

# Ready for a One-Step Advance

## Contents

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1	Profile
2	Financial Highlights
4	Sumitomo Trust Group at a Glance
6	To Our Shareholders, Customers and Employees
14	Special Feature: New Medium-Term Management Plan —Breakthrough Plan 2004
18	Overview of Operations
28	Corporate Governance
29	Risk Management Structure
37	CSR Management
39	Financial Section
92	International Network
93	Subsidiaries and Affiliated Companies
94	Board of Directors, Executive Officers and Auditors
95	Organization
96	Corporate Data

# Profile



**Hitoshi Murakami**  
Chairman of the Board

**Atsushi Takahashi**  
President and CEO

## Sustainable Growth, for the Sake of all Stakeholders

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

Implementing structural reforms over the past few years more swiftly and surely than its industry peers, the Sumitomo Trust Group now occupies one of the top positions among Japanese banks in terms both of financial soundness and operating efficiency. While continuing structural reforms aimed at further strengthening our business platform, we at the Sumitomo Trust Group are leveraging the results of recent reforms to carry out more offense-oriented growth strategies, focusing on strategic reallocations of newly freed-up capital, forward-looking investments, and corporate social responsibility (CSR) management.

Our approach to CSR management is much more than a matter of merely pronouncing a litany of business ethics and morals. Rather, we view CSR management as a valuable management tool that we intend to use in proactive support of our move toward future growth.

As suggested by the Sumitomo mission defined by Teigo Iba, Second Director General of the Sumitomo Family Enterprise—“Sumitomo’s business must benefit not only Sumitomo itself but also the nation and the society in general”—our CSR management aims to pursue sustainable growth that both reflects the interests of society and benefits all stakeholders.

# Financial Highlights

< Consolidated >	Millions of Yen (Unless otherwise specified)			Millions of U.S. Dollars <sup>1</sup> (Unless otherwise specified)
	FY2003 (4/03-3/04)	FY2002 (4/02-3/03)	FY2001 (4/01-3/02)	FY2003 (4/03-3/04)
<b>For the Year:</b>				
Gross Business Profit	¥ 279,911	¥ 271,005	¥ 267,417	\$ 2,650
Gross Business Profit (Before Trust Account Credit Costs) <sup>2</sup>	284,589	291,314	291,398	2,694
Credit Costs	(22,777)	(87,898)	(110,023)	(216)
Net Business Profit (Before Credit Costs) <sup>3</sup>	153,619	159,045	—	1,454
Net Other Non-recurring Items	7,752	(134,428)	(103,282)	73
Net Gains (Losses) on Stocks	25,723	(127,952)	(104,130)	243
Net Income (Loss)	79,629	(72,967)	(42,480)	754
<b>At Year-end:</b>				
Tier 1 Capital	789,900	706,184	734,136	7,477
Total Capital	1,390,649	1,213,927	1,293,603	13,164
Risk Assets	11,168,978	11,580,899	11,908,016	105,727
<b>Per Common Share (Yen/U.S. Dollars):</b>				
Total Capital	481.03	361.45	386.87	4.55
Net Income (Loss)	53.99	(50.80)	(29.88)	0.51
<b>Financial Ratios:</b>				
ROE <sup>4</sup>	12.6%	(13.6)%	(7.1)%	—
BIS Tier 1 Ratio	7.07%	6.09%	6.16%	—
BIS Capital Adequacy Ratio	12.45%	10.48%	10.86%	—

1. The U.S. dollar amounts have been translated, for convenience only, at ¥105.64 to U.S. \$1.00.

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

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

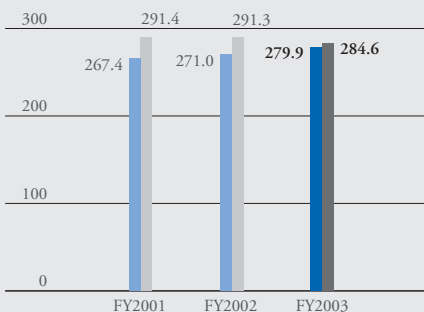
Net Business Profit = (Gross Business Profit) - (General and Administrative Expenses) - (Net Transfer to General Reserve)

4. ROE is computed based on the average stockholders' equity at the beginning and end of the fiscal year.

## < Consolidated >

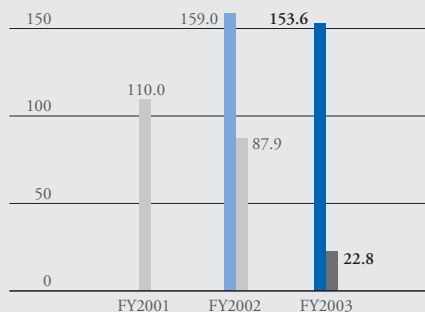
### Gross Business Profit

■ Gross Business Profit  
■ Gross Business Profit (Before Trust Account Credit Costs)  
(Billions of Yen)



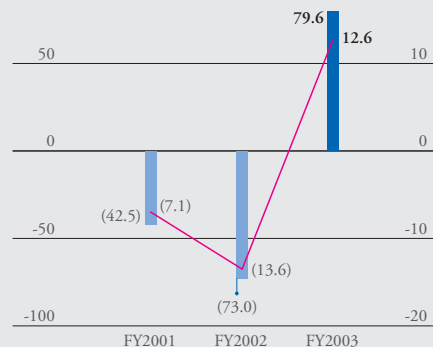
### Net Business Profit (Before Credit Costs) in comparison with Credit Costs

■ Net Business Profit (Before Credit Costs)  
■ Credit Costs  
(Billions of Yen)



### Net Income and ROE

■ Net Income (Loss) <left>  
— ROE <right>  
(Billions of Yen) (%)



< Non-Consolidated >	Millions of Yen (Unless otherwise specified)			Millions of U.S. Dollars <sup>1</sup> (Unless otherwise specified)
	FY2003 (4/03-3/04)	FY2002 (4/02-3/03)	FY2001 (4/01-3/02)	FY2003 (4/03-3/04)
<b>For the Year:</b>				
Gross Business Profit .....	¥ 252,327	¥ 254,958	¥ 247,770	\$ 2,389
Gross Business Profit (Before Trust Account Credit Costs) <sup>2</sup> .....	257,006	275,267	271,751	2,433
Credit Costs .....	(21,833)	(85,928)	(105,413)	(207)
Net Business Profit (Before Credit Costs) <sup>3</sup> .....	145,031	158,889	150,257	1,373
Net Other Non-recurring Items .....	899	(141,351)	(112,496)	9
Net Gains (Losses) on Stocks .....	25,640	(127,782)	(110,122)	243
Net Income (Loss) .....	73,928	(56,565)	(42,207)	700
<b>At Year-end:</b>				
Tier 1 Capital .....	790,266	713,201	723,595	7,481
Total Capital .....	1,393,089	1,221,164	1,281,598	13,187
Risk Assets .....	11,090,725	11,496,551	11,816,497	104,986
<b>Per Common Share (Yen/U.S. Dollars):</b>				
Total Capital .....	485.27	368.77	381.58	4.59
Net Income (Loss) .....	50.09	(39.50)	(29.69)	0.47
Cash Dividends .....	6.00	3.00	5.00	0.06
<b>Financial Ratios:</b>				
ROE <sup>4</sup> .....	11.5%	(10.5)%	(7.1)%	—
BIS Tier 1 Ratio .....	7.12%	6.20%	6.12%	—
BIS Capital Adequacy Ratio .....	12.56%	10.62%	10.84%	—
Non-performing Loan Ratio .....	2.8%	3.6%	6.1%	—

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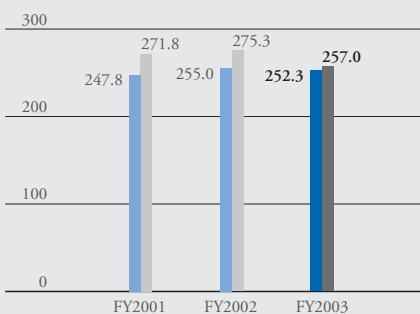
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#### < Non-Consolidated >

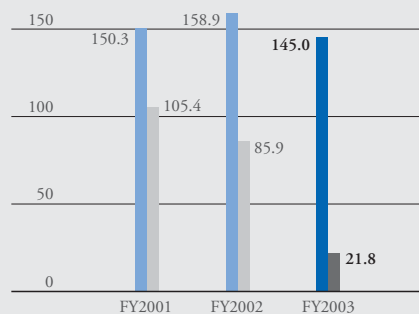
##### Gross Business Profit

■ Gross Business Profit  
■ Gross Business Profit (Before Trust Account Credit Costs)  
(Billions of Yen)



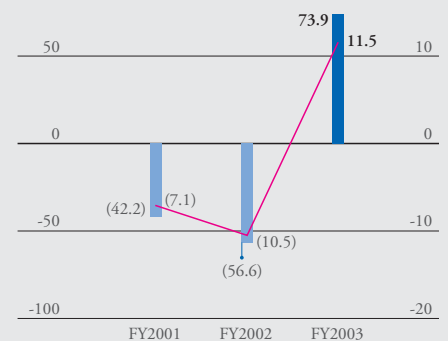
##### Net Business Profit (Before Credit Costs) in comparison with Credit Costs

■ Net Business Profit (Before Credit Costs)  
■ Credit Costs  
(Billions of Yen)



##### Net Income and ROE

■ Net Income (Loss) <left>  
— ROE <right>  
(Billions of Yen) (%)



# Sumitomo Trust Group at a Glance

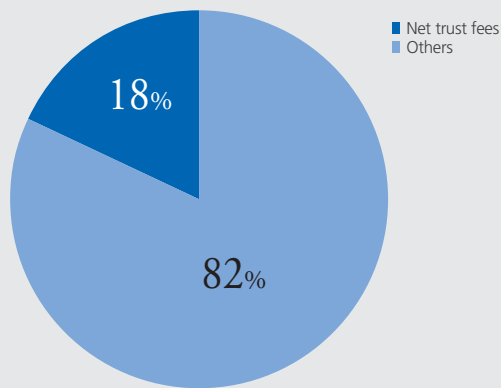
Aiming to become Japan's top trust bank group, the Sumitomo Trust Group is leveraging its trust and commercial banking strengths to achieve integrated business growth.

## Our Differentiating Characteristics

### 1. Core Trust Business

Trust business other than principal guaranteed trust accounts for 18% of non-consolidated gross business profit.

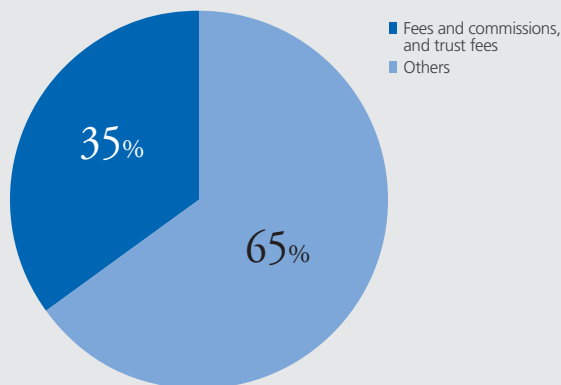
Percentage of Net Trust Fees to Gross Business Profit <FY2003 Actual, Non-Consolidated>



### 2. Expanding Fee Business

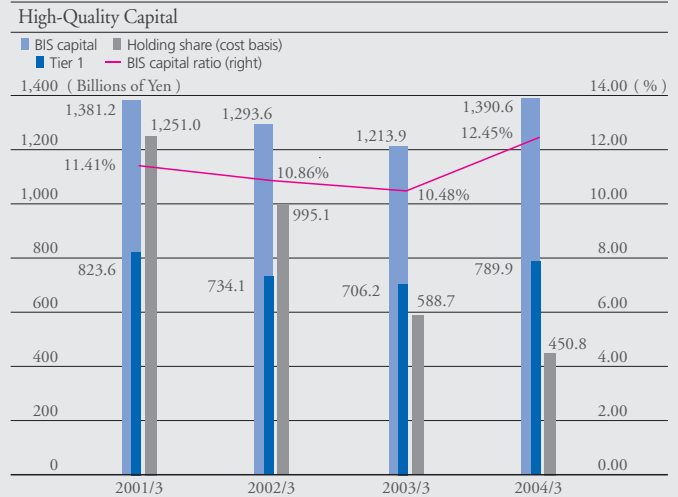
We are working to boost the fee income's share of consolidated gross business profit to 50% or more.

Percentage of Fee Income including Trust Fees to Gross Business Profit <FY2003 Actual, Consolidated>



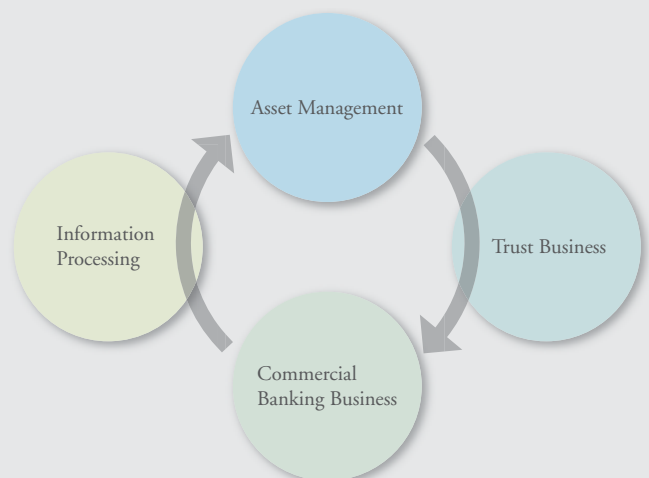
### 3. High-Quality Capital

The full repayment of public funds and favorable business results further improved the quality of our capital. The result was a consolidated BIS capital adequacy ratio of 12.45% and a BIS Tier 1 ratio of 7.07% at the end of fiscal year 2003. Furthermore, our cross-shareholdings amounted to less than 60% of our Tier 1 capital.



### 4. Cross-Selling Platform

Leveraging our cross-selling platform of trust and commercial banking, and providing total asset management and information processing (custodial) services, we intend to achieve organic business growth.



## Overview of Our Business and Business Group Management System

### Overview of 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	Regulatory Consultation
Individual Customers	Deposits ¥4 trillion	Accounting Consultation	<Sumishin Realty Company, Limited (Subsidiary)> No.6 position in Residential Property Brokerage	Real Estate Management	Global Custody ¥12 trillion	Voting Solicitation
	Residential Mortgage Loans ¥1 trillion	Regulatory Consultation		Investment Advisory	Specified Money Trust ¥10 trillion	Shareholders under Administration 6,411 thousand
Inter-bank Operations	Deposits/Investment Trusts ¥8 trillion	Custodial Services	Trust/Custody Business			
	Money Market Operations	Assets under Management ¥17 trillion	Assets under Management ¥17 trillion	Assets under Custody ¥43 trillion ¥114 trillion at JTSB share 51%		
	Foreign Exchange					
	Cash Management					

### Business Group Management System



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.”

## To Our Shareholders, Customers and Employees



Atsushi Takahashi President and CEO

With rapidly implemented management reforms restoring both our credibility and our earnings base, and unburdened by our debt of public funds, we embrace the improving business environment with confident expectations of new growth.



## A Look Back at Fiscal Year 2003

### I. The Macroeconomic Environment—Renewed Confidence in Japan's Economy

In fiscal year 2002 the Japanese economy showed signs of a fragile recovery, and in fiscal year 2003 ended March 31, 2004 this upturn gained momentum and the recovery became more pronounced. This recovery differs from those of previous economic cycles in a number of ways. One is that exports have not stalled, despite the strength of the yen. This is attributable to two main factors. First, China has become the world's largest consumer market, correcting a danger heretofore inherent in Japanese exports (a high reliance on the United States). Second, the digital consumer electronics industry—the first new industry in a long time in which corporate Japan can fully demonstrate its originality and competitiveness—has grown rapidly. The present recovery in the Japanese economy is characterized by the renewed strength of not only exports, but also private-sector capital investment. Financial restructuring efforts have largely wound down, particularly at large corporations, and a steep increase in corporate profits has restored companies' spare capital. This, coupled with the aforementioned growth of demand in China and the rapid growth of the digital consumer electronics industry, has given companies the confidence to make forward investments. In the fourth quarter of fiscal year 2003, we saw signs of a bottoming of consumer confidence and employment. Under these conditions, the Nikkei Average rose roughly 47% over the course of fiscal year 2003. There were also signs that real estate prices have stopped falling in the Tokyo metropolitan area.

### II. The Sumitomo Trust Group's Earnings

#### —Consolidated Net Income Reached a Record-High

Consolidated net operating profit totaled ¥135.7 billion in fiscal year 2003, a vast improvement over the ¥66.2 billion net operating loss recorded in fiscal year 2002 and close to the highest level in our history. Net income totaled ¥79.6 billion, a record high ¥152.6 billion improvement over the ¥73.0 billion net loss recorded in fiscal year 2002. Gross business profit rose ¥8.9 billion year-on-year, thanks primarily to increases in trust fees and commissions, while general and administrative expenses decreased ¥2.4 billion. In addition, credit costs decreased ¥65.1 billion year-on-year, to ¥22.8 billion, and net gains on stocks increased ¥153.7 billion, to ¥25.7 billion.

By business group, consolidated net business profit improved in the Wholesale Financial Services Group, the Retail Financial Services Group, and the Real Estate Group by ¥2.9 bil-

lion, ¥6.2 billion, and ¥3.5 billion, respectively. The drivers of growth in consolidated net business profit were (1) in wholesale operations, asset securitization, syndicated loans, and non-recourse loans; (2) in retail operations, sales fees from investment trusts and individual annuities; and (3) in real estate operations, large brokerage transactions. The environment surrounding the Treasury and Financial Products Group became even more challenging in fiscal year 2003, and the group's consolidated net business profit decreased ¥17.0 billion. However, this was in line with the initial estimate for the group, and net unrealized gains on the securities portfolio improved to ¥160.5 billion, deepening our confidence in our risk control capabilities.

Assets classified as problem loans under the Financial Reconstruction Law on a non-consolidated basis totaled ¥288.9 billion at the end of fiscal year 2003, down a sharp ¥113.3 billion year-on-year. Accordingly, the problem loan ratio decreased from 3.6% at the end of fiscal year 2002 to 2.8%.

As a result, our consolidated BIS capital adequacy ratio rose from 10.48% at the end of fiscal year 2002 to 12.45% at the end of fiscal year 2003, and Tier 1 ratio increased from 6.09% to 7.07%. ROE on a common-share basis improved substantially, from negative 13.6% in the previous fiscal year to positive 12.6% in the year under review.

## Our Business Strategy —Verifying Past Results and Charting Future Developments

### I. Results of Strategies to Date

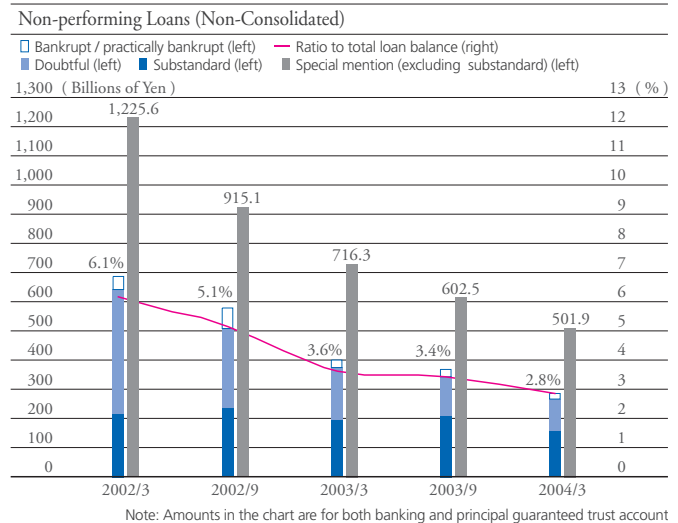
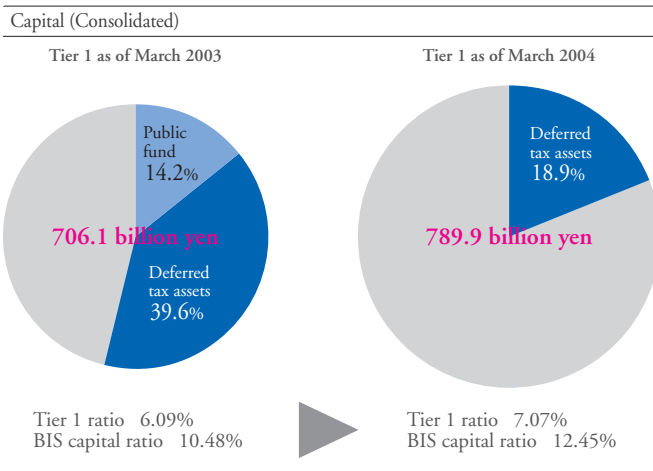
#### 1. Minimizing Downside Risk

Given that the function of a financial institution is to accept its customers' deposits and then invest them in assets and provide precise services, a financial institution must have credibility above all else, backed by a strong financial base. With this awareness, we at the Sumitomo Trust Group have worked to bolster our financial position and risk-management capabilities, and to minimize downside risk.

*Minimizing downside risk is not just a defensive strategy. Having a strong financial base and risk-management capabilities engenders credibility, which is indispensable to the growth of a financial institution.*

Our record shows that we place a high priority on non-performing loan disposal. From ¥689.0 billion at the end of fiscal year 2001, we reduced assets classified as problem loans under the Financial Reconstruction Law to ¥288.9 billion by the end of fiscal year 2003. As a result, our problem loan ratio decreased from 6.1% to 2.8% over the same time period.

Our coverage ratio (total reserves and collateral divided by total problem loans in the banking account) rose from 81.8% to 84.8% over the same time period. As a result of our non-performing loan disposals and devaluation losses on cross-shareholdings, our capital adequacy ratio fell to 10.48% (6.09% Tier 1 ratio) as of the end of fiscal year 2002, but recovered to 12.45% (7.07%) by term-end. The ratio of deferred tax assets to Tier 1 capital improved to 18.9%. In addition to strengthening ourselves financially, we made upgrading our risk management system a top priority. In fiscal year 2003 we bolstered our ability to deal with a variety of risks, including credit risk, market risk, liquidity risk, and operational risk. More specifically, using the concept of value at risk (VaR), we measure risk levels in a unified manner, and constantly confirm and manage the relationship between aggregate risk and capital adequacy. At the same time, we strive to create added value by emphasizing the concept of net business profit shareholder value added (SVA) (net business profit minus capital costs). We believe the aggressive steps we have taken thus far to minimize downside risk place the Sumitomo Trust Group among the top Japanese financial institutions in terms of credibility.



## 2. Meeting Diverse and Sophisticated Needs

We have done more than reduce downside risk. We have also worked aggressively to augment our products and services, as well as our channels for providing them, so that we can precisely meet the increasingly diverse and sophisticated needs of our customers. One example of how we have augmented our products and services is our extensive lineup of asset securitization products in our wholesale business. We were among the first of the Japanese banks to engage in asset securitization, beginning with securitized receivables in 1991, and since then we have created an array of securitization products and services. Today, the Sumitomo Trust Group has a track record in securitization that ranks among the best in the industry, in terms of both quality and quantity. Examples of measures we have taken to strengthen our channels include, in retail operations, forming an ATM alliance with the postal savings system ahead of other financial institutions, launching services through ATMs located in convenience stores, and launching and quickly expanding direct channels. In addition, in products and services, as well as in related channels, we have worked aggressively to enhance the intellectual capital that forms the basis of our marketing strategy.

This is reflected in the way we have leveraged our information processing capabilities and asset management expertise (which are among its core competencies) to strengthen various consulting operations.

*While reducing downside risk, the Sumitomo Trust Group has worked aggressively to enhance and strengthen its operating base, which encompasses its products and services, related channels, and intellectual capital.*

## 3. Our Strategy Steadily Yielding Results

The various measures we have taken to reduce downside risk and better meet our customers' needs are yielding visible results in our core businesses of trust banking and real estate. Specifically, entrusted assets increased from ¥31.0 trillion at the end of fiscal year 1999 to ¥42.9 trillion at the end of fiscal year 2003, while real estate-related earnings surged from ¥17.2 billion to ¥24.8 billion over the same time period, approaching the record high set in fiscal year 1991.

*The steady growth of entrusted assets and real estate-related earnings proves that our strategy is sound.*

#### 4. Public Funds Fully Repaid; Stage Set for Next Growth Phase

The Sumitomo Trust Group completely repaid its public funds in fiscal year 2003, one year ahead of schedule. This fast repayment means three things. First, it means management now has a number of options. Customer needs are changing constantly and at an increasingly rapid pace. We have always worked to meet these needs, but now that we are shifting from a restructuring plan that entails repayment of public funds to more customer-oriented strategies, we can meet needs in a more agile and aggressive manner. Second, it means we no longer have to emulate the management and the business results of others. Japan's financial system and financial administration have historically operated under the so-called convoy system, and public fund injections and the Revitalization Plan have made differentiation difficult. Repaying public funds quickly now puts us in a position to differentiate ourselves. Third, it means we have successfully completed our plan to restore sound management. The various reforms we have undertaken have of course been for the sake of growth, but the restrictions imposed on us as a result of accepting public funds prevented us from moving into our next growth phase, although we achieved a certain measure of success. Now that we have repaid the public funds, preparations for the Sumitomo Trust Group's next stage of growth are complete.

*Fully repaying public funds (1) enables us to more quickly meet customers' needs, (2) increases our potential to profit through differentiation, and (3) signals the successful completion of our plan to restore sound management.*

## II. Our Strategy Going Forward

### The Breakthrough Plan 2004—Aiming for Steady, Sustained Growth

We have formulated a three-year medium-term management plan, called the Breakthrough Plan 2004, that will run through fiscal year 2006. The Sumitomo Trust Group endured a protracted slump as a result of the collapse of the economic bubble and the infusion of public funds. Under the new plan, we will continue to make structural reforms while at the same time reallocating the capital freed up by the aforementioned reduction of downside risk to growth fields. These strategies will put the Sumitomo Trust Group on a sustained growth trajectory and give it a societal influence that sets it apart from the mega-banks. We have three main financial targets. First, we aim for consolidated ROE of at least 10% on a consistent basis. We intend to minimize earnings fluctuations and achieve sustainable growth—in other

words, we aim for high capital efficiency. Second, we want fee income to account for at least 50% of gross business profit by fiscal year 2006. Third, we aim for a credit rating of A or better. We have two major strategies for achieving these goals. The first is strategic and agile capital allocation, and the second is corporate social responsibility (CSR).

*Growth means little if it is not rooted in profitability and stability.*

#### 1) Strategic and Agile Capital Allocation

##### Sustainable Growth Through a Twofold Strategy Addressing Both Components of ROE

We will allocate our freed-up capital to strategic investment and to various shareholder rewards. Strategic investments center on enhancing the trust business, our core competence. In the area of shareholder rewards, we have a number of options, including dividends and share buybacks. To date, our policy has emphasized stable dividends, but our policy now is to set dividends in line with the amount of earnings we have available for payout. In the area of share buybacks, we revised our corporate charter (with the approval of our shareholders at the general meeting in June) to allow us to conduct share repurchases in an agile manner. Through these measures, we intend to regulate the allocation of capital to achieve sustainable increases in ROE and EPS.

##### Measures to Increase Numerator of ROE, i.e. Income: Capital Reallocation

We are also taking full advantage of the tailwind generated by the turnaround in the macroeconomic environment to reallocate our risk capital. Specifically, we will reduce the percentage of capital allocated to stocks (cross-shareholdings) and bonds and instead increase the amount of capital allocated to (1) real estate related business, which is one of our core competencies and a market that we think is on the verge of a full-scale recovery; and (2) the overseas credit market, where we think there is a more rational relationship between risk and reward than in the domestic market, and which is highly attractive in terms of relative value. Our business model can be described as investment banking business based on trust business, which generates fee revenues by sourcing, arranging, and managing assets with our own brand of expertise and selling related products.

At the same time, we generate profit by investing for our proprietary account within certain limits.

