsukasa Ooshima

Masaru Suzuki

Tsuneo Hiroe

Hitoshi Maeda

*Directors



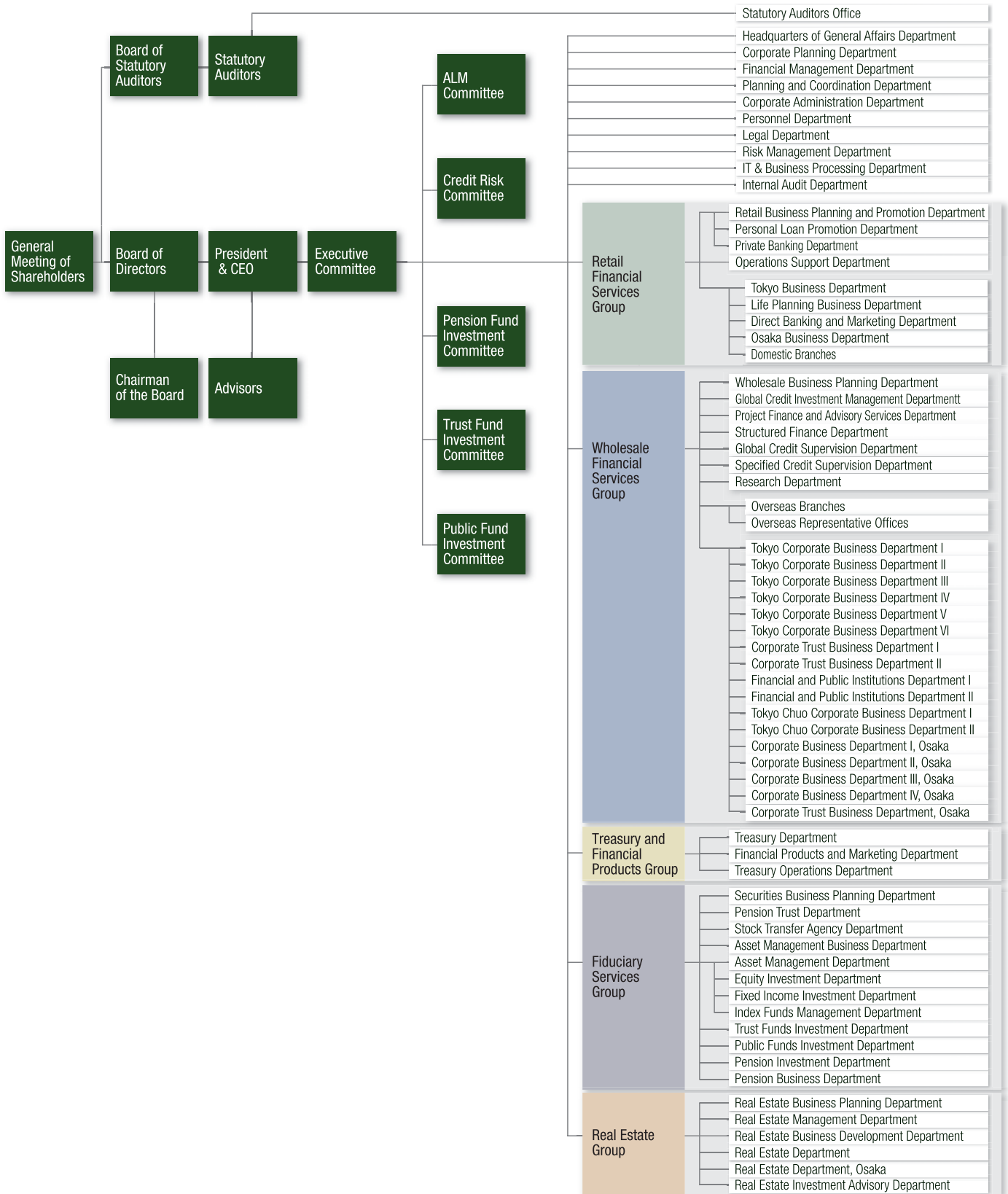
This English-version Annual Report is intended to provide clear explanations to our international shareholders, customers and employees, among others, with our unique strategy, the well-defined business models implemented by five business groups, and sound financial status even among major Japanese banks.

Our IR activities place a high priority on maintaining high transparency of disclosure, as illustrated by the fact that, in the year 2002, the Security Analysts Association of Japan continued to award us the “No. 1 Fair Disclosure Company” position among major Japanese banks in two consecutive years. In this context, we welcome your comments and/or inquiries about this report.

As the executive and a 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 its future prospects.

Hirokazu Mizukami

ORGANIZATION as of August 1, 2003



CORPORATE DATA as of March 31, 2003**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

¥287,015 million

Number of Employees

4,991

Independent Public Accountants

Asahi & Co., A Member Firm of KPMG International

Authorized Stock (Thousands)

Common Stock: 3,000,000

Preferred Stock: 250,000

Issued Stock (Thousands)

Common Stock: 1,464,097

Preferred Stock: 125,000

Number of Stockholders

Common Stock: 24,145

Preferred Stock: 1

Principal Stockholders**Common Stock**

The 10 principal stockholders of the Bank and their respective holdings of shares at March 31, 2003, expressed as a percentage of the total number of shares then in issue, were as follows

	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue
The Master Trust Bank of Japan, Ltd. (Trust Accounts)	96,211	6.57%
Japan Trustee Services Bank Ltd. (Trust Accounts)	92,238	6.29
Sumitomo Life Insurance Company	33,388	2.28
Sumitomo Mitsui Banking Corporation	31,652	2.16
UFJ Trust Bank Ltd. (Trust Account A)	24,695	1.68
Kubota Corporation	23,984	1.63
NEC Corporation	20,052	1.36
The Sumitomo Warehouse Co., Ltd.	18,200	1.24
Bank of New York for Goldman Sachs International (Equity) (Standing Agent : The Bank of Tokyo-Mitsubishi, Ltd.)	15,765	1.07
Mitsui Sumitomo Insurance Co., Ltd.	15,372	1.04
Total	371,560	25.37%

Preferred Stock

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

A Cautionary Note on Forward-Looking Statements

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

For further information, please contact:

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