## 2) Corporate Social Responsibility (CSR)

Under our medium-term management plan, one of the foundations upon which we will achieve sustainable growth is CSR management. CSR means more than the ethics and morals of our directors and employees. It means not just reducing downside economic risk, but also aggressively boosting corporate value and bringing out latent corporate value. Put another way, we aim to grow by incorporating tangible assets such as stakeholder capital, strategic corporate governance, the environment, and human capital into our corporate value. One example of this is our asset management business SRI fund, which is a full-fledged socially responsible investment fund that bases its evaluation of companies on their legal, social, environmental, and economic responsibility. The Sumitomo Trust Group is a pioneer in such funds, and the group intends to increase its corporate value by leveraging its competence in this area.

## In Conclusion

In summary, the purpose of our business model is to achieve growth in our areas of competence by fully utilizing our differentiated management resources (including our financial

base and our expertise), based on efficient management and CSR. This will enable us to quickly provide our customers with high value-added products and services that our competitors cannot. In turn, this will yield strong yet stable growth and high profitability, with which we will reward our shareholders and other investors. We learned much during the 10 years lost to the aftermath of the economic bubble. In that sense, it may not have been a lost decade, but rather a decade of preparation for our next phase. We intend to maximize our corporate value by optimally balancing profitability, growth, and stability.

*We intend to increase corporate value in a sustainable manner by leveraging our differentiated management resources and managing them in an efficient and reliable manner.*

We thank you for your continued support and encouragement.

August 2004

Atsushi Takahashi  
President and CEO

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

Special Feature: New Medium-Term Management Plan

# —Breakthrough Plan 2004

## Outline of New Medium-Term Management Plan

### I. Definition of the New Management Plan and Its Background

The Sumitomo Trust Group has formulated the Breakthrough Plan 2004, a three-year medium-term management plan covering the period from fiscal year 2004 to fiscal year 2006. Through fiscal year 2003, we carried out financial reforms (primarily non-performing loan disposal) and strengthened its risk management. As a result, we are now among the most credible institutions in Japan’s banking industry. Moreover, in fiscal year 2003 we repaid all public funds, increasing management’s autonomy and giving us a variety of strategic options for achieving further growth. Given these conditions, the significance of the new medium-term management plan is that it calls on the Sumitomo Trust Group to achieve sustainable growth by (1) reallocating capital freed up by the reduction of downside risk, and (2) implementing various structural reforms that only the select few banks that have completely repaid their public funds are capable of undertaking. Through these measures, the Sumitomo Trust Group intends to achieve a societal influence that sets it apart from the mega-banks.

### II. Qualitative Aims and Financial Targets

Based on the attributes through which we differentiate ourselves from the competition (sophisticated investment management and precise operation) and by leveraging our favorable position (namely, the fact that we simultaneously conduct banking, trust, and real estate operations), we intend to create Japan’s strongest financial institution providing asset management and information processing services.

Under the new plan, we consider ROE our most important performance indicator. We aim to achieve a consolidated ROE of over 10% in consistent manner. We emphasize ROE rather than volume of net business profit because our top priority is to achieve high capital efficiency and consistent, sustainable growth with minimum downside risk. In addition to ROE, our main targets include (1) a fee income percentage of over 50% by fiscal year 2006 (against 35% in fiscal year 2003), and (2) a credit rating of above A (against BBB+ at present).

Breakthrough Plan

< Financial target for FY2006 >

- 1. ROE Over 10%
- 2. Fee revenue ratio Over 50%
- 3. Credit rating Above A

< Our goal >

#### THE TOP TRUST BANK GROUP

The indispensable financial institution providing asset management, custody, and real estate related services based on commercial banking

Strategic capital allocation with agility

CSR  
(Corporate Social Responsibility)





## Specific Strategies for Achieving Breakthrough Plan's Goals

### I. Strategic Investment

To achieve these goals, we are reallocating our freed-up capital in an agile and bold manner. Our two main allocation targets are (1) strategic investment aimed at achieving sustainable top-line growth in a more secure manner, and (2) a variety of shareholder rewards, such as dividend increases and share buybacks. To maintain the balance between them intend to allocate capital rapidly and appropriately in accordance with the amount of funds available for dividends and specific strategic investment plans in place at the time.

### II. Growth Strategies for Existing Businesses

The Breakthrough Plan does not aim solely for growth through mergers and alliances. With the economy on a recovery track, we will harness the resulting tailwind to fuel the steady growth of its existing operations, and to that end, we will quickly and boldly reallocate capital. The bulk of this capital will be allocated to real estate-related business, real estate-related assets (including those categorized in Wholesale Financial Services Group operations), and the overseas credit and domestic market-based credit fields within Wholesale Financial Services Group operations.

#### 1. Increased New Investments in the Real Estate Field

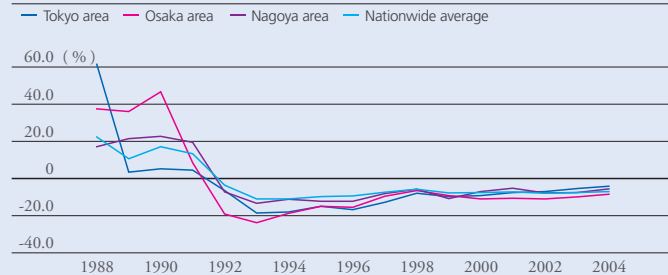
##### Why We Are Increasing New Investments

We will increase new investments in the real estate field (including non-recourse loans and privately placed funds). We are doing so for two main reasons. First, the Sumitomo Trust Group can exercise good judgment in this field thanks to the experience and expertise it has accumulated over many years. Second, we believe the real estate market has greater upside than the equities and other markets. Land prices have declined steadily in the 10 years since the collapse of the economic bubble, and there are signs that this decline is ending (prices have even started to rise in some urban areas). Moreover, with REITs prospering and real estate securitization growing, a paradigm shift is occurring in the market itself, which we view as a major business opportunity.

### The Sumitomo Trust Group's Operations and Results

In the field of real estate, the Sumitomo Trust Group is working to develop its operations and generate synergies over a broad range of businesses, including non-recourse loans, securitizations, real estate distribution services, basic real estate services (real estate brokerage, real estate trusts, appraisals, and counseling), real estate investment operations using its proprietary account (such as the formation of real estate funds for private placement), and real estate investment services (providing various products for investors). The Sumitomo Trust Group's real estate-related fee

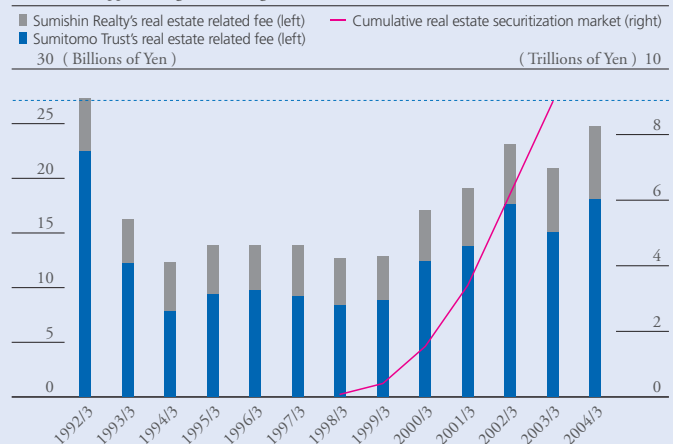
Commercial Land Price Change (YoY)



	Number of spots				Proportion of monitoring spots which showed price up or flat	
	price went up		price stayed flat		2003	2004
	2003	2004	2003	2004		
Tokyo area	39	52	54	70	5.4%	6.3%
: Central Tokyo	39	50	49	65	11.4%	14.5%
Osaka area	0	0	1	8	0.2%	1.0%
: Osaka city	0	0	1	5	0.6%	2.4%
Nagoya area	1	11	1	5	0.4%	2.4%
: Nagoya city	1	11	1	4	0.9%	5.3%

Growth of Real Estate Business

Approaching Record-High Profit



Source: Ministry of Land, Infrastructure and Transport

income has recovered rapidly since bottoming in fiscal year 1998 (preceding the recovery of the overall economy), reaching roughly ¥25 billion in fiscal year 2003, or close to the record high of ¥27 billion earned in fiscal year 1991.

## 2. Growth Strategy for the Wholesale Financial Services Group

### Basic Strategy

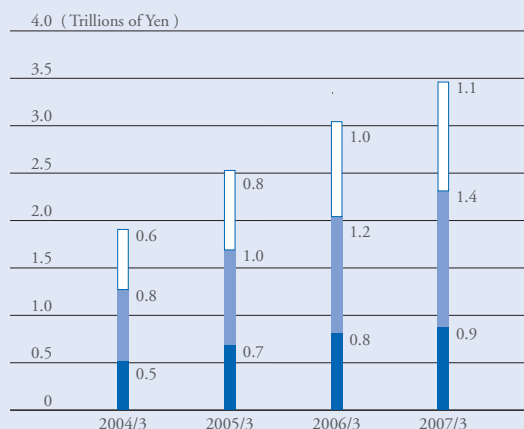
With the broader expanding economy, the propensity among businesses to make forward capital investments is finally starting to recover, and funding methods are becoming extremely diverse and sophisticated. For that reason, we are not bullish about demand for conventional types of loans among major corporations. Under our new medium-term management plan, we project a decline in so-called relationship-type loans. However, the diversification of fundraising methods used by large corporations is a source of new businesses (such as securitization of various forms of assets using special purpose vehicle), making a substantial contribution to the growth of asset management commission income, and is playing a role in the creation of new investment markets. An important point to note is that we have made maximizing risk-adjusted returns the goal of our credit portfolio management. To achieve this, we have introduced more sophisticated methods, including credit management through credit VaR, and are trying to optimize our credit portfolio.

### Specific Portfolio Strategies

We are allocating our risk assets preferentially toward promising asset classes. This includes overseas credit fields such as asset-backed securities (ABS) and collateralized loan obligations (CLO), areas where we see there is a more rational relationship between risk and return than in the domestic market, and which are highly promising in terms of growth and profit potential. Also, as discussed earlier, with customer needs becoming ever more diverse, we expect demand for conventional relationship-type loans to decline, to be replaced by demand for market-based loans, which we think will increase fee income. Among core earning assets, the balance of market-based loans (in other words, the balance of assets we hold in our own account after sales to investors) was ¥1.9 trillion at the end of fiscal year 2003, an amount that we plan to increase to ¥3.4 trillion by the end of fiscal year 2006, with the portfolio comprising ¥1.1 trillion in overseas loans and ¥2.3 trillion in domestic loans (¥1.4 trillion in domestic syndicated loans and ¥900 billion in non-recourse loans). In real estate-related assets, we plan to increase the volume of new investments, but we expect to lower the overall real estate-related risk volume from the present level through a reduction of the balance of loans to “special mention” debtors.

Wholesale Financial Services, Plan for Market-Based Loans

□ Overseas ■ Syndicated loans ■ Non-recourse loans



### Strategies for credit risk taking

1. Change of appraisal method
  - Risk - return analysis based on EL (expected loss) to based on EL and UL (unexpected loss)
2. Better performance expected from middle risk or mezzanine, under the recovery of Japanese economy and stable overseas economic condition
3. Net decline of real estate-related exposure
  - Increase of non-recourse loans
  - Collection of recourse loans to real estate related special mention debtors
4. Investment opportunities into overseas credit
  - Relatively higher return on risk than domestic credit
  - Easy to generate diversified portfolio
5. Exit strategy

### 3. Growth Strategy for the Asset Management Business

#### Basic strategy

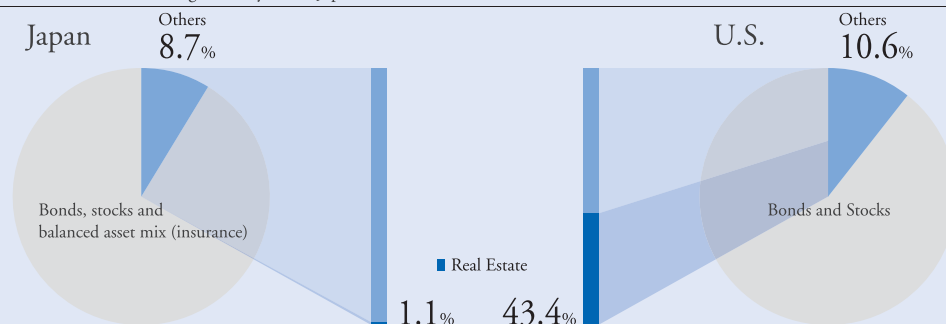
The basic strategy for the asset management business is to maximize profits through a strategy of increasing both market share and returns. Consulting capability is the key to increasing market share, and in this respect we are in a favorable position. We will increase our market share by making our position even stronger. As of the end of fiscal year 2003, our balance of corporate pensions in trust was ¥6.7 trillion, second highest in the industry. The ¥390 billion increase recorded in the second half was the highest in the industry. We plan to increase our returns by maintaining and increasing the active management ratio at the current high level, and simultaneously raising the ratio of alternative investments. Alternative investments is an area in which we are already the industry leader, but in which we think there is still significant growth potential. This is because alternative investments still account for a much lower percentage of asset allocation in Japan than in Europe or the United States.

For example, real estate related accounts for only 0.1% of the Pension Fund Association's asset allocation, but 4.6% of asset allocation among U.S. corporate pensions.

### III. Medium-Term Profit Targets

We believe that the impact of the measures described above on non-consolidated earnings will be as follows. We project that gross profit will increase from ¥257.0 billion in fiscal year 2003 to ¥273.5-288.5 billion in fiscal year 2006. Meanwhile, we project that expenses will increase only moderately over the same period, from ¥111.9 billion in fiscal year 2003 to ¥118.5 billion in fiscal year 2006. We aim to continue operating very efficiently. As a result, we expect net business profit before credit costs to rise from ¥145.1 billion in fiscal year 2003 to ¥155.0-170.0 billion in fiscal year 2006. Note that the range of forecast values for fiscal year 2006 reflects the use of different assumptions regarding the business environment. These assumptions are outlined in the table below.

Allocation for Pension Management by Asset: Japan vs. U.S.



Japan: Asset allocation of public pension for 2002  
U.S.: Asset allocation of corporate pension for 2002

#### Mid Term Projection

< Non-Consolidated > (Billions of Yen)	FY2003 (Actual)	FY2004	FY2005	FY2006
Gross business profit	257.0	262.5	263.5 ↔ 273.5	273.5 ↔ 288.5
Wholesale Financial Services	83.6	83.5	83.5 ↔ 88.0	88.0 ↔ 90.4
Retail Financial Services	59.9	64.1	64.3 ↔ 69.5	69.5 ↔ 85.4
Treasury and Financial Products	56.5	55.0	55.0 ↔ 50.0	50.0 ↔ 40.0
Fiduciary Services	38.9	41.8	41.7 ↔ 46.0	46.0 ↔ 51.4
Real Estate	18.1	18.0	19.0 ↔ 20.0	20.0 ↔ 21.3
Expenses	111.9	117.5	118.5	118.5
Net business profit before credit costs	145.1	145.0	145.0 ↔ 155.0	155.0 ↔ 170.0
Credit costs	21.8	30.0	30.0 ↔ 20.0	30.0 ↔ 20.0
Net operating profit	122.1	110.0	115.0 ↔ 135.0	125.0 ↔ 150.0
Net income	73.9	66.0	69.0 ↔ 81.0	75.0 ↔ 90.0

< Interest rate/stock price assumption 1 >	3/05	3/06	3/07	< Interest rate/stock price assumption 2 >	3/05	3/06	3/07
6-month Yen LIBOR	0.06%	0.10%	0.18%	6-month Yen LIBOR	0.06%	0.18%	0.39%
5-year Yen SWAP	0.56%	0.65%	0.75%	5-year Yen SWAP	0.56%	0.75%	0.95%
Nikkei 225 (Yen)	11,000	11,500	12,000	Nikkei 225 (Yen)	11,000	12,000	13,000

## Overview of Operations —

# Breakdown of Profit by Business Group

## Operation Summary by Business Group

(Billions of Yen)	Non-consolidated						Consolidated		
	Gross business profit before credit costs			Net business profit before credit costs			Net business profit before credit costs		
	FY2003	FY2002	Change	FY2003	FY2002	Change	FY2003	FY2002	Change
Wholesale Financial Services Group	83.6	83.7	-0.1	62.8	61.9	0.9	64.1	61.2	2.9
Retail Financial Services Group	59.9	58.2	1.7	9.1	3.6	5.5	10.9	4.7	6.2
Treasury and Financial Products Group	56.5	73.1	-16.6	47.0	64.0	-17.0	47.0	64.0	-17.0
Fiduciary Services Group	38.9	45.1	-6.2	17.1	23.2	-6.1	21.8	22.6	-0.8
Pension Asset Management	29.5	29.5	0.0	14.7	15.8	-1.1	14.8	15.8	-1.0
Securities Processing Services	4.1	7.8	-3.7	1.1	4.8	-3.7	1.4	2.7	-1.3
Stock Transfer Agency Services	5.3	7.8	-2.5	1.4	2.6	-1.2	5.6	4.1	1.5
Real Estate Group	18.1	15.2	2.9	9.0	6.1	2.9	9.9	6.5	3.5
Total	257.0	275.2	-18.2	145.0	158.8	-13.8	153.6	159.0	-5.4

## Net Fees and Commissions (Consolidated, Banking Account)

	(Billions of Yen)			(%)	
	FY2003	FY2002	Change	Change	
Net fees and commissions (Consolidated)	52.8	36.0	16.7	46%	
Domestic net fees and commissions	50.8	33.4	17.4		
Wholesale financial services	15.7	12.1	3.6	30%	← Securitization, syndicated loans, non-recourse loans, etc.
Retail financial services	9.8	6.4	3.4	53%	← Investment trust sales
Stock transfer agency services	15.2	11.3	3.9	34%	← Increase of transfer registration
Real estate	20.6	16.8	3.8	22%	← Brokerage
Fees paid to JTSB	-11.3	-13.5	2.2		
International net fees and commissions	2.1	2.7	-0.6		
Non-consolidated portion	-2.2	-2.1	-0.1		← Fees paid to intermediary brokers
Global custody	4.1	4.7	-0.6		← Decreased due to yen appreciation

Overview of Operations —

## Retail Financial Services Group



Kazuo Miyakawa Group President

Focal Strategy: Augmenting Products and Channels While Strengthening Consulting Capabilities

### Business Lineup and Our Strengths

The Retail Financial Services Group targets primarily individual customers, providing a wide variety of services and products related to asset formation, investment, and management, as well as to mortgage loans. In asset formation, investment, and management, we have augmented our product lineup to include not only loan trusts and deposits, but also products such as investment trusts and individual annuities that meet the needs of today's customers, who are after higher yields. In fiscal year 2002 we launched the Sumishin Private Trust Club, a members-only service intended to meet the needs of affluent customers for developing private banking business. The club provides a range of high-quality consultation services, including real estate brokerage will trust and securities investment. As a means of making further advances in consulting-style marketing, in December 2003 we established the Toranomom Consulting Office, which specializes in consulting.

Our network consists of 51 branch offices, and we also have 15 satellite offices that specialize in asset management consultation services. Our Internet banking services, 26,000 post office ATMs in cooperation with the national postal savings system,

and 5,100 ATMs located in convenience stores provide efficient retail services.

Operating both a commercial banking business and a trust business enables us to provide a wide range of products. In addition, our experience as an institutional investor allows us to ascertain the investment needs of our customers and conduct high-quality consulting-type marketing from their point of view. We can recommend an optimized portfolio of traditional principal-guaranteed products such as loan trusts and fixed-term deposits, as well as performance-based products such as investment trusts and foreign currency-denominated products.

### Fiscal Year 2003 Results Review and Strategies

Consolidated net business profit increased ¥6.2 billion year-on-year, to ¥10.9 billion. Thanks to a significant increase in sales commissions on investment trusts and individual annuities, consolidated net fees and commissions rose 53% year-on-year, to ¥9.8 billion. We think demand for investment trusts and individual annuities will increase going forward, and we believe commission income will rise accordingly.

We are working to bolster our lineup of deposit products, investment trusts, and individual annuities. In investment trusts, we began handling the Sumishin SRI Japan Open Fund in December 2003. This fund, nicknamed Good Company, invests in companies that are committed to Corporate Social Responsibility (CSR) and have high earnings potential. As of June 2004, this fund had total net assets of over ¥16 billion.

To provide easy-to-understand information on how these products are being handled, we offer an asset investment account reporting service that supports our customers' investments. In addition, depending on the customers' transaction balance, we offer the Advantage Service, a members-only complimentary service that waives various fees (including ATM, will trust, and safety-deposit box fees) and offers preferential rates on deposits and loans. In addition to these services, we are adding a complimentary services that offers telephone consultation on health and medical issues, as well as travel, subjects that our customers are highly interested in. We are thus working to augment the services we provide customers.

In the area of loans, in March 2004 we began selling mortgages with special interest rates to purchasers of homes with a built-in solar power system sold by Sekisui Chemical Co., Ltd. This is the world's first loan product with a mechanism for lowering the interest rate in accordance with the volume of energy produced.

Overview of Operations —

## Wholesale Financial Services Group



Jiro Araki Group President

Focal Strategy: Increasing Commission Revenues in Response to Diversifying Needs of Corporate Customers While Optimizing Own Portfolio

### Business Lineup and Our Strength

Sumitomo Trust worked quickly to completely dispose of non-performing loans, and reduce the downside risk of the wholesale business. As a result, the ratio of non-performing loans (as defined by the Financial Reconstruction Law) to all loans was 2.8% (non-consolidated basis) at the end of fiscal year 2003, the lowest of any major domestic bank.

In response to the need for more diverse funding methods, currently, the Wholesale Financial Services Group handles financial asset securitization in addition to its traditional loan and deposit-taking operations. At the same time, we hold annual meetings with corporate executives and provides comprehensive support, including financial consulting and M&A advisory services, to help companies deal with the issues that arise in these meetings. Thus, our support for corporations extends beyond fundraising. The Wholesale Financial Services Group's relationship managers are well versed not only in the group's own products and services, but those of other groups as well (such as corporate pensions and real estate). This supports the Sumitomo Trust Group's consulting capabilities, one of its

key strengths.

The needs of our corporate customers are growing in the area of shareholder policy (including voting activities and IR activities), and with a view to providing comprehensive consulting services, the stock transfer agency business has been moved to the Wholesale Financial Services Group.

Services we provide are as follows:

#### 1. Commercial Loans

Our commercial loan portfolio focuses on profitability and efficiency in order to maintain solid asset quality, as opposed to absolute returns through increases in loan volume. Therefore, rather than enlarge the size of risk assets, we intend to pursue further diversification with interchange of credits and optimization of the portfolio. In order to achieve this, we take advantage of the secondary markets for credit products such as asset-backed securities, as well as the primary markets for syndicated loans, non-recourse loans and project financing.

#### 2. Securitization

The securitization market in Japan has expanded rapidly in line with corporate demand for restructuring and diversified funding sources, as well as investor demand for alternative investments, given the low interest rate 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 re-securitization of subordinated credit tranches 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.

#### 3. Real Estate Non-recourse Loans

With the expansion of the real estate securitization market, real estate financing structures have become more diverse than ever before. Non-recourse loans are a new type of financing structure in which collateral is limited to specific projects. They are growing rapidly due to the increasing number of urban redevelopment projects. The non-recourse loan market in Japan has reached about ¥6 trillion, with the balance of non-recourse loans held by us at ¥439 billion as of March 2004.

#### 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. One particularly effective consulting tool that we use is *Sumishin Corporate Finance Advisor* managerial accounting software, which 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 domestic and overseas markets. In recent years, Japan has seen rapid growth in asset-backed securities (ABS) and the gradual development of secondary markets for corporate loans, influenced by the U.S. market. Japan's credit markets are expected to gain the same level of liquidity and marketability as the U.S. markets. 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, we are active in private equity fund market worldwide, and STB Investment Corporation, a subsidiary in Japan, manages third parties' money focusing on investment in venture companies in Japan.

#### 6. Stock Transfer Agency

Stock transfer agency services have attracted increasing attention in recent years, in line with the growing importance of shareholder meetings and investor relations (IR). Stock transfer agency services include shareholder registration, dividend calculation and payment, the issuing of documents relating to shareholder meetings, and IR support services.

Our stock transfer agency services have a good reputation, with 884 corporate customers and over 6.4 million 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 these companies' shareholder meetings (URL: <http://www.japaninvestforum.com>).

We are also upgrading our services. In October 2002, we commenced operations at Japan TA Solution, Ltd. jointly established with Japan Securities Agents, Ltd. This company specializes in system management and data processing in the stock transfer agency business. This venture has enabled us to meet customers' needs for proper and prompt operation with the most advanced systems. It has also helped us achieve economies of scale. We have also developed a next-generation stock transfer agency service system called "NEO-CAROL," which started operations in January 2004.

#### Fiscal Year 2003 Results Review and Strategies

In fiscal year 2003, consolidated net business profit increased ¥2.9 billion year-on-year, to ¥64.1 billion. The term-end balance of loans fell ¥400.0 billion, to ¥9.6 trillion (¥10.9 trillion including loans to individuals). Business increased in such areas as securitization, syndicated loans, and non-recourse loans, and as a result, fees and commissions rose 30% year-on-year, to ¥15.7 billion. The balance of securitization assets in trust continued to rise, increasing 2.5% year-on-year, to ¥4.0 trillion.

Corporations are gradually diversifying their funding methods to include not only the traditional method of taking out bank loans, but also issuing bonds and utilizing securitization. Under these circumstances, we are striving to increase the ratio of commission income by leveraging our trust banking and consulting capabilities, thereby moving away from an earnings structure centered on loan interest margins.

The rapidly growing credit and secondary markets are a source of the products that, together with syndicated loans and non-recourse loans, are key to the optimization of our portfolio. Going forward, we will use our credit operations, which have long emphasized relations, to meet the increasingly diverse needs of corporate customers, based on the consulting capabilities of the Sumitomo Trust Group. To optimize our portfolio, we plan to increase its overseas credit exposure, which is attractive from a relative value standpoint, to its market-based products, including securitization products and syndicated loans.

Overview of Operations —

# Treasury and Financial Products Group



Yukio Aoyama Group President

Focal Strategy: Pursuing Profitability and Stability through Sophisticated Asset and Liability Management

## Business Lineup and Our Strengths

The Treasury and Financial Products Group is responsible for stabilizing bottom-line profit through company-wide asset and liability management (ALM), and for most financial market management activities related to our banking business. As a market maker, we also offer financial products to customers that utilize derivatives and foreign exchange.

The importance of asset and liability management has been increasing as uncertainties regarding the world economy grow. Mark-to-market valuation is being applied to a wider range of assets and liabilities, as dictated by international accounting standards. Furthermore, both financial institutions and corporations in general are required to manage market risk in a more sophisticated manner. We are fully aware of our increasing responsibility and importance as an asset manager, and are therefore striving to enhance our capabilities.

## 1. 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 customer base of institutional investors.

## 2. ALM Planning and Operations

Our banking account administers the approximately ¥15 trillion in assets on the consolidated balance sheet and manages the risks this entails, including share price risk, interest rate risk, foreign exchange risk, and liquidity risk.

The role of ALM operations is to comprehensively manage risks associated with the heightened volatility resulting from the introduction of mark-to-market accounting, optimize returns through the use of cash bonds and derivatives, and contribute to the stability of overall profits and the strength of financial fundamentals.

In fiscal year 2002, amid a deflationary environment in which stock prices and the value of loan credits declined, we focused on bond prices (which have a strong inverse relationship to stock prices) and structured a portfolio primarily composed of U.S. Treasury bonds. This provided strong support to earnings as interest rates declined. In fiscal year 2003, we projected that stock prices would rise and that the value of loan credits would stop declining, and accordingly we shifted to conservative management of interest rate risk. As a result, we were able to achieve profits even amid a rise in interest rates, and unrealized gains on both stocks and bonds rose substantially.

We manage liquidity (which is extremely important to a financial institution) in a steady and efficient manner, helping to support the profit opportunities of other divisions.



### 3. Product Development

In recent years, both corporate and individual customers have become more familiar with interest rate and foreign exchange derivatives. Responding to the growing need for product diversification, we have developed and promoted new on-balance products packaged with derivatives, which give small and medium-size corporations access to sophisticated instruments. Our new derivative-containing deposits have also proven quite popular because they offer higher returns to individual customers who want more than the extremely low interest rates offered by ordinary financial products.

#### Fiscal Year 2003 Results Review and Strategies

In fiscal year 2003, even amid the challenges posed by higher interest rates and the yen's appreciation, we achieved a consolidated net business profit of ¥47.0 billion, down ¥17.0 billion year-on-year. Net unrealized gains on the securities portfolio increased to ¥160.5 billion, up ¥86.3 billion compared to September 2003. This attests to our risk-management skills.

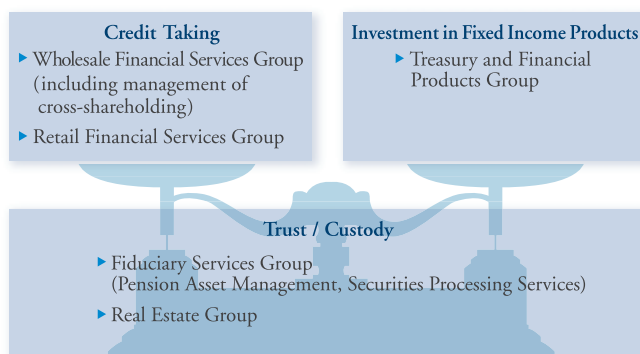
We expect the relatively tough business environment to continue for the time being. Under these circumstances, we will continue to pursue profitability and stable earnings through sophisticated asset and liability management.

#### ALM Strategy

■ ALM → Business Portfolio Management

\*Key – Stable Profit with Balanced Business Portfolio

#### Balanced Business Portfolio



#### Net Unrealized Gains/Losses on Securities (for Securities with Available Market Prices) (Consolidated/after devaluation)

	Billions of Yen					
	Cost			Net unrealized gains (losses)		
	Mar. 2004	Sep. 2003	Change	Mar. 2004	Sep. 2003	Change
Stocks	450.8	487.0	(36.2)	159.0	70.6	88.4
Bonds (JGB)	1,165.2	1,203.9	(38.6)	(8.9)	(12.9)	4.0
Foreign bonds and others	1,501.3	1,803.9	(302.5)	10.3	16.4	(6.1)
Total	3,117.4	3,494.9	(377.4)	160.5	74.1	86.3

Overview of Operations —

## Fiduciary Services Group



Takaaki Hatabe Group President

Focal Strategy: Strengthening Consulting Capabilities and Increasing Fee Revenue

### Business Lineup and Our Strengths

Our business falls into two categories: 1) asset management and 2) securities processing. As an independent trust bank, we are proud of our high ratio of fee income, which, at 35% of total revenue on a consolidated basis, provides us with diversified profit sources.

The need for “pension professionals” is increasing rapidly as a result of the introduction of new pension accounting standards, the spread of defined benefit and defined contribution pension systems, and recent pension system reforms. The Sumitomo Trust Group handles both defined benefit and defined contribution pension plans, and meets a variety of customer needs as a provider of comprehensive trustee services, able to offer a wide range of corporate pension system planning, asset investment, and asset management services. The Fiduciary Services Group meets the increasingly diverse and sophisticated needs of its customers through its two business lines of asset management, and securities processing.

### 1. Asset Management

We provide asset management services for corporate customers as well as public pensions. Assets under our management amount to over ¥17 trillion, positioning us as one of the largest institutional investors in Japan.

Our wide array of quality products gives customers 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 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 Fund of Funds of hedge funds and currency overlay, to further optimize customers’ portfolios.

We are 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. 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 view as a strategic partnership.

### 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 are operating Japan Trustee Services Bank, Ltd. (JTSB), a joint venture with Resona Bank, Limited and Mitsui Trust Holdings, Inc. In the information processing business, we endeavor to set new standards of excellence by providing cutting-edge services and utilizing the advantages of economies of scale created by our alliance 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, accounting and reporting services.
- ii) Investment Trust — We provide custody, settlement and reporting services for investment trust. Investment trusts are widely expected to grow sharply as a primary means of getting Japanese individuals' capital into the securities market.
- iii) Securities Trust — We provide services such as delivery, custody, settlement, and receipt of dividends for securities entrusted by institutional investors such as life insurers, public sectors as well as non-profit organizations.
- iv) Global Custody — We have two major overseas subsidiaries, which maintain a strong market position in global custody services. Sumitomo Trust & Banking Co. (U.S.A.) and Sumitomo Trust & Banking (Luxembourg) S.A. focus 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 reputation as one of the best and largest Japanese global custodians. Also, our U.S. subsidiary has a representative office in Tokyo to provide timely and high-quality information to our customers in Japan.
- v) Securities Lending — Securities lending involves temporarily lending securities that we borrow from customers to securities companies and other borrowers. Fee income from securities lending has been increasing both at JTSB and our U.S. subsidiary, giving them a more diversified revenue mix.

Economies of scale – Securities processing offers significant economies of scale. For that reason, our strategic joint venture JTSB, with over ¥114 trillion assets under custody, plays an important role in our ability to provide the most efficient securities processing services to our clients.

### Fiscal Year 2003 Results Review and Strategies

The consolidated net business profit of the Fiduciary Services Group decreased ¥0.8 billion year-on-year, to ¥21.8 billion. By business, asset management business including both corporate and public pensions recorded a ¥1.0 billion decrease in consolidated net business profit, at ¥14.8 billion. The securities processing services business posted a ¥1.3 billion year-on-year decline in consolidated net business profit, to ¥1.4 billion, after outsourcing fees paid to JTSB. The stock transfer agency business recorded a ¥1.5 billion increase in consolidated net business profit, to ¥5.6 billion (the stock transfer agency business became now part of the Wholesale Financial Services Group as of fiscal year 2004).

One strength that differentiates us from the mega-bank groups is that a high percentage of our revenue comes from fee income, and the Fiduciary Services Group is the core reason for this strength. The disintermediation now taking place in the Japanese financial markets is creating a need for asset managers with a dominant position and sweeping capabilities in the equities and bond markets, as well as custodial infrastructure. Amid this environment, we are proactively executing a twofold strategy of increasing market share by achieving further differentiation in our consulting capabilities, and increasing our fee revenue by raising the percentage of higher fee schedule products.

Overview of Operations —

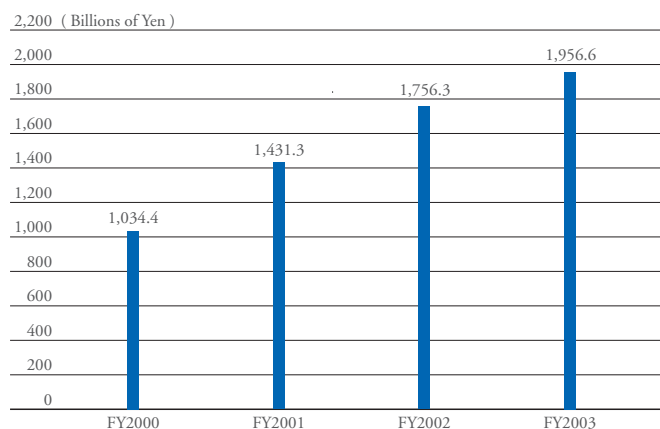
# Real Estate Group



Masao Shibuya Group President

Focal Strategy: Expanding High Value-Added Services by Accurately Grasping the Paradigm Shift in the Real Estate Market

Assets in Real Estate Management Trusts



## Business Lineup and Our Strengths

The operations of the Real Estate Group span a wide variety of services, including commercial real estate and residential real estate brokerage, financial counseling and balance sheet restructuring (through securitization) for corporations that own real estate, and real estate investment advisory, custody, and appraisal services. This enables us to provide comprehensive support.

### 1. Real Estate Brokerage

With companies changing their position on the ownership of real estate in the wake of the introduction of impairment accounting for real estate (prompting them to sell) and with the need for mixed-use residential-office buildings on the rise as urban populations rebound (creating a demand for more functional housing), we are leveraging our capabilities in financial counseling and real estate analysis to mediate between companies and developers in the area of commercial real estate. In addition, with the rise of REITs and private real estate funds, we have broadened the scope of its brokerage operations, adding these funds to its business, having previously limited itself to transactions between companies. Our Group company Sumishin Realty Company, Limited provides real estate brokerage services to individuals.

### 2. Real Estate Securitization Services

The move toward securitizing real estate is accelerating, as it addresses a variety of corporate needs. These include lowering interest-bearing debt, diversifying fundraising methods, and dealing with changes in accounting systems. We meet the needs of real estate owners by providing sophisticated real estate services using custom-designed real estate securitization schemes and property management services supported by advanced IT systems. These services include real estate profitability analysis, due diligence, and the placing of securities with investors.

### 3. Real Estate Investment Advisory

Working together with STB Research Institute Co., Ltd., the think tank of the Sumitomo Trust Group, we provide real estate index, market analysis, and other advisory services for real estate investment. The institute has also started to offer ratings of J-REIT and other investment funds. Contracts for real estate investment advisory services increased 40% year-on-year to 42 contracts in fiscal year 2003, centering on STB Asset Management Co., Ltd.

### 4. Appraisal Services

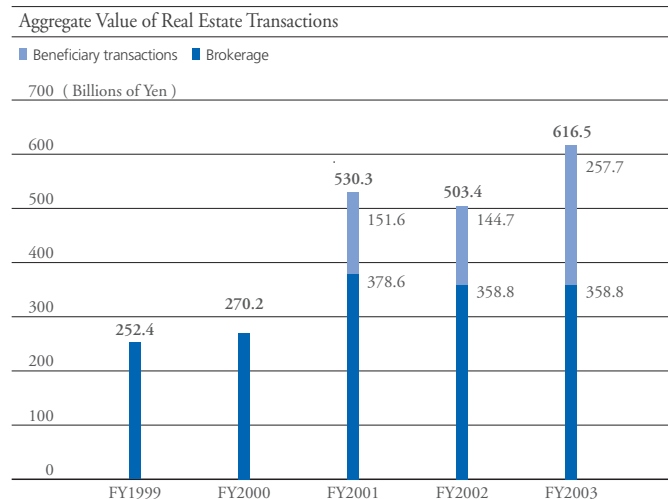
We also offer a full range of real estate appraisal services provided by expert appraisers. Corporate needs for these services are growing rapidly, reflecting the increasing use of mergers and acquisitions, changes in accounting standards and the rise in real estate securitization. We are recognized among private and public entities as one of the foremost land appraisers in the market.

Our strengths derive from a wealth of specialist knowledge; know-how, skills, and experience developed over 78 years in business in real estate brokerage, development, construction, and management. Our professional staff of more than 230 employees (as of end of March 2004) includes real estate appraisers, licensed brokers of residential properties, certified architects, financial consultants, and securities analysts.

### Fiscal Year 2003 Results Review and Strategies

Consolidated gross business profit increased ¥3.8 billion year-on-year, to ¥24.7 billion, and consolidated net business profit increased ¥3.5 billion, to ¥9.9 billion. With the recovery of the real-estate market, the aggregate value of real estate transactions increased 22% year-on-year, to ¥616.5 billion. In brokerage services, the conclusion of large deals resulted in fees and commissions increasing 22% to ¥20.6 billion on a consolidated basis. Thanks to the diversification of earnings sources, the Real Estate Group's earnings are almost as high as they were during the peak of the economic bubble, even though real estate prices are much lower.

By fully leveraging the Sumitomo Trust Group's management resources (i.e. its specialized knowledge, expertise and talented personnel in the real estate field, and its rich asset management skills in the corporate pension field), the Real Estate Group accurately grasps the paradigm shift in the real estate market (namely, the conversion of real estate from a fixed asset to a financial asset), and works aggressively to make its products and services more diverse and sophisticated.



# Corporate Governance

## Basic Stance

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

Guided by our core principles, we have positioned corporate governance as a “management decision-making, enforcement, and supervision framework designed to ensure sustainable corporate growth and development via highly efficient and transparent management.” To this end, we are constantly working to upgrade our corporate governance system.

## System and Policies

In 1999, we introduced an executive officer system, followed by a business group management system in 2000, thus greatly speeding up business execution.

At present, we have 9 directors who serve currently as executive officers, as well as two other directors and 16 other executive officers. Decisions on important business matters are made at Board of Directors meetings attended by all directors and all corporate auditors. The Board of Directors also supervises business execution by directors and executive officers.

We adopt a corporate auditor system. The Board of Statutory Auditors consists of five auditors, including two outside ones. Statutory auditors supervise the business enforcement progress of directors by attending important meetings and examining key documents according to auditing plans formulated by the Board of Statutory Auditors. To further upgrade the oversight function, we also have an Internal Audit Department and an accounting auditor.

The Executive Committee, which reports directly to the Board of Directors, makes decisions on matters related to business policies and other important items.

In addition, we have set up the following committees to examine and make decisions on business strategy, risk management, and other important matters.

- ALM Committee
- Credit Risk Committee
- Pension Fund Investment Committee
- Trust Fund Investment Committee
- Others (including the Compliance Committee, Product Screening Committee, and Operational Risk Management Committee)

We work constantly to improve management transparency. We distribute summarized disclosure documents to all individual customers so that they can gain an easy understanding of our activities. Through our IR activities, we proactively disclose information to the investment community. In the year under review, we received an Award for Excellence in Corporate Disclosure from the Security Analysts Association of Japan for the third consecutive year. We also upload various IR presentation documents onto our website, underscoring our commitment to providing detailed information to shareholders and customers alike.

# Risk Management Structure

## OVERVIEW

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

## Risk Management Structure

Along with deciding upon basic plan for risk management at the Board of Directors, we have established departments which control risk by category. These departments consist mainly of the managerial and administrative sections that were spun off from the business divisions which are responsible for generating earnings. Specifically, the departments that have been assigned the task of controlling risk are (1) the Corporate Risk Management Department, which oversees credit, market, and liquidity risk, as well as overall operational risk, and (2) the Legal Department, which is in charge of compliance. This is in addition to those that cover categories included in operational risk, which are (3) the IT & Business Processing Department, which is in charge of business processing risk as well as information security risk and risk related to computer system problems and damage to hardware stemming from accidents and breakdowns, and (4) the Corporate Administration Department, which covers event risk and information security risk related to the leakage of corporate and customer data. These departments carry out risk monitoring and analysis as well as planning and promoting the most appropriate risk management structure. In addition, the Corporate Planning Department and Corporate Risk Management Department jointly carry out the functions of managing the various risks on a company-wide basis. Moreover, the Internal Audit Department verifies the appropriateness and effectiveness of the internal control system, including the departments in charge of risk management. The Board of Directors regularly receives reports on the situation related to the control and management of each type of risk.

## Credit, Market and Liquidity Risk

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 manage risks appropriately and to allocate the optimal risk exposure for maximizing earnings at a specified level of risk.

We continually work to improve the level of our risk quantification and management system. We employ Value at Risk (VaR) measurements to quantify different types of risks in a consistent manner and to pinpoint the total amount of risk. We have been employing Shareholder Value Added (SVA)\* as an advanced 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 that investors expect in return for investment risk). SVA exceeding zero indicates that positive shareholders' value is generated.

## Management of Operational Risk

Operational risk is defined as the risk of losses incurred from inappropriate or non-functioning internal processes, actions by personnel, or computer systems, as well as losses stemming from external phenomena. Generally, these consist of compliance and legal risk, business processing risk, information security risk, and event risk. The primary purpose behind the management of operational risk is to minimize the aforementioned risks impacting on profits negatively and maintain the customers' trust while carrying out business properly in the financial services as well as in the trust and asset management services.

Thus, along with promoting the building of an efficient and effective risk management structure that responds to the scale and characteristics of the risks involved and centers on the departments assigned with the task of managing risk, we are perfecting our internal auditing system and making use of external auditors.

Taking into consideration the new BIS capital rules (Basel II) and improved technology for overall risk management, we are also actively working to build a system for managing operational risk which features quantified measurements of risks.

## 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 the complete collapse of the value of assets, including off-balance-sheet assets, due to factors such as the deterioration of a borrower's financial condition. This risk is a natural accompaniment to the provision of credit, which is the core function of the banking business. Credit risk can be said to be the most basic risk related to finance. We aim for the most efficient and optimal allocation of our capital through the quantified measurement of risk while paying close attention to the control of the provision of credit. In addition to the individual management of credit risk through the loan screening and self-assessment, we use portfolio management to reduce "concentration risk" to diversify and optimize the portfolio (i.e., the risk related to providing too much credit to one client).

### Credit Risk Management Structure

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

1. The branches carry out the appropriate initial assessment and management of loans based on various internal regulations;
2. The Credit Supervision Department carries out strict loan screening, provides appropriate guidance to branches and conducts complementary assessment of loans;

3. The Research Department conducts industry analysis and assigns credit ratings based on quantitative analysis; and
4. The Corporate Risk Management Department manages portfolios through the measurement of credit risk and monitoring and also audits self-assessment procedure of loans.

### Credit Exposure

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

### Credit Rating System

We have our own credit rating system which provides basic data on individual loan assessment and overall credit portfolio management. Credit ratings indicate the credit situation of borrowers in terms of the level of risk they present. We maintain objectivity in our credit rating system through the use of statistical methods based on real data. It assigns ratings from 1 through 10 to an extremely wide range of credit recipients, from all corporate borrowers (including banks) to overseas project finance and structured finance. To maintain a sound credit portfolio, we also write off bad loans and set aside loan loss reserves every fiscal year after assessing individual loans. The credit rating system and individual loan assessments are managed in a consistent manner to measure the level of each borrower's credit risk appropriately.



### Appropriate Return for Risk

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

### Credit Risk Quantification

Accurately calculating credit risk is extremely important for financial institutions. With its sophisticated risk analysis systems, we statistically analyze potential default rates and losses by simulating 10,000 scenarios based on default rates and recovery ratio for each credit rating (see chart).

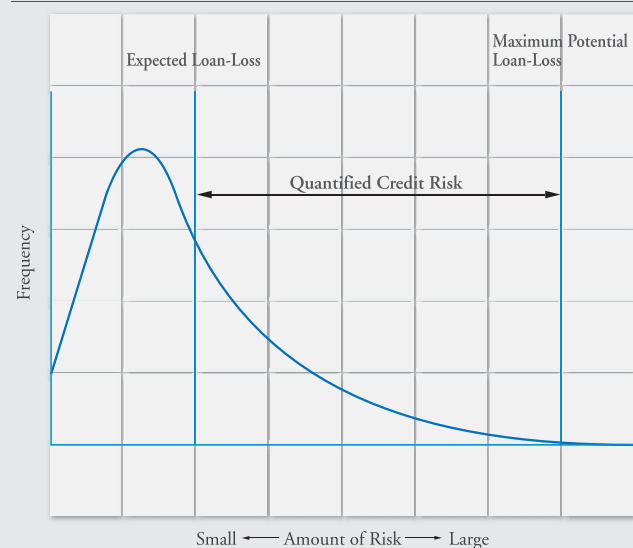
The amount of credit risk measured by us in this way forms the basis for our distribution of capital to the business divisions in charge of providing credit. By regularly monitoring the amount of credit risk in our overall credit portfolio – both in Japan and overseas – we ensure that we have made an appropriate distribution of capital and can check on the health of our business operations. The results of this monitoring are reported regularly to the Board of Directors and the Credit Risk Committee.

Measurements are always carried out using estimates based on historical data. On the other hand, it is important for us to supplement our risk measurement efforts by conducting simulations of situations that differ from our projections. These simulations are called stress tests. We set up several stress scenarios

and conducts simulations to see how much risk each of these situations presents. The results of these tests are reported directly to management.

We continue to apply the results of our quantification of credit risk and aims to maximize the overall earnings of our credit portfolio while keeping the amount of risk within certain bounds through diversification. Furthermore, in order to measure the amount of credit risk more efficiently, we are expanding our basic data on default rates and recovery ratio as well as developing more precise methods of measuring credit risk.

Quantified Credit Risk



## MARKET AND LIQUIDITY RISK

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

### Risk Management Structure

The Board of Directors determines the allocation of capital for market risk on a semi-annual basis, taking into consideration our financial strength and the trade-off between risk and return. We have set up an Asset and Liability Management (ALM) Committee committed to managing and controlling market-related risks. We have also appointed upper management,

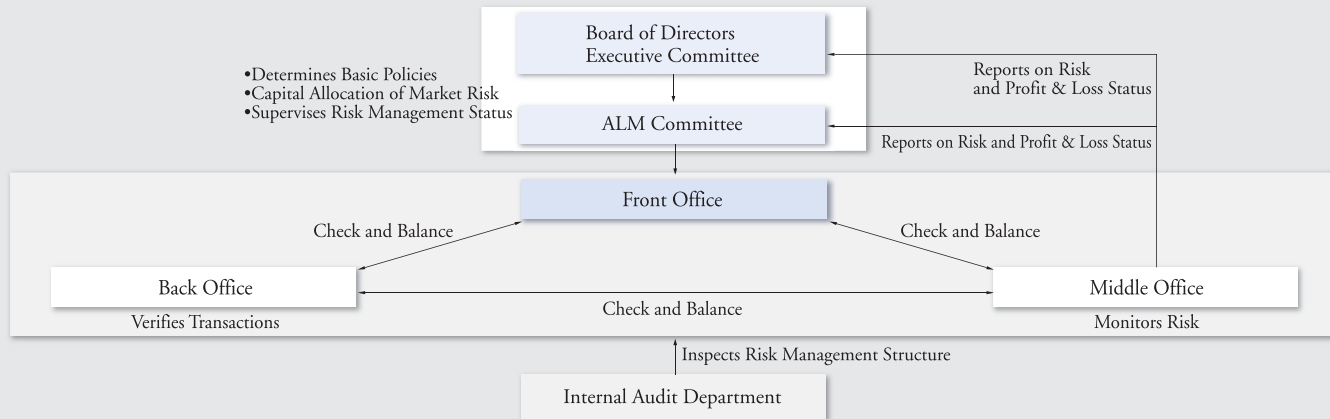
including directors, as members of the Committee to ensure prompt decision-making. Based on the market and business environment, the ALM Committee works to ensure the quality of our assets and liabilities as well as to maintain stable earnings by controlling market and liquidity risk on a consolidated basis.

### The Risk Management Process

At the ALM Committee, we decide upon our basic plan for managing and controlling market risks, including risk limits and loss limits by purpose, risk category, and position, within the framework of the capital earmarked for market risk.

Guided by this basic plan related to market risk, the Corporate Risk Management Department — which is an inde-

Risk Management Structure of Market and Liquidity Risk



pendent middle office — measures and compiles data on the amounts of risk and profit/loss. It then reports directly to management the extent to which risk limits and loss limits are being observed.

In order to ensure the effective management of this type of risk, we have set up a system of checks and balances among the middle offices, back offices, and front offices (i.e., market trading). Moreover, external auditors regularly inspect the appropriateness of our risk management structure, in addition to the internal auditing performed by the Internal Audit Department.

Methods of Risk Measurement

Our market risk management structure employs Value at Risk (VaR) measurements as a method to assess its exposure to market risk. VaR uses historical market volatility data to statistically determine the maximum expected losses under specific conditions. We have introduced a market risk management system to measure VaR and, in addition to VaR measurements, are controlling risk by calculating various risk management indices and carrying out simulations. This system is based on the delta method using covariance matrices for calculating most types of market risks, and a historical simulation method for calculating the nonlinear risk associated with some options transactions.

Market Value

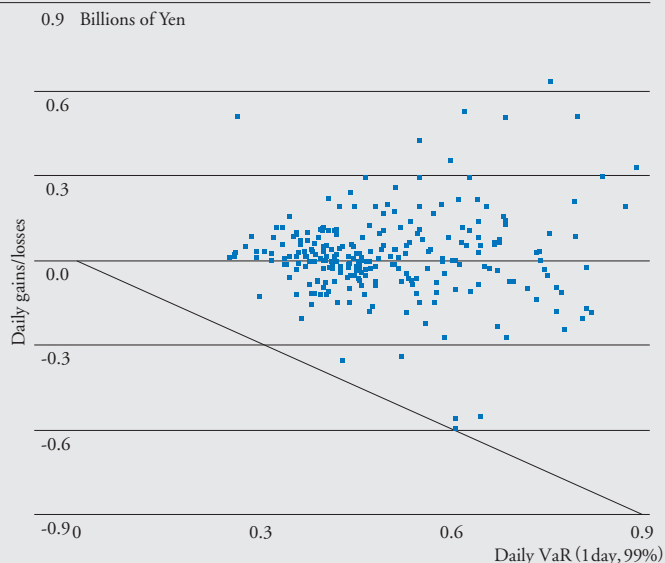
The market risk for our trading activities in fiscal year 2003 is summarized as follows:

VaR for Fiscal Year 2003 (99% confidence level, one-day holding period)

	Billions of Yen		
	Maximum	Minimum	Average
Interest rate risk	0.75	0.17	0.38
Foreign exchange risk	0.52	0.03	0.11
Consolidated VaR	0.91	0.24	0.50

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

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



### Back Testing

To verify the accuracy of the risk measurement model, we carry out back testing by comparing daily-calculated VaR with actual daily gains and losses or simulated gains and losses within a fixed portfolio. The results of back testing for fiscal year 2002 confirm that our risk measurement method is accurate, as actual gains and losses were all within the range estimated by VaR calculations.

### Stress Tests

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

The Corporate Risk Management Department carries out appropriate stress tests based on various stress scenarios that it has regularly witnessed, under different market conditions and changes in portfolios. The results are reported directly to the Board of Directors.

### Risk Management of Strategic Cross-Shareholding

We own shares in companies that are strategically important customers in order to build long-term strategic relationships with them (a practice known as strategic cross-shareholding). Although the objective of cross-shareholding is different from other market-related activities, the risk of share price fluctuations must be properly managed since such transactions are not free from market risk.

Through the market risk management structure, we confirm whether the amount of cross-shareholdings' risk we take on is appropriate against our risk buffer (by assessing the risk associated

with strategic stock investments, analyzing portfolio from a variety of perspectives, and verifying market liquidity risk).

### Management of Liquidity Risk

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

The Corporate Risk Management Department monitors the liquidity risk situation and makes regular reports to management, including the Board of Directors.

### Settlement Risk

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

## COMPLIANCE

Trust banks are engaged in a wide array of activities that contribute to the stabilization of Japan's financial system, the development of the national economy, and the enhancement of social welfare through lending as well as trust and asset management services. Accordingly, we believe that a strong commitment to compliance is essential to fulfilling our responsibilities toward society and maintaining solid public confidence. In April 1998, we formulated an Ethics Charter outlining the proper behavior for our management and employees. As stated in the Ethics Charter, we envision compliance activities as one of our top management priorities, vowing to "strictly adhere to all laws, rules and social regulations," "respect human rights and ethics and not trespass

against moral law," and "behave with honesty and fairness." We work to achieve these goals by strengthening our compliance structure and implementing various compliance measures.

### Compliance Structure

Our compliance structure is operated mainly by the Board of Directors, the Compliance Committee, the Legal Department's Compliance Office, and the compliance officers.

Along with checking on the situation related to our compliance structure, the Compliance Committee (committee chair: the director who is in charge of the Legal Department) investigates and solves problems concerning compliance and — when necessary — makes reports and gives advice to the Board of Directors

regarding how to deal with the problems.

The Legal Department's Compliance Office acts as the business office of the Compliance Committee and is in charge of planning and promotion related to the compliance structure. It also conducts centralized management of compliance-related policies in cooperation with the related departments.

Furthermore, we have posted compliance officers at our head office and at all operating branches in Japan and overseas. These compliance officers work to ensure compliance at each of their respective branches and serve as a liaison with employees and a contact representative with the Compliance Office. We have also established a Compliance Hotline through which employees can make direct reports to management

## Compliance Measures

### 1) Compliance Standards

We have a Compliance Standards manual that contains the 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

Our Compliance Program provides an annual plan for compliance measures.

### 3) Double Layer Compliance System

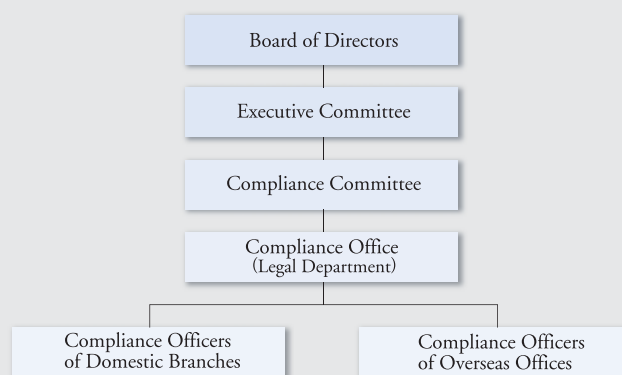
Primary compliance checks are made at all domestic and over-

seas branches by the appointed compliance officers. Further compliance checks are made by the Internal Audit Department.

### 4) Compliance Training

We have allocated sufficient time for explaining compliance-related issues during our official employee training sessions. Branches are also encouraged to educate their employees about compliance-related issues during their voluntary training sessions. To conduct appropriate solicitation and sales activities of financial products from the customer's point of view, we have established and disclosed "Promises to our customers," our solicitation guideline. We also educate employees on necessary regulations and provides training.

Compliance System



## OPERATIONAL RISK

### 1. Operational Risk Management

Operational risk is defined as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events." Generally, these are compliance and legal risk, business processing risk, information security risk, and event risk.

Under the new BIS capital rules which were announced in June 2004, banks will need to hold capital that is proportionate to their operational risk. Banks will also be required to use more sophisticated technology to manage their credit risk, market risk, and overall risk.

We are working to build an operational risk management structure throughout the organization based on these new rules. Specifically, we are strengthening our management of operational risk and dealing flexibly and comprehensively with issues related to improving the efficiency of our operations. We have also established an Operational Risk Management Committee

which studies specific plans. In addition, the various departments in charge of managing different types of risk, including operational risk, are planning and promoting risk management stances that are appropriate for the scale and characteristics of the risk involved. In conjunction with the Corporate Risk Management Department which oversees overall operational risk, these departments are promoting operational risk management activities on a company-wide basis, such as carrying out risk assessments, restoring lost and damaged databases, and making quantitative measurements of risk.

### 2. Business Processing Risk

Business processing risk is the risk of incurring losses as a result of one of our executives or employees failing to carry out his or her duties correctly, causing an accident, or committing some impropriety.

We are developing a wide range of trust and asset management businesses, such as pension trusts, investment management, and a stock transfer agency business, which are meant to coexist alongside the domestic and overseas banking businesses. These businesses require a high level of specialization and high quality clerical work. Thus, we have set up a business planning and management post at each business division and are promoting the management of clerical operations that allow the business divisions to respond to their clients' needs.

Because we handle a wide range of businesses, each business division carries out its own risk management activities based on the Office Work Management Rules, which offer the basic guidelines for controlling business processing risk, and the Office Work Risk Management Plan, which is drawn up by the Board of Directors every six months. Moreover, the IT & Business Processing Department, which is the control center for company-wide business processing risk, watches over and supervises the business processing risk management of each business division, and works to improve their risk management. It also makes regular reports regarding the risk management situation to the Board of Directors and other members of the executive team.

In addition, with the aim of strengthening our clerical abilities, we are adopting stricter assignments of authority and rules regarding office work procedures, concentrating computer systems and office work, improving the level of our staff members through training, and improving the checks and balances provided by internal investigations.

Moreover, in cases where we contract our office work to an outside party, we select the company to which we consign the work from an overall perspective, including (1) the consignee's internal management system, (2) its degree of reliability, (3) its quality and technological abilities, (4) its system for controlling information security, and (5) its measures for handling breakdowns and accidents. After the consignee begins the work, we endeavor to maintain and improve its quality and prevent the leakage of client information, through measures such as periodic inspections of the situation at the consignee to confirm that there are no problems.

Along with these activities directed at strengthening our clerical abilities and improving quality, we are working hard to fortify our internal control system aimed at achieving the most exact risk management, as well as to improve our reliability from the customer's perspective.

### 3. Information Security Risk

Information security risk is the risk that we or our customers will incur losses as a result of the improper use of information assets or information systems which are useful to us and our customers, or as a result of a disaster or breakdown. These risks include computer system risk and information risk.

We have decided upon some rules for controlling information security (i.e., an information security policy). These rules represent a basic information security management plan which is designed to secure, maintain, and improve the safety of its computer systems and their reliability. We have also determined some standards for the specific observance of this policy. In this way, we are working to perfect our stance towards the management of computer system risk.

Computer systems have become indispensable as a result of the rapid development of information technology (IT), and there is the concern that if our computer system breaks down or an unforeseen disaster occurs, the situation will be severe, with the disruption in services to customers and improper use or erroneous actions having far reaching effects. Thus, in addition to conducting sufficient testing in the development of computer systems and working to prevent the occurrence of breakdowns, the management team regularly looks at how the development of important computer systems is progressing. Moreover, in order to minimize the impact in the event that a breakdown occurs, we have prepared a double system infrastructure, built a backup system, and designed a plan for dealing with emergencies (i.e., a contingency plan). Along with having adopted measures to handle situations that occur in the course of our daily operations, we have also established a management system wherein we monitor the risk situation and, when problems are discovered, follow the procedures and deal with the problems quickly.

We are also improving convenience for our customers with the use of open networks such as the Internet. On the other hand, because new risks have appeared such as threats to customer privacy and the exposure of sensitive internal information as a result of illegal access from the outside, we are working to ensure security by vigilantly watching around the clock for any such attacks and through frequent improvements to our computer systems.

Furthermore, we are continuously providing education and information to all of our employees and executives in order to make them aware of the necessity of managing information security on a company-wide basis.

## Sumitomo Trust Risk Management System Outline (As of July 1, 2004)

## Credit, Market and Liquidity Risk

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	Executive Committee	Board of Directors
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	Corporate 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

## Operational Risks (Compliance, Business Processing, Information Security, and Event Risk)

Risk category	Definition	Major transactions	Oversight body	Inspection	Committee	Executive Committee	Board of Directors
Operational Risk	Risk of losses incurred from inappropriate or non-functioning internal processes, actions by personnel, or computer systems as well as losses stemming from external phenomena.	All transactions, all business activities	Corporate Risk Management Department	Internal Audit Department	Operational Risk Management Committee	Executive Committee	Board of Directors
Compliance Risk	Compliance with domestic and overseas laws and regulations	All transactions, all business activities	Legal Department		Compliance Committee		
(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		Operational Risk Management Committee		
Business Processing Risk	Risk of loss caused by clerical mistakes and the risk of loss caused by the breakdown or malfunction of computer systems	All transactions, all business activities	IT & Business Processing Department				
Information Security Risk	Risk of loss caused by the improper use of information assets or information systems which are useful to the Bank and its customers, or as a result of a disaster or breakdown.	All transactions, all business activities	IT & Business Processing Department				
(Information Risk)	Risk of loss caused by theft, falsification or loss of confidentiality, integrity, or availability of information.	All transactions, all business activities	Corporate Administration Department				
Event risk	Risk of loss caused by emergencies such as war and natural disasters	All transactions, all business activities	Corporate Administration Department				

# CSR Management

## Pursuing Sustainable Growth through CSR Management

Back in 1900, Teigo Iba, Second Director General of the Sumitomo Family Enterprise, made the following commitment: “Sumitomo’s business must benefit not only Sumitomo itself but also the nation and the society in general.” The modern concept of corporate social responsibility (CSR) is fully embodied in this commitment. And in fact, we have compiled an impressive CSR track record without even being fully aware of the concept. In other words, our initiatives have not been intentional but based on Sumitomo’s inherent DNA.

While reaffirming our responsibility to society in the 21st century, we have identified CSR management as a key medium-to-long-term growth strategy. CSR management means much more than simply “acting ethically.” It means pursuing sustainable growth in harmony with the economy, the environment, and society by meeting our social responsibilities and implementing our business model in a unified, compatible manner.

By properly performing our financial intermediary and trust banking functions, we will work more actively to fulfill our responsibilities in our quest to serve as a financial institution that has the significant presence in society and generate sustained earnings.

## CSR System and Strategies

Our president and management teams work proactively to incorporate the concept of CSR management into our business strategies. The CSR concept is also built into our corporate objectives in the form of divisional strategies, as well as specific measures and policies. In fiscal year 2004, we plan to begin evaluating divisions according to their CSR contribution and provide feedback accordingly.

Seeking to create a CSR-driven corporate structure, in June 2003 we set up the Corporate Social Responsibility Office within our Corporate Planning Department. The role of the Office is to spearhead our CSR activities by making proposals about CSR-based business strategies to our management teams. It also holds meetings with business divisions and initiates discussion with directors and employees to ensure that everyone in the Sumitomo Trust Group has a strong CSR awareness.

We also set up the CSR Committee, consisting of 14 people who deliberate important issues and policies related to CSR.

In December 2003, we formulated our Social Activity Charter, which provides a set of CSR-related behavioral guidelines, in addition to our Ethics Charter, created in April 1998. We have distributed pocket-sized CSR Cards containing the Charters to all directors and employees and are working in other ways to ensure that they become well-versed in CSR. These include preparing announcement posters and holding study forums.

## Specific Initiatives

### UNEP Finance Initiatives;

#### Environmentally Friendly Housing Loans

In October 2003, we were the first Japanese trust bank to become a signatory to the United Nations Environment Programme (UNEP) Finance Initiatives (FI). Established in the run-up to the Earth Summit in Rio de Janeiro in 1992, the UNEP FI is based on the assumption that banks and investors can contribute to environmental protection while securing profits. Around 30 banks signed to the UNEP Statement by Financial Institutions on the Environment & Sustainable Development at the time.

Consistent with this policy, in March 2004 we launched a housing loan for purchasers of environmentally friendly houses made by Sekisui Chemical Co., Ltd. With this product, the interest rate on each loan is adjusted according to the solar power generation capacity of the house to be purchased.

### SRI Funds

Taking advantage of our core function as a trust bank, we set up socially responsible investment (SRI) funds, which invest in shares of companies with a proactive CSR approach. In July 2003, we were the first Japanese bank to launch an SRI fund for corporate pension funds. In December 2003, we started selling a public investment trust, called Good Company, for individual investors. And in March 2004, we set up a fund for defined contribution pension plans. We work with the Japan Research Institute to make multifaceted, comprehensive evaluations of investment candidate companies using four criteria—legal responsibility, social responsibility, environmental responsibility, and economic responsibility.

Our SRI funds have been growing steadily. As of March 31, 2004, we had ¥4 billion in under management for pension funds, ¥14 billion for investment trusts.

In addition to the above, we offer Public Trust as a major social contribution using our trust banking capabilities. We also help the Trust 60 Foundation, which conducts research into the trust banking system and provides assistance for such research. Moreover, in June 2004 we appointed employees with special qualifications to all of our branches. These employees provide assistance to customers who are elderly or physically challenged, including people in wheelchairs, thus making our branches more socially friendly.



# FINANCIAL SECTION

## Contents

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40	Features of Trust Banks' Financial Statements
43	Management's Discussion and Analysis of Operating Results
52	Consolidated Balance Sheets
53	Consolidated Statements of Operations
54	Consolidated Statements of Stockholders' Equity
55	Consolidated Statements of Cash Flows
56	Notes to Consolidated Financial Statements
79	Independent Auditors' Report
80	Statements of Trust Account (Unaudited)
81	Notes to Statements of Trust Account (Unaudited)
83	Non-consolidated Balance Sheets
84	Non-consolidated Statements of Operations
85	Non-consolidated Statements of Stockholders' Equity
86	Notes to Non-consolidated Financial Statements
87	Independent Auditors' Report
88	Supplementary Financial Information
89	Five-Year Summary

## FEATURES OF TRUST BANKS' FINANCIAL STATEMENTS

### 1. Features of Trust Banks' Balance Sheets

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

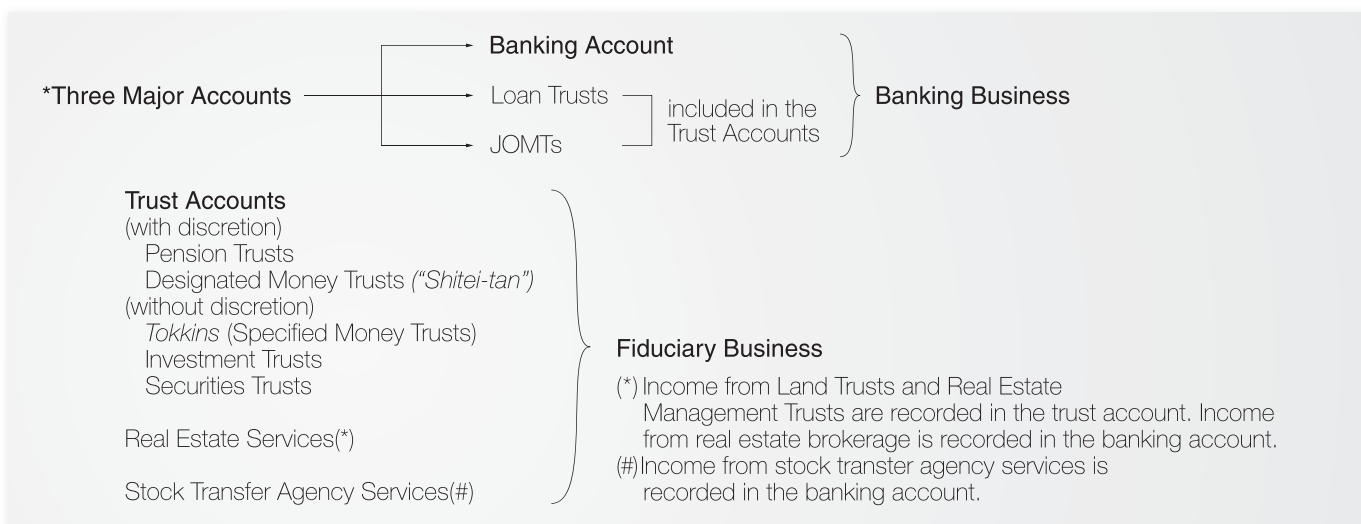
Among various trust accounts, Loan Trusts and Jointly-Operated Money Trusts (“JOMTs”) are subject to principal-guaranteed contracts provided by trust banks and covered by deposit insurance. From the viewpoint that the banking account bears contingent liability by virtue of principal-guaranteed contracts attached to these two types of trusts, these trusts are included in banks' risk assets for the purpose of calculating the BIS capital adequacy ratio. At present, 50% of the total principal amount after deduction of the loan amount lent from the trust accounts to the banking account is counted as risk assets.

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

control the default risks of the three major accounts in an integrated manner. As a case in point, our data for the loan-deposit margin on a “three major account” basis are calculated through the aggregation of assets and liabilities in the banking account, Loan Trusts, and JOMTs.

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

Loan Trusts and JOMTs have reserve accounts for possible losses called 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/>	
<b>Gross Business Profit</b>	
–General and Administrative expenses (excluding non-recurring expenses)	
–Net Transfer to General Reserve	
<hr/>	
<b>Net Business Profit</b>	
+Trust Account Credit Costs = Net Business Profit Before Trust Account Credit Costs	←
+Net transfer to General Reserve = <b>Net Business Profit (Adjusted)</b>	
+Net Non-Recurring Profit (Loss)	
<hr/>	
<b>Net Operating Profit</b>	
+Extraordinary Profit (Loss)	
<hr/>	
<b>Net Income (Loss) before Income Tax</b>	
–Income Tax	
–Deferred Income Tax	
<hr/>	
<b>Net Income (Loss)</b>	

## 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.

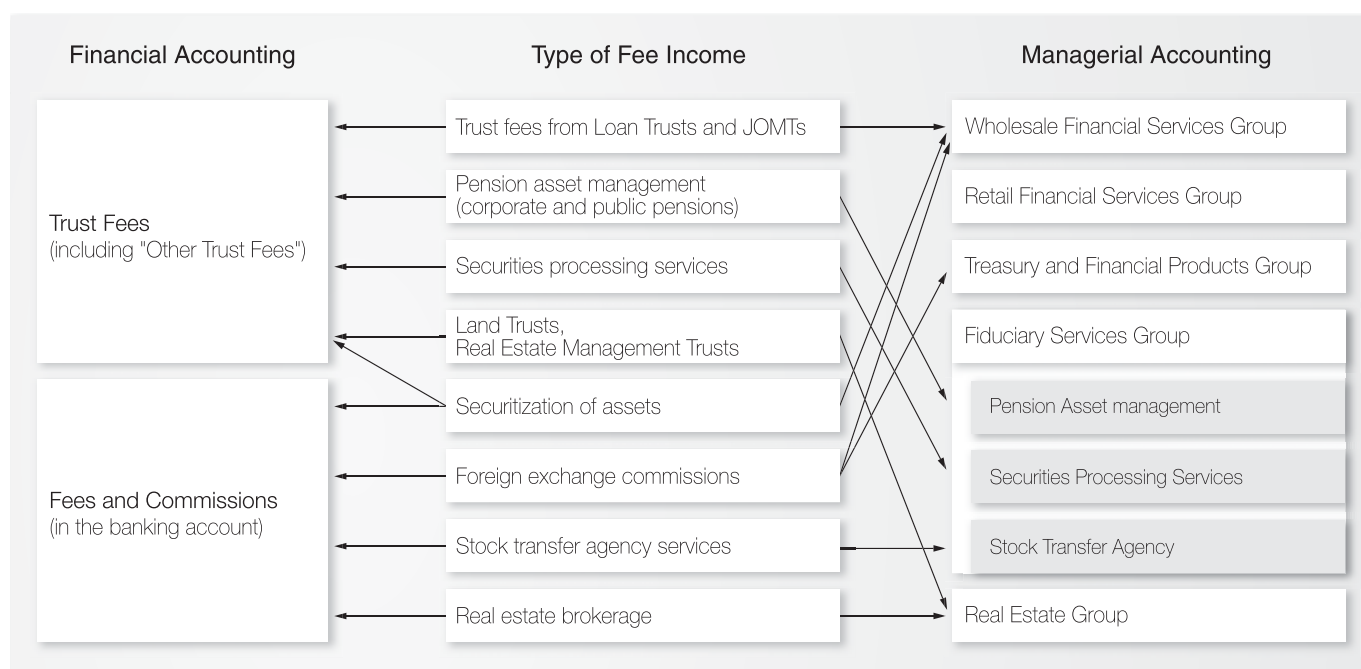
Fees from banking business (foreign exchange, securitization, etc.)

\* 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.



The business of Stock Transfer Agency has been moved to the Wholesale Financial Services Group in April 2004.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

### Overview of Fiscal Year 2003 Results

The fiscal year 2003 ended March 31, 2004 was a recovery year for banking sector. There was a gradual economic recovery mainly due to the upward trend of export, capital investment, and industrial production as well as increasing consumption by individuals, resulting to relatively high growth of corporate earnings. With improvement of financial conditions of corporations in line with economic recovery as well as banks' proactive final disposition of problem loans, the non-performing loans have decreased substantially. Moreover, the Nikkei 225 index jumped up from ¥7,986.72 on April 1, 2003 to ¥11,715.39 on March 31, 2004. Most of the share price of banks outperformed index such as Nikkei 225 or TOPIX. The Bank's share price also gained its value by 122.1% from ¥312 on April 1, 2003 to ¥693 on March 31, 2004, while Nikkei increased 46.7% during the same term. Under these circumstances, the Bank's net income on a consolidated basis was ¥79.6 billion which was the historical high for the Bank, whereas the Bank posted, in contrast, ¥72.9 billion of net loss for the fiscal year 2002. This recovery was mainly attributed to a decrease in credit costs by ¥64.0 billion from ¥85.9 billion to ¥21.8 billion, and ¥25.7 billion net gains on stocks for the fiscal year 2003, representing a substantial increase of ¥153.6 billion over the net losses on stocks of ¥127.9 billion for the fiscal year 2002. This accomplishment is the result of the Bank's proactive financial strategy to diminish downside risks such as non-performing loans and stock portfolio. Actually, the credit costs for the fiscal year 2003 was approximately 20 basis points against ¥8.8 trillion of total loan portfolio. The cross-shareholding amount is about ¥450.8 billion on cost basis, which is 57% of Tier I capital, far lowest ratio among major banks. The Bank's BIS capital adequacy ratio and Tier I ratio were 12.45% and 7.07%, up by 1.97 points and 0.98 points, respectively. This was mainly because of historical high net income and improved securities portfolio. Achieving sound financial status, the Bank fully repaid ¥200 billion of public fund in January 2004, which consisted of ¥100 billion of subordinated bonds and ¥100 billion of preferred stocks. The subordinated bonds were redeemed, and the preferred stocks were transferred from the Resolution and Collection Corporation to the third parties, most of which are Sumitomo Group corporations. The dividend paid on the common stock was ¥6 per share, which was increased from ¥3 for the fiscal year 2002. No interim dividend was paid. The dividend paid on the preferred stocks was ¥6.08 per share, the same as in the fiscal year 2002.

### Trust Fees

Trust fees saw a increase of ¥5.0 billion, or 7.0%, from the fiscal year 2002, mainly due to a large decrease of credit costs in principal guaranteed trust account, which was ¥4.6 billion for the fiscal year 2003

down by ¥15.6 billion from ¥20.3 billion for the fiscal year 2002. Net trust fees from principal guaranteed trust account, on the other hand, has declined by ¥7.7 billion to ¥33.7 billion in the fiscal year 2003. The balance of Loan Trust and Jointly-Operated Money Trust ("JOMT") has been decreasing, because of a shift of customers' money from those accounts to banking account time deposits. Fee from entrusted assets ("Other trust fees") showed a slight decline of ¥2.8 billion, or 5.7%, from the fiscal year 2002. The decline was mainly attributed to sharp decrease of entrusted assets, Designated money trust, from Postal Savings ("Yucho") and Postal Life Insurance Service ("Kampo"), as they have started in house management for part of their domestic bond portfolio. This offset the positive impact from higher entrusted assets of corporate pension accounts.

### Net Interest Income

Net interest income decreased by ¥31.9 billion, or 21.0%, from the fiscal year 2002. This decline was mostly attributed to the decrease in interest on foreign securities. In the fiscal year 2002, the Bank generated large net interest income from foreign securities mainly US Treasury with wider spread between short-term and long-term interest rate as FRB led FF rate to lower level. Although the decrease was substantial, it was return action to the sharp increase of net interest income in the fiscal year 2002, which was 44.6% higher than that for the fiscal year 2001. Compared to the level of the fiscal year 2001, the net income in the fiscal year 2003 was ¥14.8 billion, or 14.2% higher.

### Net Fees and Commissions

Net fees and commissions, which consist of non-interest income from the Bank's banking operations (not from trust operations) increased substantially by ¥16.7 billion, or 46.4%, from the fiscal year 2002. The sharp increase was attributed to various fields, such as securitization, non-recourse loans, syndicated loans and sales of mutual funds to individual investors as well as broking of real estate.

### Net Trading Account Revenue

Net gains on trading saw a decrease of ¥3.8 billion from the fiscal year 2002.

### Net Other Operating Income

Net other operating income increased by ¥22.9 billion, or 532.2%, from the fiscal year 2002, largely due to increase in net gains on bonds.

### General and Administrative Expenses

General and administrative expenses decreased ¥2.4 billion, or 1.8%, from the fiscal year 2002, mainly due to decline of personnel expenses by ¥2.2 billion, or 3.2%.

### Net of Other Income and Expenses

Net of other income and expenses increased by ¥253.8 billion, or 96.7%, mainly due to substantial decline of loss on devaluation of shares and other securities and of expenses relating to problem loans. The Bank posted ¥25.7 billion of net of securities gains for the fiscal

year 2003 compared to ¥127.9 billion of net losses mainly due to ¥101.0 billion of losses on devaluation of shares and other securities for the fiscal year 2002. The expenses relating to problem loans also decreased dramatically, from ¥67.5 billion in the fiscal year 2002 to ¥18.0 billion for the fiscal year 2003.

### Operating Results (Consolidated)

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2004	2003	Changes	2004
Trust Fees .....	¥ 76,401	¥ 71,382	¥ 5,018	\$ 723
Net Interest Income .....	119,709	151,611	(31,902)	1,133
Net Fees and Commissions .....	52,827	36,091	16,735	500
Net Trading Account Revenue .....	3,760	7,615	(3,855)	36
Net Other Operating Income .....	27,212	4,304	22,908	258
General and Administrative Expenses .....	132,716	135,147	(2,430)	1,256
Net of Other Income and Expenses .....	(8,538)	(262,352)	253,814	(81)
Income (Loss) before Income Taxes .....	138,656	(126,493)	265,149	1,313
Net Income (Loss) .....	79,629	(72,967)	152,596	754

### Trust Fees

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

The first type of trust fees equaled ¥33.7 billion (before elimination of credit costs in the trust account), down 18.7% from fiscal year 2002. 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 time deposits in the banking account. Other trust fees were down by ¥2.8 billion, or 5.7%. The decline was mainly due to sharp decrease of designated money trust from Yucho and Kampo, as the start of their in-house management for part of their domestic bond portfolio. This offset the positive impact from higher entrusted assets of corporate pension account. Securities Investment Trusts volume increased by ¥406.1 billion. Securities Trust, and Money Claim Trusts, increased due to the expansion of outsourcing and securitization businesses, respectively (see the Statement of Trust Account for detailed figures on page 80).

### Trust Fees

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2004	2003	Changes	2004
Net Trust Fees .....	¥76,401	¥71,382	¥ 5,018	\$723
Trust Accounts Credit Costs (Eliminated) .....	4,678	20,308	(15,629)	44
Trust Fees from Loan Trusts and Jointly-Operated Money Trusts .....	33,742	41,485	(7,743)	319
(before eliminating trust accounts credit costs)				
Profits and Losses on Sale of Securities .....	(472)	(2,649)	2,177	(4)
Other Trust Fees .....	47,338	50,205	(2,867)	448

### Net Interest Income

Interest expenses dropped by ¥25.4 billion from ¥119.0 billion to ¥93.5 billion, and interest income also dropped by ¥57.3 billion from ¥270.6 billion to ¥213.2 billion, resulting in a decrease in net interest income of ¥31.9 billion, or 21.0%. This decrease was mainly due to the fact that net interest income for fiscal year 2002 was

relatively high compared to the recent historical level. Compared to fiscal year 2001, which is rather a normal level, the net interest income in the fiscal year 2003 was ¥14.8 billion, or 14.2% higher. The domestic gross margin stayed at same level as in fiscal year 2002, improving slightly by 3 basis points (see page 50).

### Net Interest Income (Consolidated)

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2004	2003	Changes	2004
Interest Income .....	<b>¥213,292</b>	¥270,666	<b>¥(57,373)</b>	<b>\$2,019</b>
Interest on Loans and Discounts .....	<b>121,234</b>	132,691	<b>(11,456)</b>	<b>1,148</b>
Interest and Dividends on Securities .....	<b>86,168</b>	122,966	<b>(36,798)</b>	<b>816</b>
Interest on Deposits with Banks .....	<b>2,988</b>	5,578	<b>(2,589)</b>	<b>28</b>
Interest on Interest Swaps .....	—	385	<b>(385)</b>	—
Others .....	<b>2,901</b>	9,043	<b>(6,141)</b>	<b>27</b>
Interest Expenses .....	<b>93,583</b>	119,054	<b>(25,471)</b>	<b>886</b>
Interest on Deposits .....	<b>30,489</b>	42,793	<b>(12,304)</b>	<b>289</b>
Interest on Borrowings and Rediscounts .....	<b>3,245</b>	3,031	<b>214</b>	<b>31</b>
Interest on Corporate Bonds .....	<b>5,930</b>	6,769	<b>(838)</b>	<b>56</b>
Interest on Convertible Bonds .....	<b>0</b>	22	<b>(22)</b>	<b>0</b>
Interest on Interest Swaps .....	<b>2,678</b>	17,250	<b>(14,571)</b>	<b>25</b>
Others .....	<b>51,238</b>	49,186	<b>2,501</b>	<b>485</b>
Net Interest Income .....	<b>119,709</b>	151,611	<b>(31,902)</b>	<b>1,133</b>

### Net Other Operating Income

Net other operating income saw an increase of ¥22.9 billion, or 532.2%, from fiscal year 2002. Due to a significant net gains on bonds, the Bank posted a ¥28.5 billion gains in the fiscal year 2003 compared with loss of ¥0.8 billion for the previous year. Due

to the change in hedge accounting rule, most of the derivative transactions that had been categorized as hedge purpose transactions in the fiscal year 2002 were treated as mark-to-market from the fiscal year 2003.

### Net Other Operating Income (Consolidated)

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2004	2003	Changes	2004
Other Operating Income .....	<b>¥76,227</b>	¥123,267	<b>¥(47,039)</b>	<b>\$722</b>
Gains on Foreign Exchange Transactions .....	<b>3,536</b>	4,813	<b>(1,277)</b>	<b>33</b>
Gains on Sale of Bonds (1) .....	<b>72,476</b>	117,829	<b>(45,353)</b>	<b>686</b>
Others .....	<b>215</b>	624	<b>(408)</b>	<b>2</b>
Other Operating Expenses .....	<b>49,015</b>	118,963	<b>(69,948)</b>	<b>464</b>
Losses on Sale of Bonds (2) .....	<b>43,272</b>	116,582	<b>(73,309)</b>	<b>410</b>
Losses on Redemption of Bonds (3) .....	<b>159</b>	2,073	<b>(1,913)</b>	<b>2</b>
Losses on Devaluation of Bonds (4) .....	<b>538</b>	2	<b>536</b>	<b>5</b>
Losses on Financial Derivatives .....	<b>5,034</b>	280	<b>4,754</b>	<b>48</b>
Others .....	<b>9</b>	25	<b>(15)</b>	<b>0</b>
Net Other Operating Income .....	<b>27,212</b>	4,304	<b>22,908</b>	<b>258</b>
Net Gains (Losses) on Bonds [(1)-(2)-(3)-(4)](#)	<b>28,505</b>	(828)	<b>29,333</b>	<b>270</b>

### General and Administrative Expenses

Total general and administrative expenses decreased slightly by ¥2.4 billion, or 1.8%, from the fiscal year 2002. Personnel expenses

declined by ¥2.2 billion mainly because of a reduction in the number of employees.

### General and Administrative Expenses (Consolidated)

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2004	2003	Changes	2004
Personnel Expenses .....	¥ 65,087	¥ 67,292	¥(2,204)	\$ 616
Others (Non-Personnel Expenses) .....	62,569	62,407	162	592
Taxes other than Income Taxes .....	5,059	5,447	(388)	48
<b>Total .....</b>	<b>¥132,716</b>	<b>¥135,147</b>	<b>¥(2,430)</b>	<b>\$1,256</b>

### Net of Other Income and Expenses

Net of other income and expenses increased by ¥253.8 billion to minus ¥8.5 billion. Net of securities gains and losses significantly increased by ¥153.6 billion, because net gains on sale of shares and other securities increased by ¥55.6 billion and losses on devaluation of stocks decreased by ¥98.0 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 ¥18.0 billion, down by ¥49.4 billion, or 73.2%, from the fiscal year 2002. 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)
	2004	2003	Changes	2004
Net of Securities Gains and Losses .....	¥25,723	¥(127,952)	¥153,676	\$243
Gains on Sale of Shares and Other Securities .....	41,365	14,243	27,121	392
Losses on Sale of Shares and Other Securities .....	12,625	41,151	(28,526)	120
Losses on Devaluation of Shares and Other Securities .....	3,016	101,044	(98,028)	29
Expenses Relating to Problem Loans (Banking Account Credit Cost) .....	18,099	67,590	(49,491)	171
Claims Written-Off .....	16,840	40,669	(23,828)	159
Provision for Reserve for Possible Loan Losses .....	(1,157)	9,635	(10,792)	(11)
General Reserves .....	(14,296)	5,058	(19,354)	(135)
Specific Loan Loss Reserves .....	13,355	4,798	8,556	126
Reserves for Loans to Restructuring Countries .....	(215)	(220)	5	(2)
Losses on Bulk Sale .....	(397)	16,731	(17,128)	(4)
Other Credit Costs .....	2,813	554	2,258	27
Other Expenses.....	38,094	85,125	(47,031)	361
Other Gains .....	21,932	18,316	3,615	208
<b>Net of Other Income and Expenses .....</b>	<b>(8,538)</b>	<b>(262,352)</b>	<b>253,814</b>	<b>(81)</b>



## Financial Condition

### Total Assets

As of March 31, 2004, the Bank's total assets stood at ¥15,371.3 billion, down ¥408.3 billion, or 2.6%, from March 31, 2003. This is mainly due to the ¥378.7 billion, or 55.7%, decrease in trading assets. Loans and bills discounted also declined by ¥281.0 billion, or 3.1%, since the Bank decreased proactively its loans to small and medium sized companies which were not necessarily profitable in risk adjusted basis. Deferred tax assets was decreased by ¥129.3 billion, or 46.3%, from the fiscal year 2002, reflecting the Bank's sound financial condition.

### Total Liabilities and Stockholders' Equity

Total liabilities of the Bank as of March 31, 2004 amounted to ¥14,478.9 billion, which was down by ¥583.8 billion, or 3.9%, from March 31, 2003. Deposits rose by ¥86.4 billion to ¥8,785.2 billion, while negotiable certificates deposits dropped by ¥176.3 billion to

¥1,382.2 billion. Collateral for lending securities decreased by ¥147.7 billion to ¥239.1 billion and trading liabilities declined by ¥283.2 billion to ¥47.1 billion. Stockholders' equity rose by ¥174.1 billion, or 27.7%, from March 31, 2003. This is mainly attributable to an increase in retained earnings caused by a ¥79.6 billion net income. Net unrealized gains (losses) on available-for-sale securities, net of tax, increased to ¥95.9 billion from minus ¥11.3 billion, mainly because of higher valuations of stocks held by the Bank.

### Capital

The BIS capital adequacy ratio and Tier I capital ratio rose by 1.97 points and 0.98 points to 12.45% and 7.07%, respectively. Tier I capital increased by ¥83.7 billion compared with March 31, 2003 mainly due to a ¥79.6 billion net income.

## BIS Capital Adequacy Ratio

At March 31	Billions of Yen, except for percentages		
	2004	2003	Changes
Total Qualifying Capital .....	¥ 1,390.6	¥ 1,213.9	¥ 176.7
Tier I Capital .....	789.9	706.1	83.7
Net Unrealized Losses on Available-for-sale Securities, Net of Tax .....	—	(11.2)	11.2
including: Non-cumulative Preferred Securities (*) .....	83.0	83.0	—
Tier II Capital .....	605.5	511.3	94.2
Upper Tier II .....	276.3	197.0	79.3
Net Unrealized gains on Available-for-Sale Securities, Net of Tax .....	72.6	—	72.6
Unrealized Gains on Land after 55% Discount .....	1.6	4.1	(2.5)
General Reserve for Possible Loan Losses .....	73.4	88.2	(14.8)
Subordinated Debts .....	128.6	104.5	24.0
Lower Tier II .....	329.2	314.3	14.9
Deductible Items (-) .....	4.7	3.5	1.2
Total Risk-Adjusted Assets .....	11,168.9	11,580.8	(411.9)
On-Balance-Sheet Items .....	10,165.7	10,474.8	(309.1)
Off-Balance-Sheet Items .....	939.2	1,042.6	(103.4)
Market Risk Equivalents .....	64.0	63.3	0.6
Tier I Capital Ratio .....	7.07%	6.09%	0.98%
BIS Capital Ratio .....	12.45%	10.48%	1.97%

(\*) For detailed information of non-cumulative preferred securities, see "Summary of Description of the Non-cumulative Preferred Securities ("The Offered Securities")" on page 51.

### Classified Assets under Financial Reconstruction Law

As of March 31, 2004, the total of “Bankrupt and Practically Bankrupt,” “Doubtful,” and “Substandard” (Banking and Trust Account combined; consolidated basis) loans decreased significantly by ¥113.2 billion, or 28.1%, mainly due to aggressive sale and

disposal of those problem loans during the fiscal year 2003. The coverage ratio for classified assets kept comparatively higher level in the industry, and the percentage of classified assets to total assets resulted in 2.8%, which was continuously the lowest ratio among major Japanese banks.

### Total Classified Assets

(Banking and Trust Accounts Combined)

Classification	Billions of Yen, except for percentages									
	Balance		Coverage Ratio		Collateral/Reserve		Reserve Ratio			
At March 31	2004	2003	2004	2003	2004		2004	2003		
Bankrupt and Practically Bankrupt (A)	¥ 18.7	¥ 29.0	100%	100%	Specific Reserve	¥ 0.9	100%	100%		
					Collateral/Guarantee	17.9				
Doubtful (Kiken-Saiken)(B)	113.1	176.7	94%	85%	Uncovered	6.1				
					Specific Reserve	29.3	82%	62%		
Substandard (Yo-Kanri-Saiken)(C)	157.1	196.5	71%	71%	Collateral/Guarantee	77.7				
					Uncovered	44.5				
Ordinary Assets (Seijo-Saiken)	10,121.9	10,764.8			General Reserve	23.8	34%	41%		
					Collateral/Guarantee	88.7				
Total of (A), (B) and (C)	288.9	402.2			General Reserve	48.2				
Total	10,410.8	11,167.0			Reserve for Losses to Restructuring Countries	0.5				

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

Classification	Billions of Yen, except for percentages							
	Balance		Coverage Ratio		Collateral/Reserve		Reserve Ratio	
At March 31	2004	2003	2004	2003	2004	2004	2003	
Bankrupt and Practically Bankrupt (D)	¥ 15.3	¥ 22.0	100%	100%	Specific Reserve	¥ 0.9	100%	100%
					Collateral/Guarantee	14.4		
					Uncovered	4.7		
Doubtful (Kiken-Saiken)(E)	102.4	159.8	95%	86%	Specific Reserve	29.3	86%	66%
					Collateral/Guarantee	68.4		
					Uncovered	32.1		
Substandard (Yo-Kanri-Saiken)(F)	131.3	156.6	75%	75%	General Reserve	23.8	42%	50%
					Collateral/Guarantee	75.4		
Ordinary Assets (Seijo-Saiken)	9,132.2	9,284.7			General Reserve	48.2		
Total of (D), (E) and (F)	249.0	338.4			Reserve for Losses to Restructuring Countries	0.5		
Total	9,381.2	9,623.1						

Trust Accounts  
(Non-consolidated)

Classification	Billions of Yen, except for Percentages							
	Balance		Coverage Ratio		Collateral/Reserve		Reserves	
At March 31	2004	2003	2004	2003	2004	2004	2004	
Bankrupt and Practically Bankrupt (G)	¥ 3.5	¥ 7.1	100%	100%	Collateral/Guarantee	¥ 3.5	Reserve for Loan Trust (Tokubetsu-Ryuhokin)	
Doubtful (Kiken-Saiken)(H)	10.7	16.9	87%	75%	Uncovered	1.3	¥8.3	
					Collateral/Guarantee	9.3	Reserve for JOMTs	
Substandard (Yo-Kanri-Saiken) (I)	25.7	39.9	51%	54%	Uncovered	12.4	(Saiken Shoukyaku	
					Collateral/Guarantee	13.3	Jumbikin) 0.6	
Ordinary Assets (Seijo-Saiken)	989.7	1,480.1						
Total of (G), (H) and (I)	39.9	63.8						
Total	1,029.5	1,544.0						

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

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2004	2003	Changes	2004
Banking Account.....	¥ 17,154	¥65,619	¥(48,464)	\$162
Claims Written-Off .....	16,725	40,392	(23,666)	158
Provision for Reserve for Possible Loan Losses .....	(1,986)	7,942	(9,928)	(19)
General Reserves .....	(14,469)	5,136	(19,605)	(137)
Specific Loan Loss Reserves .....	12,698	3,027	9,671	120
Reserves for Loans to Restructuring Countries .....	(215)	(220)	5	(2)
Losses on Bulk Sale .....	(397)	16,731	(17,128)	(4)
Other Credit Costs .....	2,813	554	2,258	27
Trust Account .....	4,678	20,308	(15,629)	44
Claims Written-Off .....	4,720	17,516	(12,796)	45
Losses on Sale of Loans to the CCPC .....	—	1,667	(1,667)	—
Losses on Bulk Sale .....	(41)	1,125	(1,166)	(0)
<b>Total Credit Costs .....</b>	<b>21,833</b>	<b>¥85,928</b>	<b>(64,094)</b>	<b>207</b>

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

Years Ended March 31	Percentage points		
	2004	2003	Changes
Average Yield on Interest-Earning Assets (a).....	1.22%	1.22%	0.00%
Loans and Bills Discounted (A) .....	1.32	1.41	(0.09)
Securities .....	1.07	1.04	0.03
Average Yield on Interest-Bearing Liabilities (b).....	0.24	0.27	(0.03)
Deposits (B) .....	0.17	0.17	0.00
Gross Margin (a)-(b).....	0.98	0.95	0.03
Loan-Deposit Margin (A)-(B) .....	1.15	1.24	(0.09)

### 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, 2004 and 2003

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Assets:</b>			
Cash and Due from Banks (Notes 2 and 30) .....	¥ 747,328	¥ 673,327	\$ 7,074
Call Loans and Bills Bought .....	205,377	47,596	1,944
Commercial Paper and Other Debt Purchased (Note 2) .....	104,628	98,668	990
Trading Assets (Notes 2,3 and 9) .....	301,134	679,926	2,851
Money Held in Trust (Notes 2 and 4) .....	686	—	6
Investment Securities (Notes 2, 5 and 9) .....	3,636,779	3,458,250	34,426
Loans and Bills Discounted (Notes 6 and 9) .....	8,862,059	9,143,155	83,889
Foreign Exchanges .....	13,339	13,534	126
Other Assets (Notes 2 and 7) .....	1,015,665	1,089,701	9,614
Premises and Equipment (Notes 2 and 8) .....	108,861	116,026	1,030
Deferred Tax Assets (Note 24) .....	150,047	279,420	1,420
Customers' Liabilities for Acceptances and Guarantees (Note 17) .....	340,283	319,217	3,221
Reserve for Possible Loan Losses (Note 2) .....	(111,785)	(139,060)	(1,058)
Reserve for Losses on Investment Securities (Note 2) .....	(3,027)	—	(29)
<b>Total Assets</b> (Note 27) .....	<b>¥15,371,378</b>	<b>¥15,779,764</b>	<b>\$145,507</b>
<b>Liabilities:</b>			
Deposits (Notes 9 and 10) .....	¥ 8,785,275	¥ 8,698,805	\$ 83,162
Negotiable Certificates of Deposit (Note 10) .....	1,382,259	1,558,646	13,085
Call Money and Bills Sold (Note 9) .....	150,700	268,700	1,427
Payables under Repurchase Agreements (Note 9) .....	1,024,599	928,932	9,699
Collateral for Lending Securities (Note 9) .....	239,138	386,870	2,264
Trading Liabilities (Notes 2 and 3) .....	47,171	330,403	447
Borrowed Money (Note 11) .....	155,393	141,657	1,471
Foreign Exchanges .....	7,216	9,718	68
Corporate Bonds (Note 12) .....	330,500	306,100	3,129
Convertible Bonds (Note 13) .....	70	75	1
Borrowed Money from Trust Account (Note 14) .....	1,425,148	1,477,346	13,491
Other Liabilities (Note 16) .....	576,391	624,572	5,456
Reserve for Employee Bonuses (Note 2) .....	4,216	3,975	40
Reserve for Employee Retirement Benefits (Notes 2 and 15) .....	2,440	2,279	23
Deferred Tax Liabilities (Note 24) .....	254	178	2
Deferred Tax Liabilities on Revaluation Reserve for Land (Notes 8 and 24) .....	6,826	3,702	65
Negative Goodwill (Note 2) .....	1,106	1,659	10
Acceptances and Guarantees (Note 17) .....	340,283	319,217	3,221
<b>Total Liabilities</b> .....	<b>14,478,992</b>	<b>15,062,840</b>	<b>137,060</b>
<b>Minority Interest</b> .....	<b>90,356</b>	<b>89,093</b>	<b>855</b>
<b>Stockholders' Equity:</b>			
Preferred Stock (Note 18) .....	37,428	50,000	354
Common Stock (Note 18) .....	249,590	237,015	2,363
Capital Surplus (Note 18) .....	240,437	240,435	2,276
Retained Earnings (Note 18) .....	192,150	114,190	1,819
Revaluation Reserve for Land, Net of Tax (Note 8) .....	(3,235)	5,604	(31)
Net Unrealized Gains (Losses) on Available-for-Sale Securities, Net of Tax (Note 2) .....	95,941	(11,309)	908
Foreign Currency Translation Adjustment (Note 2) .....	(5,848)	(3,741)	(55)
Treasury Stock .....	(4,433)	(4,363)	(42)
<b>Total Stockholders' Equity</b> .....	<b>802,029</b>	<b>627,830</b>	<b>7,592</b>
<b>Total Liabilities, Minority Interest and Stockholders' Equity</b> .....	<b>¥15,371,378</b>	<b>¥15,779,764</b>	<b>\$145,507</b>

	Yen		U.S. Dollars (Note 1)
<b>Net Assets per Share</b> (Note 2) .....	¥ 481.03	¥ 361.44	\$ 4.55

See accompanying notes.

## CONSOLIDATED STATEMENTS OF OPERATIONS — The Sumitomo Trust &amp; Banking Company, Limited for the years ended March 31, 2004 and 2003

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Income:</b>			
Trust Fees .....	¥ 76,401	¥ 71,382	\$ 723
Interest Income:			
Interest on Loans and Discounts .....	121,234	132,691	1,148
Interest and Dividends on Securities .....	86,168	122,966	816
Other Interest Income (Note 19) .....	5,889	15,007	56
	213,292	270,666	2,019
Fees and Commissions .....	72,137	59,445	683
Trading Revenue (Note 20) .....	3,760	8,094	36
Other Operating Income (Note 21) .....	76,227	123,267	722
Other Income (Note 22) .....	64,455	32,560	610
<b>Total Income</b> (Note 27) .....	<b>506,274</b>	<b>565,416</b>	<b>4,792</b>
<b>Expenses:</b>			
Interest Expenses:			
Interest on Deposits .....	30,489	42,793	289
Interest on Borrowings and Rediscounts .....	3,245	3,031	31
Other Interest Expenses (Note 19) .....	59,848	73,229	567
	93,583	119,054	886
Fees and Commissions .....	19,309	23,353	183
Trading Expenses (Note 20) .....	—	478	—
Other Operating Expenses (Note 21) .....	49,015	118,963	464
General and Administrative Expenses (Note 23) .....	132,716	135,147	1,256
Other Expenses (Notes 22) .....	72,993	294,912	691
<b>Total Expenses</b> (Note 27) .....	<b>367,618</b>	<b>691,909</b>	<b>3,480</b>
<b>Income (Loss) before Income Taxes</b> (Note 27) .....	<b>138,656</b>	<b>(126,493)</b>	<b>1,313</b>
Income Taxes: (Note 24)			
Current .....	1,201	1,028	11
Deferred .....	54,025	(57,483)	511
<b>Minority Interest in Net Income</b> .....	<b>3,798</b>	<b>2,927</b>	<b>36</b>
<b>Net Income (Loss)</b> .....	<b>¥ 79,629</b>	<b>¥ (72,967)</b>	<b>\$ 754</b>
<hr/>			
	Yen		U.S. Dollars (Note 1)
<b>Net Income (Loss) per Share</b> (Note 2 and 29) .....	<b>¥ 53.98</b>	<b>¥ (50.80)</b>	<b>\$ 0.51</b>
<b>Net Income per Share (fully diluted)</b> (Note 2 and 29) .....	<b>48.32</b>	<b>—</b>	<b>0.46</b>

See accompanying notes.

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY** — The Sumitomo Trust & Banking Company, Limited for the years ended March 31, 2004 and 2003

	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
<b>Balance at March 31, 2002</b> .....	125,000	1,452,247	¥50,000	¥234,053	¥237,472	¥195,034	¥ 5,809	¥(57,022)	¥(1,465)	¥(4,233)
Net 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)			
<b>Balance at March 31, 2003</b> .....	125,000	1,464,097	¥50,000	¥237,015	¥240,435	¥114,190	¥ 5,604	¥(11,309)	¥(3,741)	¥(4,363)
Net Income .....						79,629				
Cash Dividends Paid .....						(5,134)				
Shares Issued upon Conversion of Preferred Stock .....	(31,430)	52,274	(12,572)	12,572						
Shares Issued upon Conversion of Convertible Bonds .....		10		2	2					
Net Change .....								107,251	(2,107)	(69)
Adjustment due to Decrease in Deferred Tax Assets and Sale of Revalued Property .....						3,466	(8,839)			
Loss on Disposal of Treasury Stock .....							(1)			
<b>Balance at March 31, 2004</b> .....	<b>93,570</b>	<b>1,516,382</b>	<b>¥37,428</b>	<b>¥249,590</b>	<b>¥240,437</b>	<b>¥192,150</b>	<b>¥(3,235)</b>	<b>¥95,941</b>	<b>¥(5,848)</b>	<b>¥(4,433)</b>

	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	
<b>Balance at March 31, 2003</b> .....	\$ 473	\$2,244	\$2,276	\$1,081	\$ 53	\$ (107)	\$(35)	\$(41)	
Net Income .....				754					
Cash Dividends Paid .....				(49)					
Shares Issued upon Conversion of Preferred Stock .....	(119)	119							
Shares Issued upon Conversion of Convertible Bonds .....		0	0						
Net Change .....						1,015	(20)	(1)	
Adjustment due to Decrease in Deferred Tax Assets and Sale of Revalued Property .....				33	(84)				
Loss on Disposal of Treasury Stock .....					(0)				
<b>Balance at March 31, 2004</b> .....	<b>\$ 354</b>	<b>\$2,363</b>	<b>\$2,276</b>	<b>\$1,819</b>	<b>\$(31)</b>	<b>\$ 908</b>	<b>\$(55)</b>	<b>\$(42)</b>	

See accompanying notes.



## CONSOLIDATED STATEMENTS OF CASH FLOWS — The Sumitomo Trust &amp; Banking Company, Limited for the years ended March 31, 2004 and 2003

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Cash Flows from Operating Activities :</b>			
Income (Loss) before Income Taxes and Minority Interest .....	¥ 138,656	¥ (126,493)	\$ 1,313
Depreciation .....	5,846	6,785	55
Amortization of Negative Goodwill .....	(553)	(552)	(5)
Equity in Losses (Earnings) of Affiliates .....	(99)	(786)	(1)
Increase (Decrease) in Reserve for Possible Loan Losses .....	(27,275)	(82,501)	(258)
Increase (Decrease) in Reserve for Losses on Investment Securities .....	3,027	—	29
Increase (Decrease) in Reserve for Possible Losses on Loans Sold .....	—	(250)	—
Increase (Decrease) in Reserve for Employee Bonuses .....	241	(776)	2
Increase (Decrease) in Reserve for Employee Retirement Benefits .....	160	(235)	2
Interest Income .....	(213,292)	(270,666)	(2,019)
Interest Expenses .....	93,583	119,054	886
Losses (Gains) on Securities .....	(54,094)	81,319	(512)
Losses (Gains) on Money Held in Trust .....	(33)	1,402	(0)
Losses (Gains) on Foreign Exchange .....	107,884	51,557	1,021
Losses (Gains) on Sale of Premises and Equipment .....	1,387	1,712	13
Net Decrease (Increase) in Trading Assets .....	378,791	(164,099)	3,586
Net Increase (Decrease) in Trading Liabilities .....	(283,231)	127,358	(2,681)
Net Decrease (Increase) in Loans and Bills Discounted .....	281,413	(219,972)	2,664
Net Increase (Decrease) in Deposits .....	86,470	527,003	819
Net Increase (Decrease) in Negotiable Certificates of Deposit .....	(176,386)	(43,605)	(1,670)
Net Increase (Decrease) in Borrowed Money other than Subordinated Borrowings .....	(1,264)	(7,991)	(12)
Net Decrease (Increase) in Due from Banks other than from Bank of Japan .....	(39,475)	(20,923)	(374)
Net Decrease (Increase) in Call Loans and Others .....	(163,740)	3,122	(1,550)
Net Decrease (Increase) in Collateral for Borrowing Securities .....	—	1,004	—
Net Increase (Decrease) in Call Money and Others .....	(22,333)	(358,286)	(211)
Net Increase (Decrease) in Collateral for Lending Securities .....	(147,731)	(489,887)	(1,398)
Net Decrease (Increase) in Foreign Exchange Assets .....	(1,882)	(35,549)	(18)
Net Increase (Decrease) in Foreign Exchange Liabilities .....	(2,502)	4,908	(24)
Net Increase (Decrease) in Borrowed Money from Trust Account .....	(52,197)	(597,100)	(494)
Interest Income Received on Cash Basis .....	229,674	278,581	2,174
Interest Expenses Paid on Cash Basis .....	(93,158)	(121,339)	(882)
Other-Net .....	(56,362)	(62,958)	(534)
Subtotal .....	(8,479)	(1,400,166)	(80)
Income Tax Paid .....	(777)	(1,171)	(7)
<b>Net Cash Provided by (Used in) Operating Activities</b> .....	<b>(9,256)</b>	<b>(1,401,338)</b>	<b>(88)</b>
<b>Cash Flows from Investing Activities :</b>			
Purchase of Securities .....	(8,385,863)	(8,816,946)	(79,382)
Proceeds from Sale of Securities .....	7,368,617	8,674,149	69,752
Proceeds from Redemption of Securities .....	1,035,633	1,428,656	9,803
Increase in Money Held in Trust .....	(686)	(36,000)	(6)
Decrease in Money Held in Trust .....	—	94,241	—
Purchase of Premises and Equipment .....	(3,047)	(5,593)	(29)
Proceeds from Sale of Premises and Equipment .....	2,845	2,096	27
Purchase of Stock of Consolidated Subsidiaries .....	—	(387)	—
<b>Net Cash Provided by (Used in) Investing Activities</b> .....	<b>17,498</b>	<b>1,340,216</b>	<b>166</b>
<b>Cash Flows from Financing Activities :</b>			
Proceeds from Subordinated Borrowings .....	15,000	78,500	142
Payments of Subordinated Borrowings .....	—	(60,000)	—
Proceeds from Subordinated Bonds and Convertible Bonds .....	128,803	21,348	1,219
Redemption of Subordinated Bonds and Convertible Bonds .....	(107,366)	(148,726)	(1,016)
Proceeds from Issuance of Stock to Minority Stockholders .....	—	800	—
Cash Dividends Paid .....	(5,133)	(7,983)	(49)
Cash Dividends Paid to Minority Stockholders .....	(2,615)	(2,645)	(25)
Purchase of Treasury Stock .....	(73)	(130)	(1)
Proceeds from Sale of Treasury Stock .....	3	—	0
<b>Net Cash Provided by (Used in) Financing Activities</b> .....	<b>28,618</b>	<b>(118,838)</b>	<b>271</b>
Effect on Exchange Rate Changes on Cash and Cash Equivalents .....	(2,335)	(2,828)	(22)
<b>Net Change in Cash and Cash Equivalents</b> .....	<b>34,525</b>	<b>(182,788)</b>	<b>327</b>
Cash and Cash Equivalents at Beginning of Year .....	481,726	664,515	4,560
Cash and Cash Equivalents at End of Year (Note 30) .....	¥ 516,251	¥ 481,726	\$ 4,887

See accompanying notes.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of Presenting Financial Statements

The accompanying translated consolidated financial statements have been compiled from the audited consolidated financial statements that are prepared for Japanese domestic purposes in accordance with the Securities and Exchange Law of Japan, the Banking Law of Japan and accounting principles and practices generally accepted in Japan (“Japanese GAAP”). Certain accounting principles and practices generally accepted in Japan are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements have been restructured and translated into English (with some modifications, expanded descriptions and the inclusion of 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 ¥105.64 to U.S. \$1.00, the exchange rate prevailing at March 31, 2004. 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 18 subsidiaries for the year ended March 31, 2004, 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, 2004.

#### (b) Foreign currency translation

Assets and liabilities denominated in foreign currencies are primarily translated into Japanese yen at the exchange rate at the consolidated balance sheets 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.

As for the accounting method of foreign currency transactions, in the fiscal year ended March 31, 2003, the Bank had adopted 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, hereafter “Report No. 25”). From this fiscal year ended March 31, 2004, the Bank adopts the regular rules of Report No. 25 and applies hedge accounting (see

following note f). Consequently, currency swaps and foreign exchange swaps, which used to be subject to the accrual-basis standard, were recorded at fair value on the consolidated balance sheets. In comparison with the previous method, each “Other Assets” and “Other Liabilities” increased by ¥1,182million. However, this change of accounting method had no impact on profits or losses.

Foreign currency translation differences arising from currency swaps and forward foreign exchange transactions used to be presented as “Other Assets” or “Other Liabilities” on a net basis, but from this fiscal year ended March 31, 2004, they were presented as “Trading Assets” or “Trading Liabilities” for trading account activities and “Other Assets” or “Other Liabilities” for banking account activities on a gross basis according to Report No. 25. In comparison with the previous method, each “Trading Assets” and “Trading Liabilities” is increased by ¥9 million, and each “Other Assets” and “Other Liabilities” increased by ¥71,926 million.

*(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 profits taking by market-making and sales arbitrages. Trading assets and liabilities include securities, commercial paper, and financial derivatives. The mark-to-market accounting method is adopted for 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”).

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*

The Bank manages interest rate risk arising from various assets and liabilities, such as loans, bills discounted, deposits, etc., by using financial derivative transactions and applies deferred hedge accounting. In the previous periods, the Bank had adopted “Macro Hedge Accounting” as a whole hedge accounting method, in accordance with the interim measure provided by “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Auditing Committee Report No.24, hereafter “Report No. 24”) From this fiscal year ended March 31, 2004, the Bank adopts the regular rules of Report No.24. In hedging activities to offset changes in the fair value of deposits, loans, etc., as hedged items, the Bank designates hedged items and interest rate swaps etc. as hedging transactions by grouping them by their maturities. As for cash-flow-hedge, the effectiveness of the hedge is assessed by confirming the correlation between the fluctuational factor of interest rate for hedged items and for hedging transactions. The regular rules of Report No.24 requires that some transactions, which had been applied “Macro Hedge Accounting”, discontinue such hedge accounting. Deferred hedge income (losses) resulted from “Macro Hedge Accounting”, which are included in “Other Assets” and “Other Liabilities” in the consolidated balance sheets, are amortized over the remaining period for each hedging transaction. As of March 31, 2004, deferred hedge losses and income resulted from “Macro Hedge Accounting” are ¥223,586 million and ¥214,589 million, respectively.

The Bank manages foreign exchange risk arising from various

assets and liabilities denominated in foreign currencies by using financial derivative transactions and applies deferred hedge accounting. In the fiscal year ended March 31, 2003, on currency swaps and foreign exchange swaps entered in for the purpose of funding foreign currencies, the Bank adopted the temporary treatment regulated by Report No.25, whereas from this fiscal year ended March 31, 2004, the Bank adopts the regular rules of Report No.25 and applies hedge accounting. The Bank designates specific currency swaps and foreign exchange swaps made to mitigate foreign exchange risks arising from monetary claims and debts denominated in foreign currencies as hedging transactions. The effectiveness of the hedge is assessed by confirming that the monetary claims and debts denominated in foreign currency as hedged items exceed the position of those hedging transactions. The Bank also applies fair value hedge to mitigate foreign currency exchange rate exposure in available-for-sale securities denominated in foreign currencies (other than bonds) as “Portfolio Hedges” when hedged foreign currency securities are specified in advance to the inception of the transactions and spot forward liabilities exist on a foreign currency basis that exceed acquisition costs of the foreign currency securities designated as hedged items.

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

As for specific assets and liabilities, the Bank also applies the individual deferred hedge accounting or the accrual-basis calculation on interest rate swaps.

*(g) Premises and equipment*

Depreciation for buildings and equipment are primarily calculated as follows.

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

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

*(h) Software*

Expenses related to software for internal use are capitalized 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 on an overall solvency assessment, on net amounts expected to be collected through the disposal of collateral or execution of guarantees.

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

For claims 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 the audits of their assessments, and the reserve is adjusted to reflect the audit results.

And for claims to debtors who are legally bankrupt or virtually bankrupt with collateral or guarantees, the expected uncollectible amount, net of amounts expected to be collected through the disposal of collateral or through the execution of guarantees, are deducted directly out of the original amount of claims. The deducted amount is ¥107,151 million. For the consolidated sub-

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 each 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*

Amounts per share are computed in accordance with the 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). Net assets per share is calculated by dividing net assets excluding the amount of preferred stock, dividends on preferred stock outstanding and bonuses to directors by the number of common stock outstanding at each year-end.

See Note 29 for net income (loss) per share and net income per share (fully diluted).

*(o) Dividends*

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

*(p) Impairment of Fixed Assets*

In the year ended March 31, 2004, the Bank did not adopt early the new accounting standard for impairment of fixed assets (“Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council on August 9, 2002). The new accounting standard becomes operative for financial statements covering periods on or after April 1, 2005, early application is encouraged.

The Bank has begun its analysis of possible impairment of fixed assets. The Bank cannot currently estimate the effect of adoption of the new standard, because the Bank has not yet completed its analysis.

### 3. Trading Assets and Trading Liabilities

(a) Trading Assets at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
Trading Account Securities .....	¥ 4,444	¥ 13,586	\$ 42
Trading-Related Financial Derivatives .....	44,662	334,058	423
Derivatives of Trading Securities .....	32	1	0
Derivatives of Securities Related to Trading Transactions .....	11	1	0
Other Trading Assets .....	251,984	332,279	2,385
<b>Total</b> .....	<b>¥301,134</b>	<b>¥679,926</b>	<b>\$2,851</b>

(b) Trading Liabilities at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
Derivatives of Trading Securities .....	¥ —	¥ 9	\$ —
Derivatives of Securities Related to Trading Transactions .....	424	278	4
Trading-Related Financial Derivatives .....	46,747	330,115	443
<b>Total</b> .....	<b>¥47,171</b>	<b>¥330,403</b>	<b>\$447</b>

### 4. Money Held in Trust

Money Held in Trust at March 31, 2004 and 2003:

	Millions of Yen			
	2004		2003	
	Book Value	Net Unrealized Gain (Loss) Reflected in the Statement of Operations	Book Value	Net Unrealized Gain (Loss) Reflected in the Statement of Operations
Money Held in Trust for Trading Purpose .....	¥ —	¥ —	¥ —	¥ —
Money Held in Trust for being held-to-maturity ..	—	—	—	—
Money Held in Trust for others .....	686	—	—	—
<b>Total</b> .....	<b>¥686</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ —</b>

### 5. Investment Securities

Investment Securities held at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
Japanese Government Bonds .....	¥ 924,520	¥ 773,056	\$ 8,752
Japanese Local Government Bonds .....	59,955	32,739	568
Japanese Corporate Bonds .....	311,660	297,814	2,950
Japanese Stocks .....	710,904	601,111	6,729
Others .....	1,629,738	1,753,528	15,427
<b>Total</b> .....	<b>¥3,636,779</b>	<b>¥3,458,250</b>	<b>\$34,426</b>

Others include foreign securities amounted ¥1,606,326 million and ¥1,721,557 million at March 31, 2004 and 2003, respectively.

## 6. Loans and Bills Discounted

Loans and Bills Discounted at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Bills Discounted .....	¥ 12,128	¥ 18,044	\$ 115
Loans on Bills .....	1,207,149	1,218,297	11,427
Loans on Deeds .....	6,484,091	6,695,645	61,379
Overdrafts .....	1,158,689	1,211,168	10,968
<b>Total</b> .....	<b>¥8,862,059</b>	<b>¥9,143,155</b>	<b>\$83,889</b>

Under the internal rules of self-assessment of assets (“Self-Assessment Rules”), the Bank classified loans to borrowers which were categorized as virtually bankrupt or potentially bankrupt, even if their interest payments were not overdue for more than six months, as “Delinquent Loans.” The total of ¥107,151 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 2003.

Loans and Bills Discounted for 2004 and 2003 include the followings:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Loans in Bankruptcy Proceedings .....	¥ 12,505	¥ 14,912	\$ 118
Other Delinquent Loans .....	104,988	166,152	994
Loans more than Three Months Past Due .....	18	1,637	0
Restructured Loans .....	131,336	155,410	1,243

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

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

3. Loans more than three months past due are those loans for which principal or interest payments are more than three months past due from the date succeeding the due date excluding those loans classified as loans in bankruptcy proceedings and other delinquent loans.

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

## 7. Other Assets

Other Assets at March 31, 2004 and 2003 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Prepaid Expenses .....	¥ 259	¥ 250	\$ 2
Accrued Income .....	61,058	73,942	578
Derivatives other than in the Trading Account .....	510,111	472,464	4,829
Deferred Hedge Losses .....	19,793	36,409	187
Others .....	424,442	506,633	4,018
<b>Total</b> .....	<b>¥1,015,665</b>	<b>¥1,089,701</b>	<b>\$9,614</b>

As of March 31, 2004, others include ¥70,795 million of prepaid pension cost (see Note 15), ¥6,316 million of provisional payment of the withholding tax. For the provisional payment of the withholding tax, the Bank received reassessment notice from the tax office

claiming the Bank’s responsibility for collecting withholding tax on some of its repurchase agreement transactions. 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, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Land .....	¥ 46,195	¥ 48,209	\$ 437
Buildings .....	105,189	106,222	996
Equipment .....	40,654	44,452	385
Others .....	19,648	21,380	186
Subtotal .....	211,686	220,265	2,004
Accumulated Depreciation .....	(102,825)	(104,239)	(973)
<b>Net Book Value .....</b>	<b>¥ 108,861</b>	<b>¥ 116,026</b>	<b>\$1,030</b>

In accordance with the Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land, the Bank recorded a ¥3,235 million of unrealized revaluation loss in stockholders' equity, of which ¥6,826 million of deferred tax was deducted from the

gross surplus, as of March 31, 2004, based on the evaluations as of March 31, 1999, after accounting for premises sold. As of March 31, 2004, it is estimated that current fair value of the land would be ¥9,895 million less than the above-mentioned revaluation.

## 9. Assets Pledged

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

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
<b>Assets Pledged as Collateral:</b>			
Trading Assets .....	¥ 178,990	¥ 276,031	\$ 1,694
Investment Securities .....	1,853,501	1,420,050	17,545
Loans and Bills Discounted .....	196,168	277,941	1,857
<b>Corresponding Liabilities of the Assets Pledged as Collateral:</b>			
Deposits .....	26,763	22,079	253
Call Money and Bills Sold .....	150,700	268,700	1,427
Payables under Repurchase Agreements .....	1,024,599	928,932	9,699
Collateral for Lending Securities .....	239,138	386,870	2,264

## 10. Deposits and Negotiable Certificates of Deposit

Deposits and Negotiable Certificates of Deposit at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Current Deposits, Ordinary Deposits and Deposits at Notice .....	¥ 1,808,304	¥ 1,750,455	\$17,118
Time Deposits .....	6,709,229	6,548,289	63,510
Others .....	267,741	400,060	2,534
Subtotal .....	8,785,275	8,698,805	83,162
Negotiable Certificates of Deposit .....	1,382,259	1,558,646	13,085
<b>Total .....</b>	<b>¥10,167,535</b>	<b>¥10,257,451</b>	<b>\$96,247</b>



## 11. Borrowed Money

Borrowed Money at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Subordinated Debt .....	¥128,500	¥113,500	\$1,216
Other Borrowed Money .....	26,893	28,157	255
<b>Total</b> .....	<b>¥155,393</b>	<b>¥141,657</b>	<b>\$1,471</b>

Average interest rates of the borrowed money were 1.95% and 1.93% for the year ended March 31, 2004 and 2003, respectively.

## Years to Maturity

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Less than 1 year .....	¥ 5,892	¥ 1,518	\$ 56
More than 1 year but less than 2 years .....	3,266	5,392	31
More than 2 years but less than 3 years .....	1,266	3,266	12
More than 3 years but less than 4 years .....	13,442	266	127
More than 4 years but less than 5 years .....	766	15,184	7

## 12. Corporate Bonds

Corporate Bonds at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
(a) Series 1 Unsecured Redeemable Subordinated Bonds .....	¥ —	¥100,000	\$ —
(b) Unsecured Subordinated Bonds.....	90,000	—	852
(c) Euro Medium-term and Perpetual Subordinated Notes .....	240,500	206,100	2,277
<b>Total</b> .....	<b>¥330,500</b>	<b>¥306,100</b>	<b>\$3,129</b>

(a) 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.

(b) Unsecured Subordinated Bonds were issued publicly by the Bank under the ¥200 billion of domestic issue shelf registration system. The first issue of ¥60 billion, bearing fixed interest at 1.37 p.a., was on May 23, 2003 and second issue of ¥30 billion, bearing fixed interest at 1.98 p.a., on February 12, 2004.

(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, 2004, the Bank and its subsidiary have issued ¥39,400 million of notes under the programme, and exercised options to redeem notes totaling ¥5,000 million.

### 13. Convertible Bonds

Convertible Bonds at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
0.5% Yen Mandatory Exchangeable Subordinated Notes due 2007 .....	<b>¥70</b>	¥75	<b>\$1</b>

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 sheets as of March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Projected Benefit Obligation.....	<b>¥(193,556)</b>	¥(163,815)	<b>\$(1,832)</b>
Plan Assets (market value).....	<b>222,920</b>	158,427	<b>2,110</b>
Unfunded Projected Benefit Obligations .....	<b>29,363</b>	(5,388)	<b>278</b>
Unrecognized Net Plan Assets .....	<b>(29,444)</b>	(1,781)	<b>(279)</b>
Unrecognized Net Transition Obligation .....	<b>3,659</b>	7,319	<b>35</b>
Unrecognized Net Actuarial Loss .....	<b>62,725</b>	74,154	<b>594</b>
Unrecognized Net Prior Service Cost .....	<b>2,049</b>	2,360	<b>19</b>
Net Amount Recognized the Consolidated Balance Sheets.....	<b>68,355</b>	76,664	<b>647</b>
Prepaid Pension Cost (-) (Note 7) .....	<b>70,795</b>	78,943	<b>670</b>
Reserve for Employee Retirement Benefits .....	<b>(2,440)</b>	(2,279)	<b>(23)</b>

Retirement benefits expenses which are included in the consolidated statements of operations for the year ended March 31, 2004 and 2003 were comprised of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Service Costs-benefits Earned during the Fiscal Period .....	<b>¥ 4,114</b>	¥ 4,546	<b>\$ 39</b>
Interest Cost on Projected Benefit Obligation .....	<b>4,839</b>	4,808	<b>46</b>
Expected Return on Plan Assets .....	<b>(5,648)</b>	(5,903)	<b>(53)</b>
Amortization of Prior Service Cost .....	<b>310</b>	448	<b>3</b>
Amortization of Net Actuarial Loss .....	<b>8,106</b>	4,573	<b>77</b>
Amortization of Net Transition Obligation (Note 22) .....	<b>3,659</b>	3,659	<b>35</b>
Others .....	<b>1,491</b>	2,487	<b>14</b>
<b>Retirement Benefits Expenses .....</b>	<b>¥16,873</b>	¥14,620	<b>\$160</b>

The discount rate and the rate of expected return on plan assets used by the Bank were 2.0% and 2.8 –3.7%, respectively for the year ended March 31, 2004, which had been 3.0% and 2.5 –4.5%, respectively for

the year ended March 31, 2003. 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, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Accrued Expenses .....	¥ 52,331	¥ 51,898	\$ 495
Unearned Income .....	9,732	9,974	92
Derivatives other than for Trading Account .....	447,158	488,552	4,233
Others .....	67,167	74,146	636
<b>Total</b> .....	<b>¥576,391</b>	<b>¥624,572</b>	<b>\$5,456</b>

Others for 2004 and 2003 include unpaid expenses for trading account.

## 17. Acceptances and Guarantees

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

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

sents the Bank’s right of indemnity from customers.

Regarding Principal Guaranteed Trusts, the Bank guaranteed the principal amount of ¥966,350 million, ¥968,763 million for Jointly-Operated Money Trusts and ¥1,434,515 million, ¥2,110,727 million for Loan Trusts at March 31, 2004 and 2003, respectively.

## 18. Stockholders’ Equity

The numbers of authorized and issued preferred and common stock at the end of March 31, 2004 and 2003 were as follows:

	2004		2003	
	Authorized	Issued	Authorized	Issued
Preferred Stock .....	218,570,000	93,570,000	250,000,000	125,000,000
Common Stock .....	3,000,000,000	1,516,382,188	3,000,000,000	1,464,097,764

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.

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

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

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

*Stock Option Plans*

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

	2003	2002	2001	2000
Type of Stock .....	Common Stock	Common Stock	Common Stock	Common Stock
Maximum Number of Shares Granted .....	1,500,000	3,000,000	3,000,000	3,100,000
Number of Shares Granted .....	1,186,000	2,514,000	2,587,000	2,831,000
Number of Eligible Persons .....	441	426	374	331
Exercise Price .....	415	656	795	758
Exercise Period .....	Jul.1, 2005 to Jun.30, 2007	Jul.1, 2004 to Jun.30, 2006	Jul.1, 2003 to Jun.30, 2005	Jul.1, 2002 to Jun.30, 2004

## 19. Other Interest Income and Expenses

(a) Other Interest Income for the years ended March 31, 2004 and 2003:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Interest Income on Deposits with Banks .....	<b>¥2,988</b>	¥ 5,578	<b>\$28</b>
Interest Income on Interest Swaps .....	—	385	—
Other Interest Income .....	<b>2,901</b>	9,043	<b>27</b>
<b>Total</b> .....	<b>¥5,889</b>	¥15,007	<b>\$56</b>

(b) Other Interest Expenses for the years ended March 31, 2004 and 2003:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Interest Expenses on Corporate Bonds .....	<b>¥ 5,930</b>	¥ 6,769	<b>\$ 56</b>
Interest Expenses on Convertible Bonds .....	<b>0</b>	22	<b>0</b>
Interest Expenses on Payables under Repurchase Agreements .....	<b>11,966</b>	18,069	<b>113</b>
Interest Expenses on Interest Swaps .....	<b>2,678</b>	17,250	<b>25</b>
Interest Expenses on Collateral for Lending Securities .....	<b>6,227</b>	19,402	<b>59</b>
Other Interest Expenses .....	<b>33,045</b>	11,714	<b>313</b>
<b>Total</b> .....	<b>¥59,848</b>	¥73,229	<b>\$567</b>

## 20. Trading Revenue and Expenses

(a) Trading Revenue for the years ended March 31, 2004 and 2003:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Revenue from Trading Securities and Derivatives .....	<b>¥ 426</b>	¥ 722	<b>\$ 4</b>
Revenue from Securities Related to Trading Transactions .....	<b>150</b>	—	<b>1</b>
Revenue from Trading-Related Financial Derivatives Transactions .....	<b>3,052</b>	7,106	<b>29</b>
Other Trading Revenue .....	<b>130</b>	265	<b>1</b>
<b>Total</b> .....	<b>¥3,760</b>	¥8,094	<b>\$36</b>

## (b) Trading Expenses for the years ended March 31, 2004 and 2003:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Expenses on Securities Related to Trading Transactions .....	¥ —	¥478	\$ —
<b>Total</b> .....	<b>¥ —</b>	<b>¥478</b>	<b>\$ —</b>

## 21. Other Operating Income and Expenses

## (a) Other Operating Income for the years ended March 31, 2004 and 2003:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Net Gains on Foreign Exchange Transactions .....	¥ 3,536	¥ 4,813	\$ 33
Gains on Sale of Bonds .....	72,476	117,829	686
Others .....	215	624	2
<b>Total</b> .....	<b>¥76,227</b>	<b>¥123,267</b>	<b>\$722</b>

## (b) Other Operating Expenses for the years ended March 31, 2004 and 2003:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Losses on Sale of Bonds .....	¥43,272	¥116,582	\$410
Losses on Redemption of Bonds .....	159	2,073	2
Losses on Devaluation of Bonds .....	538	2	5
Expenses from Derivatives other than for Trading Account .....	5,034	280	48
Others .....	9	25	0
<b>Total</b> .....	<b>¥49,015</b>	<b>¥118,963</b>	<b>\$464</b>

## 22. Other Income and Expenses

## (a) Other Income for the years ended March 31, 2004 and 2003:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Gains on Sale of Shares and Other Securities .....	¥41,365	¥14,243	\$392
Gains on Money Held in Trust .....	33	110	0
Gains on Dispositions of Premises and Equipment .....	4	218	0
Gains on Stock Derivatives Transactions .....	6,588	8,097	62
Others .....	16,462	9,890	156
<b>Total</b> .....	<b>¥64,455</b>	<b>¥32,560</b>	<b>\$610</b>

For the year ended March 31, 2004, others include ¥1,569 million of gains on collection from claims written-off, ¥5,285 million of extra ordinary profits (see Note 24), and ¥1,157 million of net transfer from reserve for possible loan losses.

## (b) Other Expenses for the years ended March 31, 2004 and 2003:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Provisions for Reserve for Possible Loan Losses .....	¥ —	¥ 9,635	\$ —
Claims Written-Off .....	16,840	40,669	159
Losses on Sale of Shares and Other Securities .....	12,625	41,151	120
Losses on Devaluation of Shares and Other Securities .....	3,016	101,044	29
Losses on Money Held in Trust .....	—	1,512	—
Losses on Dispositions of Premises and Equipment .....	1,392	1,932	13
Losses from Contribution of Investment Securities to Employee Retirement Benefit Trusts.....	—	57,469	—
Others .....	39,118	41,497	370
<b>Total</b> .....	<b>¥72,993</b>	<b>¥294,912</b>	<b>\$691</b>

For the year ended March 31, 2004 and 2003, others include ¥3,659 million of amortization of net transition obligation as extra ordinary expenses (see Note 15).

## 23. General and Administrative Expenses

General and Administrative Expenses for the years ended March 31, 2004 and 2003:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Taxes other than Income Taxes .....	¥ 5,059	¥ 5,447	\$ 48
Personnel Expenses .....	65,087	67,292	616
Others .....	62,569	62,407	592
<b>Total</b> .....	<b>¥132,716</b>	<b>¥135,147</b>	<b>\$1,256</b>

## 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 40.46% and 38.76% for the years ended March 31, 2004 and 2003, respectively. Due to the absence of taxable income resulting from tax loss car-

ryforwards, current income taxes mainly consisted of income tax of consolidated subsidiaries for the years ended March 31, 2004 and 2003.

Deferred Tax Assets and Liabilities at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Tax Loss Carryforwards .....	¥108,628	¥130,626	\$1,028
Devaluation of Securities .....	36,375	54,591	344
Reserve for Possible Loan Losses (including Direct Write-offs of Loans with Guarantees or Collateral) .....	35,956	52,389	340
Reserve for Employee Retirement Benefits .....	10,327	—	98
Unrealized Income .....	6,647	10,103	63
Net Unrealized Losses on Available-for-Sale Securities .....	—	8,012	—
Other Addition .....	29,458	35,824	279
Valuation Allowance .....	(9,035)	(6,466)	(86)
Amount set off against Deferred Tax Liabilities on Net Unrealized Gains on Available-for-Sale Securities .....	(64,805)	—	(613)
Other Amount set off against Deferred Tax Liabilities .....	(3,505)	(5,661)	(33)
Deferred Tax Assets .....	¥150,047	¥279,420	\$1,420
Deferred Tax Liabilities .....	¥ 254	¥ 178	\$ 2
Deferred Tax Liabilities on Revaluation Reserve for Land .....	¥ 6,826	¥ 3,702	\$ 65

*Settlement Reached with Tokyo Metropolitan Government Regarding Large Bank Tax Lawsuits*

On October 8, 2003, the Bank had at the Supreme Court made settlement-at-court with the Tokyo Metropolitan Government and the

Tokyo Governor and withdrawn the complaints regarding the Tokyo Metropolitan Government's tax on large banks.

In response to the settlement, the Bank posted ¥5,285 million of extraordinary profits included in "Others" of other income (see Note 22).

## 25. Lease Transactions

### *As lessor:*

There was no reporting item as lessor at March 31, 2004 and 2003.

### *As lessee:*

#### (a) Finance Leases

Acquisition Cost, Accumulative Depreciation and Net Book Value at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Acquisition Cost			
Equipment.....	¥790	¥2,193	\$7
Others.....	70	—	1
<b>Total</b> .....	<b>861</b>	<b>2,193</b>	<b>8</b>
Accumulated Depreciation			
Equipment.....	477	1,572	5
Others.....	32	—	0
<b>Total</b> .....	<b>509</b>	<b>1,572</b>	<b>5</b>
Net Book Value			
Equipment.....	313	621	3
Others.....	37	—	0
<b>Total</b> .....	<b>351</b>	<b>621</b>	<b>3</b>

The total of Future Lease Payments to be Paid at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Payable Fee (within one year) .....	¥145	¥303	\$1
Payable Fee (more than one year) .....	206	318	2
<b>Total</b> .....	<b>¥351</b>	<b>¥621</b>	<b>\$3</b>

Annual Lease Payments and Estimated Annual Depreciation Expenses for the years ended March 31, 2004 and 2003:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Lease Payments .....	¥313	¥559	\$3
Estimated Annual Depreciation Expenses.....	313	559	3

Acquisition cost and future lease payments to be paid are computed including interest portion due to the fact that total of future lease payments to be paid are considered to be immaterial as compared with the amount of premises and equipment at March 31, 2004 and 2003.

Estimated annual depreciation expenses are computed using the straight-line method over the lease terms assuming no salvage value for the fiscal year ended March 31, 2004 and 2003.

## (b) Operating Leases

Total of Future Lease Payments to be Paid under non-cancelable operating leases at March 31, 2004 and 2003 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2004	2003	2004
Payable Fee (within one year) .....	¥ 2,417	¥ 2,417	\$ 23
Payable Fee (more than one year) .....	16,922	19,340	160
<b>Total</b> .....	<b>¥19,340</b>	<b>¥21,758</b>	<b>\$183</b>

## 26. Subsequent Event

(a) On June 29, 2004, the stockholders of the Bank authorized the following appropriations of retained earnings as of March 31, 2004.

	Millions of Yen	Millions of U.S. Dollars (Note1)
Appropriations:		
Transfer to Legal Reserve .....	¥ 976	\$ 9
Cash Dividends for Preferred Stock (¥6.08 per share) .....	568	5
Cash Dividends for Common Stock (¥6.00 per share) .....	9,062	86
Bonuses to Directors .....	70	1

(b) On May 21, 2004, the Bank, UFJ Holdings, Inc. (“UFJ Holdings”), UFJ Trust Bank Limited (“UFJ Trust”), and UFJ Bank Limited (“UFJ Bank”) announced a mutual agreement that, [subject to regulatory and shareholder approval,] UFJ Trust and the Bank will integrate managements and operate the UFJ Group’s trust and custody businesses jointly. The trust banking institutions seek to strengthen competitiveness and profitability by focusing resources beyond corporate group boundaries. This approach is expected to enhance customer service as well as shareholder value.

Under this agreement, the UFJ Group expects to transfer all the operations of UFJ Trust, except corporate lending businesses and others, to the Bank or to a new trust banking entity that the Bank

will establish (“The New Trust Bank”). The UFJ Group will also sign an exclusive agency contract for trust and custody businesses with the Bank. UFJ Holdings will take a stake in The New Trust Bank through investment instruments such as preferred shares. Plans call for the corporate trust and custody businesses (corporate agency, structured finance, asset management, and securities processing business) and real estate business to be integrated by the end of March 2005, and retail operations would be integrated as early as possible in the fiscal year ended March 31, 2006, pending necessary regulatory approvals. To carry out this integration, it is anticipated that corporate split procedures and other measures will be used.



## 27. Segment Information

The following tables present information attributable to domestic and overseas operations for the years ended March 31, 2004 and 2003, and identifiable assets of each operation at March 31, 2004 and 2003.

Year Ended March 31, 2004	Millions of Yen						
	Japan	Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
Income:							
Unaffiliated Customers .....	¥ 418,097	¥ 35,825	¥39,669	¥ 12,681	¥ 506,274	¥ —	¥ 506,274
Intersegment .....	1,780	6,834	1,474	383	10,472	10,472	—
Total Income .....	419,877	42,660	41,144	13,065	516,746	10,472	506,274
Total Expenses .....	299,610	34,778	35,274	7,858	377,522	9,904	367,618
Income (Loss)							
before Income Taxes .....	¥ 120,266	¥ 7,881	¥5,869	¥ 5,206	¥ 139,223	¥ 567	¥ 138,656
March 31, 2004							
Total Assets .....	¥14,822,688	¥944,510	¥555,588	¥477,926	¥16,800,713	¥1,429,334	¥15,371,378

Year Ended March 31, 2003	Millions of Yen						
	Japan	Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
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)
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, 2004	Millions of U.S. Dollars						
	Japan	Americas	Europe	Asia and Oceania	Total	Elimination	Consolidated
Income:							
Unaffiliated Customers .....	\$ 3,958	\$ 339	\$ 376	\$ 120	\$ 4,792	\$ —	\$ 4,792
Intersegment .....	17	65	14	4	99	99	—
Total Income .....	3,975	404	389	124	4,892	99	4,792
Total Expenses .....	2,836	329	334	74	3,574	94	3,480
Income (Loss)							
before Income Taxes .....	\$ 1,138	\$ 75	\$ 56	\$ 49	\$ 1,318	\$ 5	\$ 1,313
March 31, 2004							
Total Assets .....	\$140,313	\$8,941	\$5,259	\$4,524	\$159,037	\$13,530	\$145,507

## 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, 2004	Millions of Yen	
	Book Value	Net Unrealized Gain (Loss) Reflected in the Statements of Operations
Trading Securities .....	¥256,428	¥(35)

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

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

March 31, 2004	Millions of Yen				
	Book Value	Market Value	Net	Unrealized Gain(Loss)	
				Gain	(Loss)
Japanese Government Bonds .....	¥ 279	¥ 278	¥ (1)	¥ 0	¥ (1)
Japanese Local Government Bonds .....	—	—	—	—	—
Japanese Short-Term Corporate Bonds .....	—	—	—	—	—
Japanese Corporate Bonds .....	—	—	—	—	—
Foreign Government Bonds and Others .....	10,110	10,481	370	376	(5)
<b>Total</b> .....	<b>¥10,390</b>	<b>¥10,760</b>	<b>¥369</b>	<b>¥377</b>	<b>¥ (7)</b>

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)
<b>Total</b> .....	<b>¥18,022</b>	<b>¥18,700</b>	<b>¥678</b>	<b>¥999</b>	<b>¥(320)</b>

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

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

March 31, 2004	Millions of Yen				
	Cost	Book Value	Net	Unrealized Gain(Loss)	
				Gain	(Loss)
Japanese Stocks .....	¥ 450,824	¥ 609,902	¥159,077	¥175,285	¥(16,208)
Japanese Bonds .....	1,165,292	1,156,378	(8,914)	1,293	(10,207)
Government Bonds .....	933,310	924,240	(9,069)	113	(9,183)
Local Government Bonds .....	60,228	59,955	(273)	428	(702)
Short-Term Corporate Bonds .....	—	—	—	—	—
Corporate Bonds .....	171,753	172,183	429	752	(322)
Foreign Securities and Others .....	1,501,371	1,511,710	10,339	15,668	(5,329)
<b>Total</b> .....	<b>¥3,117,489</b>	<b>¥3,277,991</b>	<b>¥160,502</b>	<b>¥192,248</b>	<b>¥(31,745)</b>

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)
<b>Total</b> .....	<b>¥3,267,326</b>	<b>¥3,247,934</b>	<b>¥(19,391)</b>	<b>¥91,456</b>	<b>¥(110,848)</b>

1) Book value 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 Self-Assessment Rules, a “remarkable decline in the market value” is recognized based on the classification of issuers as follows:

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

*(d) Investment Securities without Market Value*

The following tables summarize main items of book value of securities with no available fair value at March 31, 2004 and 2003.

March 31, 2004	Millions of Yen
	Book Value
Unlisted Japanese Bonds .....	<b>¥139,477</b>
Unlisted Foreign Securities .....	<b>129,789</b>
Unlisted Japanese Stocks, excluding stocks sold in public market .....	<b>79,615</b>

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

*(e) Available-for-Sale Securities sold during the years ended March 31, 2004 and 2003*

Year ended March 31, 2004	Millions of Yen		
	Amount Sold	Gain	(Loss)
Available-for-Sale Securities .....	<b>¥7,308,180</b>	<b>¥113,633</b>	<b>¥(55,897)</b>

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

*(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, 2004 and 2003 are as follows:

March 31, 2004	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
Japanese Bonds .....	<b>¥ 54,983</b>	<b>¥ 712,404</b>	<b>¥ 502,177</b>	<b>¥ 26,568</b>
Government Bonds .....	<b>5,990</b>	<b>457,963</b>	<b>435,414</b>	<b>25,150</b>
Local Government Bonds .....	<b>1,691</b>	<b>28,181</b>	<b>30,081</b>	—
Short-Term Corporate Bonds .....	—	—	—	—
Corporate Bonds .....	<b>47,300</b>	<b>226,259</b>	<b>36,682</b>	<b>1,418</b>
Foreign Securities and Others .....	<b>65,128</b>	<b>700,722</b>	<b>629,083</b>	<b>167,884</b>
<b>Total .....</b>	<b>¥120,112</b>	<b>¥1,413,126</b>	<b>¥1,131,261</b>	<b>¥194,453</b>

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
Japanese Bonds .....	¥333,890	¥ 689,336	¥ 78,661	¥ 1,701
Government Bonds .....	305,395	467,661	—	—
Local Government Bonds .....	—	16,514	16,225	—
Corporate Bonds .....	28,495	205,161	62,436	1,701
Foreign Securities and Others .....	157,272	615,988	737,424	205,440
<b>Total .....</b>	<b>¥491,163</b>	<b>¥1,305,325</b>	<b>¥816,085</b>	<b>¥207,141</b>

## (2) Financial Derivatives

## (a) Interest Related Transactions

Interest Related Transactions at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen							
	2004				2003			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Listed								
Interest Futures								
Sold .....	¥26,176,879	¥ 5,571,431	¥ (63,839)	¥ (63,839)	¥ 4,121,446	¥ 156,962	¥ (4,905)	¥ (4,905)
Purchased .....	21,726,530	3,538,557	28,345	28,345	4,293,304	171,146	5,471	5,471
Interest Options								
Sold .....	1,277,742	9,645	(313)	(1)	963,808	—	(143)	7
Purchased .....	831,495	—	290	89	842,235	—	159	(7)
Over-the-Counter								
Forward Rate Agreements								
Sold .....	—	—	—	—	—	—	—	—
Purchased .....	—	—	—	—	—	—	—	—
Interest Rate Swaps								
Fix Rcv-Flt Pay .....	21,164,611	17,736,622	641,194	641,194	11,357,723	9,735,692	315,416	315,416
Flt Rcv-Fix Pay .....	20,184,050	16,735,699	(585,331)	(585,331)	10,834,784	9,348,652	(316,994)	(316,994)
Flt Rcv-Flt Pay .....	4,125,158	3,549,658	(461)	(461)	2,252,100	2,153,600	3,311	3,311
Interest Options								
Sold .....	791,635	698,264	(3,384)	(1,383)	524,120	351,810	(1,438)	1,766
Purchased .....	1,226,826	1,212,261	13,812	2,374	289,415	150,680	2,893	384
Other Interest Related								
Sold .....	—	—	—	—	—	—	—	—
Purchased .....	—	—	—	—	—	—	—	—
<b>Total</b> .....			<b>¥ 30,311</b>	<b>¥ 20,985</b>			<b>¥ 3,770</b>	<b>¥ 4,451</b>

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

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

2) In the previous periods, among derivative transactions subject to "Macro Hedge Accounting" in accordance with the temporary treatment regulated by "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Auditing Committee Report

No.24), but not re-distinguished as hedge purpose transactions in the regular rules of the hedge accounting from the beginning of this fiscal year ended March 31, 2004 are included in the schedule above.

And deferred hedge income (losses) based on "Macro Hedge Accounting" are amortized accounting to remaining period for each hedge transaction.

3) 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, 2004 and 2003 consisted of the following:

	Millions of Yen							
	2004				2003			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Listed								
Currency Futures								
Sold .....	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Purchased .....	—	—	—	—	—	—	—	—
Currency Options								
Sold .....	—	—	—	—	—	—	—	—
Purchased .....	—	—	—	—	—	—	—	—
Over-the-Counter								
Currency Swaps .....	48,042	44,208	4,374	4,374	46,655	44,058	3,276	3,276
Forward								
Sold .....	2,109,758	97,740	64,390	64,390	—	—	—	—
Purchased .....	2,306,627	101,009	(63,605)	(63,605)	—	—	—	—
Currency Options								
Sold .....	1,331	171	(2,020)	(82)	—	—	—	—
Purchased .....	2,011	161	1,878	1	—	—	—	—
Other Currency Related								
Sold .....	—	—	—	—	—	—	—	—
Purchased .....	—	—	—	—	—	—	—	—
<b>Total .....</b>			<b>¥ 5,017</b>	<b>¥ 5,077</b>			<b>¥3,276</b>	<b>¥3,276</b>

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

2) Derivative transactions subject to hedge accounting treatments and such transactions accompanied by foreign currency monetary claims or obligations, which are either reflected on the consolidated balance sheets at the end of the fiscal period, or eliminated therefrom in the process of consolidation, are excluded from the schedule

above.

Currency swaps subject to the accrual-basis standard for foreign currency accounting treatment 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, hereafter “Report No.25”) at the end of the previous fiscal year ended March 31, 2003 are as shown below.

	Millions of Yen		
	2003		
	Contract Value	Market Value	Unrealized Gain (Loss)
Currency Swaps .....	¥589,146	¥(875)	¥(875)

3) Market value is calculated mainly using discounted present value.

4) Forward exchange contracts and currency options whose unrealized gains (losses) are reflected on the consolidated statements of operations after being evaluated on a mark-to-market basis in

the previous fiscal year ended March 31, 2003 are included in the schedule above from this fiscal year ended March 31, 2004.

Currency swaps subject to hedge accounting treatments in accordance with Report No.25 are excluded from this category.

Contract Value of currency related derivative transactions subject to the mark-to-market evaluation at the end of the previous fiscal year ended March 31, 2003 is shown as below.

	Millions of Yen	
	2003	
	Contract Value	
Listed		
Currency Futures		
Sold .....	¥	—
Purchased .....		—
Currency Options		
Sold .....		—
Purchased .....		—
Over-the-Counter		
Forward		
Sold .....		2,527,166
Purchased .....		2,477,226
Currency Options		
Sold .....		3,766
Purchased .....		3,575
Other Currency Related		
Sold .....		—
Purchased .....		—

(c) Stock Related Transactions

Stock Related Transactions at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen							
	2004				2003			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Listed								
Stock Index Futures								
Sold .....	¥8,050	¥ —	¥(358)	¥(358)	¥8,713	¥ —	¥ (8)	¥ (8)
Purchased .....	—	—	—	—	649	—	(18)	(18)
Stock Index Options								
Sold .....	—	—	—	—	5,180	—	(84)	63
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 .....	—	—	—	—	—	—	—	—
<b>Total</b> .....			¥(358)	¥(358)			¥(111)	¥ 36

1) Transactions listed above are evaluated on a mark-to-market basis and calculated net unrealized gains (losses) are reflected on the consolidated 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 calculated mainly using discounted present value and option pricing models.

*(d) Bond Related Transactions*

Bond Related Transactions at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen							
	2004				2003			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Listed								
Bond Futures								
Sold.....	¥1,339,701	¥ —	¥(6,384)	¥(6,384)	¥278,195	¥ —	¥(988)	¥(988)
Purchased.....	1,363,071	—	1,962	1,962	257,253	—	702	702
Bond Future Options								
Sold.....	160,726	—	(456)	12	360	—	(0)	1
Purchased.....	447,007	—	1,072	(243)	480	—	2	(0)
Over-the-Counter								
Bond Options								
Sold.....	—	—	—	—	—	—	—	—
Purchased.....	—	—	—	—	—	—	—	—
Others								
Sold.....	—	—	—	—	—	—	—	—
Purchased.....	—	—	—	—	—	—	—	—
<b>Total.....</b>			<b>¥(3,805)</b>	<b>¥(4,653)</b>			<b>¥(285)</b>	<b>¥(285)</b>

1) Transactions listed above are evaluated on a mark-to-market basis and calculated net unrealized gains (losses) are reflected on the consolidated 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, 2004 and 2003.

*(f) Credit Derivative Transactions*

Credit Derivative Transactions at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen							
	2004				2003			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Over-the-Counter								
Credit Derivatives								
Sold.....	¥ 500	¥ 500	¥ 2	¥ 2	¥ —	¥ —	¥ —	¥ —
Purchased.....	1,000	1,000	(6)	(6)	229,852	1,000	137	(179)
<b>Total.....</b>			<b>¥(4)</b>	<b>¥(4)</b>			<b>¥137</b>	<b>¥(179)</b>

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

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

2) Market value is calculated using discounted present value.

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

## 29. Net Income (Loss) per Share

Net Income (Loss) per Share and Net Income per Share (fully diluted) for the years ended March 31, 2004 and 2003:

Year Ended March 31, 2004	Net Income (Loss) [Millions of Yen]	Average Common Stock Outstanding [Thousands of Shares]	Net Income (Loss) per share [Yen]
	<b>¥ 79,629</b>		
Bonuses to Directors	(71)		
Dividends of Preferred Stock .....	(568)		
Before Adjustment of Dilution .....	<b>¥ 78,989</b>	<b>1,463,144</b>	<b>¥ 53.98</b>
Effect of Conversion from Preferred Stock .....	568	182,768	
Effect due to Exercises of Stock Options.....		234	
Effect of Conversion from Convertible Bonds .....	0	147	
After fully Dilution *1.....	<b>¥ 79,558</b>	<b>1,646,295</b>	<b>¥ 48.32</b>

Year Ended March 31, 2003	Net Income (Loss) [Millions of Yen]	Average Common Stock Outstanding [Thousands of Shares]	Net Income (Loss) per share [Yen]
	¥(72,967)		
Dividends of Preferred Stocks .....	760		
Before Adjustment of Dilution .....	¥(73,727)	1,451,293	¥(50.80)
After fully Dilution *2 and *3 .....	¥ —	—	¥ —

Note: Summary of excluded shares in calculating the number of the dilutive potential common stock due to no effects of dilution:

1. Stock Options (see Note 18)
  2. Convertible Bonds (see Note 13), Preferred Stock and Stock Options (see Note 18)
- Due to loss portion:
3. Net Income per Share (fully diluted) is not disclosed.

## 30. 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, 2004 and 2003.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
Cash and Due from Banks.....	<b>¥ 747,328</b>	¥ 673,327	<b>\$ 7,074</b>
Due from Banks (excluding due from Bank of Japan).....	<b>(231,076)</b>	(191,601)	<b>(2,187)</b>
<b>Cash and Cash Equivalents .....</b>	<b>¥ 516,251</b>	¥ 481,726	<b>\$ 4,887</b>

Significant non-cash transactions for the years ended March 31, 2004 and 2003 are provided as follows.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
Increase in Capital due to Conversion of Convertible Bonds .....	<b>¥2</b>	¥2,962	<b>\$0</b>
Increase in Capital Surplus due to Conversion of Convertible Bonds .....	<b>2</b>	2,962	<b>0</b>
<b>Decrease in Convertible Bonds .....</b>	<b>¥5</b>	¥5,925	<b>\$0</b>



## Independent Auditors' Report

To the 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 (the Bank) and consolidated subsidiaries as of March 31, 2004 and 2003, 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 independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Bank and subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 26(b) to the consolidated financial statements, which states that on May 21, 2004, the Bank, UFJ Holdings, Inc., UFJ Trust Bank Limited (UFJ Trust), and UFJ Bank Limited announced a mutual agreement that UFJ Trust and the Bank will integrate managements and operate the UFJ Group's trust and custody businesses jointly. Under this agreement, the UFJ Group expects to transfer all the operations of UFJ Trust, except corporate lending businesses and others, to the Bank or to a new trust banking entity that the Bank will establish.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Handwritten signature in black ink that reads "KPMG Azusa & Co." The signature is written in a cursive, flowing style.

Tokyo, Japan  
June 29, 2004

## STATEMENTS OF TRUST ACCOUNT (UNAUDITED)

At March 31	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Assets:</b>			
Loans and Bills Discounted.....	¥ 1,132,607	¥ 1,761,904	\$ 10,721
Investment Securities .....	5,796,846	4,476,065	54,874
Money Held in Trust .....	37,804,184	39,465,647	357,859
Securities Held in Custody Accounts.....	875	1,188	8
Money Claims .....	3,375,654	3,223,012	31,954
Premises and Equipment .....	2,095,424	1,968,312	19,836
Other Claims .....	73,831	72,290	699
Loans to Banking Account.....	1,425,148	1,477,346	13,491
Cash and Due from Banks.....	184,590	170,363	1,747
<b>Total Assets</b> .....	<b>¥51,889,165</b>	<b>¥52,616,131</b>	<b>\$491,189</b>
<b>Liabilities:</b>			
Money Trusts.....	¥18,475,916	¥20,108,266	\$174,895
Pension Trusts .....	6,017,425	5,477,868	56,962
Property Formation Benefit Trusts.....	11,256	11,515	107
Loan Trusts.....	1,362,069	1,963,838	12,893
Securities Investment Trusts .....	7,210,767	6,804,661	68,258
Money Entrusted, other than Money Trusts.....	2,689,844	3,215,853	25,462
Securities Trusts .....	9,119,565	8,430,286	86,327
Money Claim Trusts.....	3,060,074	2,868,189	28,967
Equipment Trusts .....	4,123	5,925	39
Land and Fixtures Trusts.....	176,288	190,265	1,669
Other Trusts.....	3,761,832	3,539,459	35,610
<b>Total Liabilities</b> .....	<b>¥51,889,165</b>	<b>¥52,616,131</b>	<b>\$491,189</b>

Note: U.S. dollar amounts are translated solely for convenience at the rate of ¥105.64 to U.S.\$1.00, at March 31, 2004.

**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, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
Loans on Deeds .....	¥1,103,108	¥1,458,764	\$10,442
Loans on Bills.....	29,499	303,139	279
<b>Total.....</b>	<b>¥1,132,607</b>	<b>¥1,761,904</b>	<b>\$10,721</b>

The balances of Guaranteed Trust Account Loans as of March 31, 2004 and 2003 were ¥1,029,541 million and ¥1,543,950 million, respectively, which included the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
Loans in Bankruptcy Proceedings.....	¥ 2,563	¥ 5,847	\$ 24
Other Delinquent Loans .....	11,561	18,078	109
Loans more than Three Months Past Due .....	—	1,519	—
Restructured Loans.....	25,738	38,373	244

Note: Refer to page 61 for the definition of each item.

*Securities*

Securities held at March 31, 2004 and 2003 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
Japanese Government Bonds .....	¥2,350,575	¥1,543,093	\$22,251
Japanese Local Government Bonds .....	195,227	179,661	1,848
Japanese Corporate Bonds and Debentures .....	983,981	655,527	9,314
Japanese Stocks .....	1,318,351	1,182,747	12,480
Foreign Securities .....	948,711	915,036	8,981
<b>Total .....</b>	<b>¥5,796,846</b>	<b>¥4,476,065</b>	<b>\$54,874</b>

*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, 2004 and 2003 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)
	2004	2003	2004
<b>Assets:</b>			
Loans and Bills Discounted.....	¥194,423	¥280,574	\$1,840
Securities .....	76,013	168,399	720
Others .....	697,522	522,026	6,603
<b>Total</b> .....	<b>¥967,959</b>	<b>¥971,000</b>	<b>\$9,163</b>
<b>Liabilities:</b>			
Principal .....	¥966,350	¥968,763	\$9,148
Reserve for Possible Impairment of Principal.....	585	844	6
Others .....	1,022	1,392	10
<b>Total</b> .....	<b>¥967,959</b>	<b>¥971,000</b>	<b>\$9,163</b>

*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, 2004 and 2003 was as follows:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Assets:</b>			
Loans and Bills Discounted.....	¥ 835,117	¥1,263,376	\$ 7,905
Securities .....	71,569	116,591	677
Others .....	543,628	758,016	5,146
<b>Total</b> .....	<b>¥1,450,315</b>	<b>¥2,137,984</b>	<b>\$13,729</b>
<b>Liabilities:</b>			
Principal .....	¥1,434,515	¥2,110,727	\$13,579
Reserve for Possible Impairment of Principal.....	8,275	12,003	78
Others .....	7,524	15,254	71
<b>Total</b> .....	<b>¥1,450,315</b>	<b>¥2,137,984</b>	<b>\$13,729</b>

## NON-CONSOLIDATED BALANCE SHEETS — The Sumitomo Trust &amp; Banking Company, Limited at March 31, 2004 and 2003

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Assets:</b>			
Cash and Due from Banks.....	¥ 751,656	¥ 670,518	\$ 7,115
Call Loans .....	114,789	30,000	1,087
Bills Bought .....	62,600	—	593
Commercial Paper and Other Debt Purchased.....	102,428	95,869	970
Trading Assets.....	301,896	679,926	2,858
Money Held in Trust .....	686	—	6
Investment Securities .....	3,636,250	3,468,066	34,421
Loans and Bills Discounted .....	8,887,978	9,168,024	84,135
Foreign Exchanges .....	13,339	13,534	126
Other Assets .....	1,001,024	1,075,893	9,476
Premises and Equipment .....	97,932	105,000	927
Deferred Tax Assets .....	141,371	266,881	1,338
Customers' Liabilities for Acceptances and Guarantees.....	474,756	432,641	4,494
Reserve for Possible Loan Losses.....	(109,091)	(136,094)	(1,033)
Reserve for Losses on Investment Securities.....	(4,774)	(719)	(45)
<b>Total Assets.....</b>	<b>¥15,472,846</b>	<b>¥15,869,541</b>	<b>\$146,468</b>
<b>Liabilities:</b>			
Deposits .....	¥ 8,758,651	¥ 8,689,399	\$ 82,910
Negotiable Certificates of Deposit .....	1,387,329	1,558,646	13,133
Call Money .....	90,000	60,000	852
Payables under Repurchase Agreements.....	1,024,599	928,932	9,699
Collateral for Lending Securities .....	239,138	386,870	2,264
Bills Sold .....	60,700	208,700	575
Trading Liabilities .....	47,933	330,403	454
Borrowed Money.....	445,567	424,279	4,218
Foreign Exchanges .....	12,664	45,333	120
Corporate Bonds.....	122,700	106,600	1,161
Convertible Bonds.....	70	75	1
Borrowed Money from Trust Account.....	1,425,148	1,477,346	13,491
Other Liabilities.....	564,547	576,154	5,344
Reserve for Employee Bonuses.....	3,476	3,141	33
Reserve for Employee Retirement Benefits.....	305	315	3
Deferred Tax Liabilities on Revaluation Reserve for Land .....	6,826	2,199	65
Acceptances and Guarantees.....	474,756	432,641	4,494
<b>Total Liabilities.....</b>	<b>14,664,414</b>	<b>15,231,038</b>	<b>138,815</b>
<b>Stockholders' Equity:</b>			
Preferred Stock .....	37,428	50,000	354
Authorized-218,570,000 shares			
Issued-93,570,000 shares			
Common Stock .....	249,590	237,015	2,363
Authorized-3,000,000,000 shares			
Issued-1,516,382,188 shares			
Capital Surplus .....	240,437	240,435	2,276
Additional Paid-in Capital .....	240,437	240,435	2,276
Retained Earnings .....	193,861	123,970	1,835
Legal Retained Earnings .....	45,603	44,503	432
Voluntary Reserves .....	68,872	129,873	652
Unappropriated Profit (Undisposed Loss) at End of Year .....	79,385	(50,406)	751
Revaluation Reserves for Land, Net of Tax.....	(3,235)	3,236	(31)
Net Unrealized Gains (Losses) on Available-for-Sale Securities, Net of Tax.....	94,783	(11,790)	897
Treasury Stock.....	(4,433)	(4,363)	(42)
<b>Total Stockholders' Equity.....</b>	<b>808,432</b>	<b>638,503</b>	<b>7,653</b>
<b>Total Liabilities and Stockholders' Equity.....</b>	<b>¥15,472,846</b>	<b>¥15,869,541</b>	<b>\$146,468</b>

	Yen		U.S. Dollars (Note 1)
<b>Net Assets per Share .....</b>	<b>¥ 485.27</b>	<b>¥ 368.76</b>	<b>\$ 4.59</b>

See accompanying notes.

## NON-CONSOLIDATED STATEMENTS OF OPERATIONS — The Sumitomo Trust &amp; Banking Company, Limited for the years ended March 31, 2004 and 2003

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Income:</b>			
Trust Fees .....	¥ 76,401	¥ 71,382	\$ 723
Interest Income:			
Interest on Loans and Discounts .....	121,005	131,841	1,145
Interest and Dividends on Securities .....	85,749	126,856	812
Other Interest Income .....	5,674	14,835	54
	212,429	273,533	2,011
Fees and Commissions .....	57,984	45,748	549
Trading Revenue .....	3,760	8,094	36
Other Operating Income .....	76,201	123,259	721
Other Income .....	60,799	51,360	576
<b>Total Income</b> .....	<b>487,577</b>	<b>573,379</b>	<b>4,615</b>
<b>Expenses:</b>			
Interest Expenses:			
Interest on Deposits .....	29,981	42,209	284
Interest on Borrowings and Rediscounts .....	9,261	9,173	88
Other Interest Expenses .....	55,738	69,336	528
	94,981	120,718	899
Fees and Commissions .....	30,453	27,309	288
Trading Expenses .....	—	478	—
Other Operating Expenses .....	49,015	118,901	464
General and Administrative Expenses .....	113,467	119,010	1,074
Other Expenses .....	73,660	291,726	697
<b>Total Expenses</b> .....	<b>361,578</b>	<b>678,145</b>	<b>3,423</b>
<b>Income (Loss) before Income Taxes</b> .....	<b>125,998</b>	<b>(104,766)</b>	<b>1,193</b>
Income Taxes:			
Current .....	104	103	1
Deferred .....	51,965	(48,305)	492
<b>Net Income (Loss)</b> .....	<b>¥ 73,928</b>	<b>¥ (56,565)</b>	<b>\$ 700</b>
		Yen	U.S. Dollars (Note 1)
<b>Net Income (Loss) per Share</b> .....	¥ 50.09	¥ (39.49)	\$ 0.47
<b>Net Income per Share (fully diluted)</b> .....	44.86	—	0.42
<b>Cash Dividends per Share (Preferred Stock)</b> .....	6.08	6.08	0.06
<b>Cash Dividends per Share (Common Stock)</b> .....	6.00	3.00	0.06

See accompanying notes.

## NON-CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

— The Sumitomo Trust &amp; Banking Company, Limited for the years ended March 31, 2004 and 2003

	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
<b>Balance at March 31, 2002</b>	125,000	1,452,247	¥50,000	¥234,053	¥237,472	¥188,412	¥ 3,441	¥(57,149)	¥(4,233)
Net 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)		
<b>Balance at March 31, 2003</b> .....	125,000	1,464,097	¥50,000	¥237,015	¥240,435	¥123,970	¥ 3,236	¥(11,790)	¥(4,363)
Net Income .....						73,928			
Cash Dividends Paid .....						(5,134)			
Shares Issued upon Conversion									
of Preferred Stock .....	(31,430)	52,274	(12,572)	12,572					
Shares Issued upon Conversion of Convertible Bonds .....		10		2	2				
Net Change .....								106,574	(69)
Adjustment due to Decrease in Deferred Tax Assets and Sale of Revalued Property .....						1,098	(6,471)		
Loss on Disposal of Treasury Stock .....									(1)
<b>Balance at March 31, 2004</b> .....	<b>93,570</b>	<b>1,516,382</b>	<b>¥37,428</b>	<b>¥249,590</b>	<b>¥240,437</b>	<b>¥193,861</b>	<b>¥(3,235)</b>	<b>¥ 94,783</b>	<b>¥(4,433)</b>

	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
<b>Balance at March 31, 2003</b> .....	\$473	\$2,244	\$2,276	\$1,174	\$31	\$ (112)	\$(41)
Net Income .....				700			
Cash Dividends Paid .....				(49)			
Shares Issued upon Conversion							
of Preferred Stock .....	(119)	119					
Shares Issued upon Conversion of Convertible Bonds .....		0	0				
Net Change .....						1,009	(1)
Adjustment due to Decrease in Deferred Tax Assets and Sale of Revalued Property .....				10	(61)		
Loss on Disposal of Treasury Stock .....							(0)
<b>Balance at March 31, 2004</b> .....	<b>\$354</b>	<b>\$2,363</b>	<b>\$2,276</b>	<b>\$1,835</b>	<b>\$(31)</b>	<b>\$ 897</b>	<b>\$(42)</b>

See accompanying notes.

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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

### 1. Basis of Presenting Financial Statements

The accompanying translated non-consolidated financial statements have been compiled from the audited non-consolidated financial statements that are prepared for Japanese domestic purposes in accordance with the Securities and Exchange Law of Japan, the Banking Law of Japan and accounting principles and practices generally accepted in Japan (“Japanese GAAP”). Certain accounting principles and practices generally accepted in Japan are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying non-consolidated financial statements include only the accounts of the Bank. The accounts of its subsidiaries are not consolidated. Investments in subsidiaries and affiliated companies are stated at cost. Earnings of subsidiaries and affiliated companies are recorded in the Bank’s books only to the extent that cash dividends are 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 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 ¥105.64 to U.S.\$1.00, the exchange rate prevailing at March 31, 2004. 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

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



## Independent Auditors' Report

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

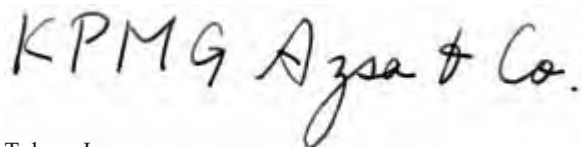
We have audited the accompanying non-consolidated balance sheets of The Sumitomo Trust and Banking Company, Limited (the Bank) as of March 31, 2004 and 2003, and the related non-consolidated statements of operations and stockholders' equity for the years then ended, expressed in yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these non-consolidated financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of the Bank as of March 31, 2004 and 2003, and the non-consolidated results of its operations for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 26(b) to the consolidated financial statements, which states that on May 21, 2004, the Bank, UFJ Holdings, Inc., UFJ Trust Bank Limited (UFJ Trust), and UFJ Bank Limited announced a mutual agreement that UFJ Trust and the Bank will integrate managements and operate the UFJ Group's trust and custody businesses jointly. Under this agreement, the UFJ Group expects to transfer all the operations of UFJ Trust, except corporate lending businesses and others, to the Bank or to a new trust banking entity that the Bank will establish.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the non-consolidated financial statements.

A handwritten signature in black ink that reads "KPMG Azsa & Co." in a cursive, slightly slanted font.

Tokyo, Japan  
June 29, 2004

## SUPPLEMENTARY FINANCIAL INFORMATION

## Loans by Industry (Consolidated basis)

*(i) Banking Account*

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Domestic Offices</b> (Excluding Offshore Loans):			
Manufacturing.....	¥1,214,626	¥1,334,972	\$11,498
Agriculture, Forestry, Fishing, and Mining .....	7,962	8,675	75
Construction .....	138,220	180,224	1,308
Energy .....	103,822	157,827	983
Communication.....	201,804	297,686	1,910
Transportation .....	476,523	489,441	4,511
Wholesale and Retail .....	836,630	850,035	7,920
Finance and Insurance.....	2,223,830	2,213,194	21,051
Real Estate .....	787,620	919,838	7,456
Various Services .....	1,239,515	1,121,047	11,733
Local Governments.....	42,930	1,822	406
Individuals and Others .....	1,069,325	968,918	10,122
Subtotal .....	8,342,813	8,543,685	78,974
<b>Overseas Offices</b> (Including Offshore Loans of Domestic Offices):			
Governments and Official Institutions.....	5,197	6,449	49
Banks and Other Financial Institutions.....	465	2,432	4
Others .....	513,582	590,587	4,862
Subtotal .....	519,246	599,469	4,915
<b>Total</b> .....	¥8,862,059	¥9,143,155	\$83,889

*(ii) Trust Account*

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2004	2003	2004
<b>Domestic Offices</b> (Excluding Offshore Loans):			
Manufacturing.....	¥ 55,924	¥ 154,067	\$ 529
Agriculture, Forestry, Fishing, and Mining .....	291	410	3
Construction .....	44,591	50,501	422
Energy .....	103,580	164,704	980
Communication.....	14,609	9,973	138
Transportation .....	195,465	243,604	1,850
Wholesale and Retail .....	37,583	62,303	356
Finance and Insurance.....	218,415	386,477	2,068
Real Estate .....	139,707	204,467	1,322
Various Services .....	53,671	187,061	508
Local Governments.....	39,596	41,799	375
Individuals and Others .....	229,170	256,533	2,169
<b>Total</b> .....	¥1,132,607	¥1,761,904	\$10,721

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

CONSOLIDATED STATEMENTS OF BANKING ACCOUNT	Millions of Yen				
	2004	2003	2002	2001	2000
<b>AT YEAR-END</b>					
<b>Assets:</b>					
Cash and Due from Banks .....	¥ 747,328	¥ 673,327	¥ 835,193	¥ 685,323	¥ 766,200
Investment Securities.....	3,636,779	3,458,250	5,069,838	6,566,313	4,864,909
Loans and Bills Discounted.....	8,862,059	9,143,155	8,922,465	8,193,779	7,728,968
Premises and Equipment .....	108,861	116,026	121,158	155,717	172,469
Customers' Liabilities for					
Acceptances and Guarantees .....	340,283	319,217	364,550	379,695	328,201
Others.....	1,790,879	2,208,847	1,612,377	2,068,240	2,007,671
Reserve for Possible Loan Losses .....	(111,785)	(139,060)	(221,562)	(188,057)	(345,639)
Reserve for Losses on Investment Securities .....	(3,027)	—	—	(7)	—
<b>Total Assets</b> .....	<b>¥15,371,378</b>	<b>¥15,779,764</b>	<b>¥16,704,021</b>	<b>¥17,861,005</b>	<b>¥15,522,780</b>
<b>Liabilities:</b>					
Deposits and Negotiable Certificates of Deposit.....	¥10,167,535	¥10,257,451	¥ 9,774,054	¥ 8,692,805	¥ 7,674,061
Acceptances and Guarantees .....	340,283	319,217	364,550	379,695	328,201
Others.....	3,971,173	4,486,172	5,817,477	7,935,759	6,695,223
<b>Total Liabilities</b> .....	<b>14,478,992</b>	<b>15,062,840</b>	<b>15,956,082</b>	<b>17,008,260</b>	<b>14,697,487</b>
<b>Minority Interest</b> .....	<b>90,356</b>	<b>89,093</b>	<b>88,290</b>	<b>91,076</b>	<b>89,776</b>
<b>Total Stockholders' Equity</b> .....	<b>802,029</b>	<b>627,830</b>	<b>659,647</b>	<b>761,668</b>	<b>735,516</b>
<b>Total Liabilities, Minority Interest and Stockholders' Equity</b> .....	<b>¥15,371,378</b>	<b>¥15,779,764</b>	<b>¥16,704,021</b>	<b>¥17,861,005</b>	<b>¥15,522,780</b>
<b>FOR THE YEAR</b>					
<b>Income:</b>					
Trust Fees .....	¥ 76,401	¥ 71,382	¥ 80,421	¥ 95,807	¥ 96,228
Interest Income .....	213,292	270,666	329,927	346,568	391,291
Fees and Commissions .....	72,137	59,445	61,041	49,767	43,887
Trading Revenue.....	3,760	8,094	5,354	10,569	6,102
Other Operating Income .....	76,227	123,267	192,192	218,280	216,598
Other Income .....	64,455	32,560	55,364	175,695	257,753
<b>Total Income</b> .....	<b>¥ 506,274</b>	<b>¥ 565,416</b>	<b>¥ 724,301</b>	<b>¥ 896,688</b>	<b>¥ 1,011,861</b>
<b>Expenses:</b>					
Interest Expenses .....	¥ 93,583	¥ 119,054	¥ 225,083	¥ 275,270	¥ 294,416
Fees and Commissions .....	19,309	23,353	24,668	17,881	9,677
Trading Expenses .....	—	478	655	34	95
Other Operating Expenses.....	49,015	118,963	151,112	175,256	213,232
General and Administrative Expenses.....	132,716	135,147	134,857	138,088	142,807
Other Expenses .....	72,993	294,912	244,394	200,236	271,476
<b>Total Expenses</b> .....	<b>¥ 367,618</b>	<b>¥ 691,909</b>	<b>¥ 780,772</b>	<b>¥ 806,766</b>	<b>¥ 931,706</b>
Income (Loss) before Income Taxes .....	¥ 138,656	¥ (126,493)	¥ (56,470)	¥ 89,922	¥ 80,155
<b>Net Income (Loss)</b> .....	<b>79,629</b>	<b>(72,967)</b>	<b>(42,480)</b>	<b>41,017</b>	<b>32,214</b>
<b>PER SHARE (Common Stock)</b>					
Net Income (Loss) per Share (Yen).....	¥ 53.98	¥ (50.80)	¥ (29.87)	¥ 27.88	¥ 21.89
Net Income per Share (fully diluted) (Yen).....	48.32	—	—	27.54	21.50
Net Assets per Share (Yen) .....	481.03	361.44	386.86	456.65	440.07

**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				
	2004	2003	2002	2001	2000
<b>AT YEAR-END</b>					
<b>Assets:</b>					
Cash and Due from Banks .....	¥ 751,656	¥ 670,518	¥ 822,915	¥ 654,527	¥ 756,332
Investment Securities.....	3,636,250	3,468,066	5,069,781	6,563,542	4,856,061
Loans and Bills Discounted .....	8,887,978	9,168,024	8,918,757	8,292,615	7,777,439
Premises and Equipment .....	97,932	105,000	109,882	148,691	158,887
Customers' Liabilities for					
Acceptances and Guarantees .....	474,756	432,641	501,254	511,434	478,596
Others.....	1,738,137	2,162,103	1,573,916	1,620,586	1,487,697
Reserve for Possible Loan Losses .....	(109,091)	(136,094)	(217,066)	(207,330)	(290,035)
Reserve for Losses on Investment Securities .....	(4,774)	(719)	(1,129)	(1,983)	—
<b>Total Assets</b> .....	<b>¥15,472,846</b>	<b>¥15,869,541</b>	<b>¥16,778,313</b>	<b>¥17,582,082</b>	<b>¥15,224,977</b>
<b>Liabilities:</b>					
Deposits and Negotiable Certificates of Deposit.....	¥10,145,980	¥10,248,045	¥ 9,748,964	¥ 8,680,056	¥ 7,653,422
Acceptances and Guarantees .....	474,756	432,641	501,254	511,434	478,596
Others.....	4,043,677	4,550,351	5,876,096	7,629,698	6,368,210
<b>Total Liabilities</b> .....	<b>14,664,414</b>	<b>15,231,038</b>	<b>16,126,315</b>	<b>16,821,190</b>	<b>14,500,228</b>
<b>Stockholders' Equity:</b>					
Capital Stock.....	287,018	287,015	284,053	283,985	282,068
Reserves and Surplus.....	521,414	351,487	367,944	476,906	442,681
<b>Total Stockholders' Equity</b> .....	<b>808,432</b>	<b>638,503</b>	<b>651,997</b>	<b>760,892</b>	<b>724,749</b>
<b>Total Liabilities and Stockholders' Equity</b> .....	<b>¥15,472,846</b>	<b>¥15,869,541</b>	<b>¥16,778,313</b>	<b>¥17,582,082</b>	<b>¥15,224,977</b>
<b>FOR THE YEAR</b>					
<b>Income:</b>					
Trust Fees .....	¥ 76,401	¥ 71,382	¥ 80,421	¥ 95,807	¥ 96,228
Interest Income .....	212,429	273,533	329,532	347,484	389,657
Fees and Commissions .....	57,984	45,748	45,346	35,672	32,659
Trading Revenue.....	3,760	8,094	5,354	7,215	4,735
Other Operating Income .....	76,201	123,259	73,771	91,927	107,945
Other Income .....	60,799	51,360	51,951	173,823	252,533
<b>Total Income</b> .....	<b>¥ 487,577</b>	<b>¥ 573,379</b>	<b>¥ 586,377</b>	<b>¥ 751,931</b>	<b>¥ 883,759</b>
<b>Expenses:</b>					
Interest Expenses .....	¥ 94,981	¥ 120,718	¥ 221,874	¥ 269,509	¥ 291,813
Fees and Commissions .....	30,453	27,309	23,121	14,130	6,744
Trading Expenses .....	—	478	655	54	409
Other Operating Expenses.....	49,015	118,901	41,374	56,259	111,930
General and Administrative Expenses.....	113,467	119,010	123,249	128,551	133,294
Other Expenses.....	73,660	291,726	241,136	199,159	262,839
<b>Total Expenses</b> .....	<b>¥ 361,578</b>	<b>¥ 678,145</b>	<b>¥ 651,411</b>	<b>¥ 667,664</b>	<b>¥ 807,031</b>
Income (Loss) before Income Taxes .....	¥ 125,998	¥ (104,766)	¥ (65,034)	¥ 84,266	¥ 76,728
<b>Net Income (Loss)</b> .....	<b>73,928</b>	<b>(56,565)</b>	<b>(42,207)</b>	<b>42,642</b>	<b>33,015</b>
Cash Dividends.....	9,631	5,134	7,993	10,877	10,866
<b>PER SHARE (Common Stock)</b>					
Net Income (Loss) per Share (Yen).....	¥ 50.09	¥ (39.49)	¥ (29.68)	¥ 28.96	¥ 22.44
Net Income per Share (fully diluted) (Yen).....	44.86	—	—	28.61	22.04
Cash Dividends per Share (Yen) .....	6.00	3.00	5.00	7.00	7.00
Net Assets per Share (Yen) .....	485.27	368.76	381.57	455.16	432.55

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

STATEMENTS OF TRUST ACCOUNT	Millions of Yen				
	2004	2003	2002	2001	2000
AT YEAR-END					
<b>Assets:</b>					
Loans and Bills Discounted.....	¥ 1,132,607	¥ 1,761,904	¥ 1,972,582	¥ 2,607,797	¥ 3,179,040
Investment Securities.....	5,796,846	4,476,065	3,433,949	2,927,611	19,887,162
Other Assets.....	44,959,710	46,378,161	44,485,044	44,649,862	18,887,301
<b>Total Assets</b> .....	<b>¥51,889,165</b>	<b>¥52,616,131</b>	<b>¥49,891,577</b>	<b>¥50,185,272</b>	<b>¥41,953,504</b>
<b>Liabilities:</b>					
Money Trusts.....	¥18,475,916	¥20,108,266	¥17,939,003	¥16,704,918	¥15,429,819
Pension Trusts.....	6,017,425	5,477,868	5,551,957	5,398,553	5,315,209
Property Formation Benefit Trusts.....	11,256	11,515	11,694	12,580	13,364
Loan Trusts.....	1,362,069	1,963,838	2,986,125	4,274,930	5,516,283
Other Trusts.....	26,022,497	25,054,641	23,402,795	23,794,289	15,678,827
<b>Total Liabilities</b> .....	<b>¥51,889,165</b>	<b>¥52,616,131</b>	<b>¥49,891,577</b>	<b>¥50,185,272</b>	<b>¥41,953,504</b>

TOTAL EMPLOYABLE FUNDS	Millions of Yen				
	2004	2003	2002	2001	2000
AT YEAR-END					
Deposits .....	¥10,145,980	¥10,248,045	¥ 9,748,964	¥ 8,680,056	¥ 7,653,422
Money Trusts.....	18,475,916	20,108,266	17,939,003	16,704,918	15,429,819
Pension Trusts.....	6,017,425	5,477,868	5,551,957	5,398,553	5,315,209
Property Formation Benefit Trusts.....	11,256	11,515	11,694	12,580	13,364
Loan Trusts.....	1,362,069	1,963,838	2,986,125	4,274,930	5,516,283
<b>Total Employable Funds*</b> .....	<b>¥36,012,648</b>	<b>¥37,809,535</b>	<b>¥36,237,746</b>	<b>¥35,071,038</b>	<b>¥33,928,098</b>

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

**INTERNATIONAL NETWORK as of July 1, 2004****THE AMERICAS****UNITED STATES**

New York Branch  
527 Madison Avenue,  
New York, NY 10022, U.S.A.  
Telephone: 1-212-326-0600  
Facsimile: 1-212-644-3025  
Telex: 222049

Sumitomo Trust and  
Banking Co. (U.S.A.)  
111 River Street,  
Hoboken, NJ 07030, U.S.A.  
Telephone: 1-201-420-9470  
Facsimile: 1-201-420-7853  
Telex: 428538

**EUROPE****UNITED KINGDOM**

London Branch  
155 Bishopsgate,  
London EC2M 3XU, U.K.  
Telephone: 44-20-7945-7000  
Facsimile: 44-20-7945-7177  
Telex: 8811041, 888924

**LUXEMBOURG**

Sumitomo Trust and  
Banking (Luxembourg) S.A.  
18, Boulevard Royal,  
P.O. Box 882, L-2018,  
Luxembourg, Grand Duchy of Luxembourg  
Telephone: 352-4779851  
Facsimile: 352-474608

**ASIA****SINGAPORE**

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

**INDONESIA**

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

**THAILAND**

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

**PEOPLE'S REPUBLIC OF CHINA**

The Sumitomo Trust Finance  
(H.K.) Limited  
Suites 704-706, 7th Floor,  
Three Exchange Square,  
8 Connaught Place, Central, Hong Kong  
Telephone: 852-2801-8800  
Facsimile: 852-2840-0496/0502  
Telex: 63890

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

Shanghai Representative Office  
Room 602, Shanghai  
International Trade Centre,  
2201 Yan-An Road(West),  
Shanghai 200336,  
People's Republic of China  
Telephone: 86-21-6219-2224  
Facsimile: 86-21-6219-4320

**REPUBLIC OF KOREA**

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

## SUBSIDIARIES AND AFFILIATED COMPANIES\* as of July 1, 2004

## 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. ....	¥ 3,017	4.2	28.1	July 1985
BUSINEXT CORPORATION.....	¥ 4,000	40.0	0.0	January 2001
Human Resource Management Service & Consulting Co., Ltd.....	¥ 519	38.9	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
Sumitomo Trust and Banking Co. (U.S.A.) .....	\$ 56	100.0	0.0	May 2002
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

\* As defined by the accounting principles accepted in Japan.

## BOARD OF DIRECTORS, EXECUTIVE OFFICERS AND AUDITORS as of July 1, 2004

### *Chairman of the Board*

**Hitoshi Murakami \***

### *President and CEO*

**Atsushi Takahashi \***

### *Deputy President Executive Officer*

**Yutaka Morita \***

### *Senior Executive Officers*

**Takaaki Hatabe \***  
Group President, Fiduciary Services

**Toshiharu Sakurai \***  
Deputy President, Wholesale Financial Services and Retail Financial Services

**Kazuo Miyakawa \***  
Group President, Retail Financial Services

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

**Hideo Fujii \***

**Masao Shibuya \***  
Group President, Real Estate

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

### *Managing Executive Officers*

**Yukio Aoyama \***  
Group President, Treasury and Financial Products  
Deputy Group President, Wholesale Financial Services

**Masahiko Nakai**  
Deputy Group President, Retail Financial Services

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

**Akio Otsuka**  
Deputy Group President, Fiduciary Services

**Kiyoshi Mukohara**  
Deputy Group President, Wholesale Financial Services  
General Manager, Wholesale Business Planning Dept.

### *Executive Officers*

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

**Takashi Shingai**  
General Manager, Fukuoka Branch

**Zengo Tanoue**  
General Manager, Kyoto Branch

**Hiroaki Okuno**  
General Manager, IT& Business Processing Dept.

**Teruhiko Sugita**  
General Manager, Tokyo Corporate Business Dept. I

**Tomoaki Ando**  
Regional Executive, Nagoya  
General Manager, Nagoya Branch

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

**Takashi Fukazawa**  
Head Office Executive (Tokyo)

**Nobuyuki Wakuta**  
General Manager, Corporate Business Dept. I, Osaka

**Hiroshi Noguchi**  
General Manager, Corporate Administration Dept.

**Hidehiko Asai**  
Regional Executive, Americas  
General Manager, New York Branch

**Hitoshi Tsunekage**  
General Manager, Corporate Planning Dept.

### *Standing Statutory Auditor*

**Eiichi Tanabe**

### *Statutory Auditors*

**Masaru Suzuki**

**Koichi Takamura**

**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.

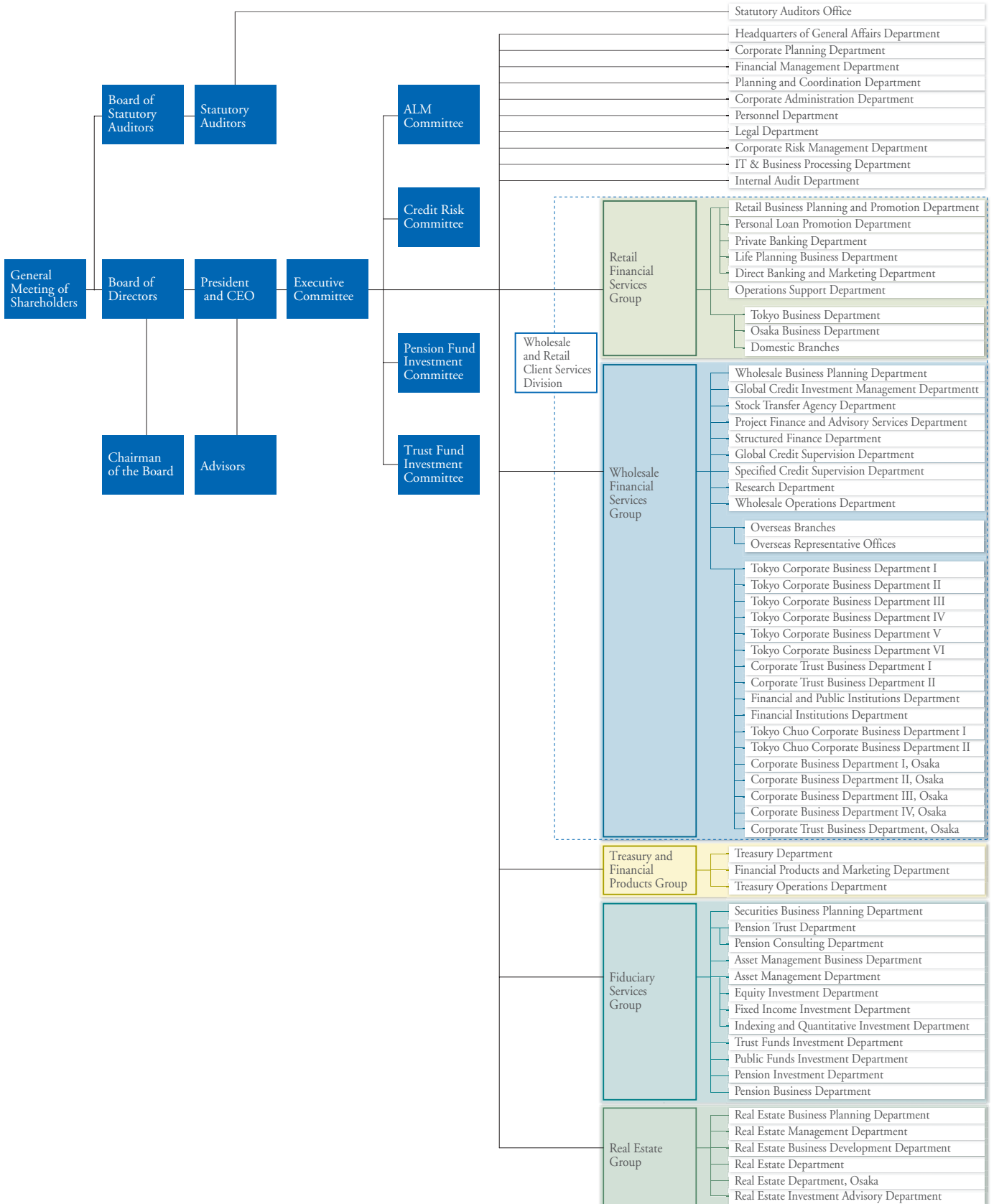
Our IR activities place a high priority on maintaining high transparency of disclosure, as illustrated by the fact that, in the year 2003, the Security Analysts Association of Japan continued to award us the “No. 1 Fair Disclosure Company” position among major Japanese banks in three consecutive years. 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.

Hideo Fujii



ORGANIZATION as of July 1, 2004



**CORPORATE DATA as of March 31, 2004****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**

¥287,018 million

**Number of Employees**

4,843

**Independent Public Accountants**

KPMG AZSA & Co.

**Authorized Stock (Thousands)**

Common Stock: 3,000,000

Preferred Stock: 218,570

**Issued Stock (Thousands)**

Common Stock: 1,516,382

Preferred Stock: 93,570

**Number of Stockholders**

Common Stock: 26,991

Preferred Stock: 25

**Principal Stockholders**

The 10 principal stockholders of the Bank and their respective holdings of shares at March 31, 2004, expressed as a percentage of the total number of shares then in issue, were as follows

**Common Stock**

	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue
Japan Trustee Services Bank, Ltd. (Trust Accounts) . . . . .	85,519	5.63%
The Master Trust Bank of Japan, Ltd. (Trust Accounts) . . . . .	83,618	5.51
State Street Bank and Trust Company (Standing Agent : Mizuho Corporate Bank, Ltd.) . . . . .	46,142	3.04
Merrill Lynch International Equity Derivatives (Standing Agent : Merrill Lynch Japan Securities Co., Ltd.) . . . . .	40,014	2.63
Bank of New York for Goldman Sachs International (Equity) (Standing Agent : The Bank of Tokyo-Mitsubishi, Ltd.) . . . . .	30,586	2.01
Sumitomo Realty & Development Co., Ltd. . . . .	24,041	1.58
KUBOTA Corporation . . . . .	23,984	1.58
Mellon Bank Treaty Clients Omnibus (Standing Agent: The Hongkong and Shanghai Banking Corporation Limited) . . . . .	23,036	1.51
Sumitomo Life Insurance Company . . . . .	21,519	1.41
The Chase Manhattan Bank, N.A. London (Standing Agent: Mizuho Corporate Bank, Ltd.) . . . . .	20,061	1.32
<b>Total</b> . . . . .	<b>398,522</b>	<b>26.28%</b>

**Preferred Stock**

	Number of Shares Held (Thousands)	Percentage of Total Shares in Issue
Sumitomo Life Insurance Company . . . . .	17,600	18.80%
Mitsui Sumitomo Insurance Co., Ltd. . . . .	12,500	13.35
Sumitomo Chemical Co., Ltd. . . . .	9,050	9.67
Sumitomo Corporation . . . . .	9,050	9.67
Daiwa Securities SMBC Co. Ltd. . . . .	6,110	6.52
NEC Corporation . . . . .	4,520	4.83
Tokyu Corporation . . . . .	4,520	4.83
Idemitsu Kosan Co., Ltd. . . . .	4,520	4.83
Okasan Holdings, Inc. . . . .	2,500	2.67
Nippon Sheet Glass Co., Ltd. . . . .	1,810	1.93
CSK CORPORATION . . . . .	1,810	1.93
Tosoh Corporation . . . . .	1,810	1.93
Sumitomo Heavy Industries, Ltd. . . . .	1,810	1.93
Sumitomo Metal Mining Co., Ltd. . . . .	1,810	1.93
KAJIMA CORPORATION . . . . .	1,810	1.93
DAIKEN CORPORATION . . . . .	1,810	1.93
Sumitomo Bakelite Co., Ltd. . . . .	1,810	1.93
AIR WATER INC. . . . .	1,810	1.93
<b>Total</b> . . . . .	<b>86,660</b>	<b>92.61%</b>

### **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:**

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

