

The Sumitomo Trust & Banking Co., Ltd.

2004 INTERIM REPORT Six Months Ended September 30, 2004

---

# A Message from the President and CEO

I would like to report hereby on the results in this half fiscal year ending September 30, 2004, and take the opportunity to thank our shareholders for their invaluable support.

During the first quarter of the period under review, the Japanese economy continued showing increasingly positive signs of a recovery led by domestic demand as evidenced by such factors as capital expenditure as well as consumer spending progressing with a firm undertone. In addition, the US economy has also been expanding smoothly, prompting the FRB to start hiking policy interest rates for the first time in a little over four years. As a result, long-term interest rates (i.e. the yield on ten-year government bonds) temporarily rose close to 2%. From the middle of the term, spiraling crude oil prices and growing uncertainties over the world economy led to a slight slowdown in both the rate of expansion of Japan's industrial production index as well as exports. This caused long-term interest rates to decline to around 1.5%, the Nikkei average to move below the 11,000 line toward the end of the term, and the Bank of Japan to maintain its quantitatively relaxed money policy.

As for our consolidated income and expenses for the interim period, net operating income edged down by ¥2.2 billion to ¥64.3 billion, while net income increased by ¥7.8 billion up to ¥48.7 billion, or a per-share net profit of ¥29.27 in fully diluted basis. After repaying all public funds, we shifted from a defensive to an offensive stance. With trust-based banking with investment function and CSR (corporate social responsibility) as our core policies, we have been making best use of our banking, trust and real estate functions combined under one roof to boost profitability in each business group. This has allowed us to reach most profit targets for the term under review. As a result of an increasingly healthy portfolio of assets, we have seen our bad loan-related losses shrink substantially, and booked part of our reserves for non-performing loans as extraordinary profit.

Trust-based banking with investment function allows us to differentiate ourselves from the competition by applying our expertise acquired as a trust bank to such areas as securities, real estate, as well as various facilities and projects, through the packaging and marketing of diversified investment assets for investors, and by adopting a distinctive business model that incorporates a constant amount of investment for our own account. In line with our determination to implement this business model during the first half of the term, we invested assets for our own account in a diversity of targets including real estate development funds, overseas loans with high spread, and private equity. At the same time, we offered investment products incorporating such assets to pension funds, among other investors. These efforts are steadily beginning to bear fruit. In order to expand investment for our own account, we have been upgrading our risk management

know-how. Concurrently, we have set up a Capital Allocation Committee to appropriate assets on the basis of new rules based on yet stricter standards for effective capital allocation.

We have positioned CSR at the heart of our corporate strategy for sustainable growth and development, and as the axis for the evolution of our management policies. In our management plan, each business group sets up its own targets for the implementation of CSR activities, be it promoting loans with favorable conditions for environmentally-friendly housing, providing architectural consulting services for such housing, making care-workers available at all our branches, or contributing toward the local community, among others. In September this year, we published a "2004 CSR Report" in order to foster a better understanding of such activities.

Another important management policy is returning to shareholders profits matching performance in a comprehensive way, namely by adding our own treasury stock earnings to dividends. Our aim is to satisfy our shareholders' expectations by boosting our corporate value through strategic investment in flourishing new areas of growth. After taking into consideration results and strategic investment conditions, we are aiming at the distribution of dividends linked to our performance with a target payout no lower than 20% in relation to our consolidated net income for the term. Under such a policy, we anticipate the distribution of dividends combining both interim and fiscal term-end dividends into a yearly lump sum amounting to ¥10 per common stock for fiscal year 2004, against ¥6 for the previous fiscal year.

While pursuing higher profitability through the optimal application of our strengths in banking, trust business and real estate, we place priority on returning profits to all our shareholders, developing our own specific activities and business model, and promoting our corporate value.

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

December 2004



Atsushi Takahashi  
President and CEO

# Consolidated Financial Highlights

	Billions of Yen			Millions of U.S. Dollars
	Sep. 30,2004	Sep. 30,2003	Mar. 31,2004	Sep. 30,2004
<b>Results for the (Half) Fiscal Year</b>				
Total Income	256.6	270.6	506.2	2,311
Total Expenses	175.8	198.3	367.6	1,583
Income before Income Taxes	80.8	72.2	138.6	728
Net Income	48.7	40.9	79.6	439
<b>Balance Sheet</b>				
Total Assets (Banking Account)	16,670.3	15,081.0	15,371.3	150,142
Loans	8,728.6	8,992.9	8,862.0	78,615
Securities	4,970.7	3,746.2	3,636.7	44,769
Total Assets (Trust Account)	50,566.3	51,631.5	51,889.1	455,429
Loans	1,001.8	1,499.7	1,132.6	9,024
Securities	5,950.3	5,363.1	5,796.8	53,593
Stockholders' Equity	826.1	719.6	802.0	7,441
Total Employable Funds *	33,900.3	35,567.4	36,012.6	305,326
Deposits	10,337.3	9,806.8	10,145.9	93,104
Money Trusts	16,880.0	18,943.9	18,475.9	152,032
Pension Trusts	5,544.4	5,187.7	6,017.4	49,936
Property Formation Benefit Trusts	9.8	11.1	11.2	89
Loan Trusts	1,128.6	1,617.7	1,362.0	10,165
<b>Per Share</b>				
	Yen			U.S. Dollars
Net Income	30.98	28.09	53.98	0.28
Net Income (fully diluted)	29.27	24.89	48.32	0.26
Cash Dividends (Preferred Share)			6.08	
Cash Dividends (Common Share)			6.00	
Stockholders' Equity	495.84	424.98	481.03	4.47
<b>BIS Capital Adequacy Ratio</b>				
	%			
Tier I Capital Ratio	13.24	12.10	12.45	
	7.38	6.66	7.07	

Note : Total employable fund is shown on a non-consolidated basis.

# Consolidated Balance Sheets

	Millions of Yen			Millions of U.S. Dollars
	Sep. 30,2004 (unaudited)	Sep. 30,2003	Mar. 31,2004	Sep. 30,2004
<b>Assets:</b>				
Cash and Due from Banks	637,145	425,844	747,328	5,738
Call Loans and Bills Bought	137,031	61,914	205,377	1,234
Commercial Paper and Other Debt Purchased	154,566	97,783	104,628	1,392
Trading Assets	283,863	246,328	301,134	2,557
Money Held in Trust	2,000	0	686	18
Investment Securities	4,970,720	3,746,289	3,636,779	44,769
Loans and Bills Discounted	8,728,627	8,992,977	8,862,059	78,615
Foreign Exchanges	9,776	9,596	13,339	88
Other Assets	1,246,245	963,464	1,015,665	11,224
Premises and Equipment	107,537	110,832	108,861	969
Deferred Tax Assets	130,438	212,063	150,047	1,175
Customers' Liabilities for Acceptances and Guarantees	356,083	327,807	340,283	3,207
Reserve for Possible Loan Losses	(90,701)	(113,853)	(111,785)	(817)
Reserve for Losses on Investment Securities	(3,027)		(3,027)	(27)
<b>Total Assets</b>	<b>16,670,307</b>	<b>15,081,048</b>	<b>15,371,378</b>	<b>150,142</b>
<b>Liabilities:</b>				
Deposits (including CDs)	10,366,174	9,839,110	10,167,535	93,364
Call Money and Bills Sold	94,873	190,500	150,700	854
Payables under Repurchase Agreements	1,739,466	818,273	1,024,599	15,667
Collateral for Lending Securities	244,661	502,636	239,138	2,204
Trading Liabilities	39,257	46,729	47,171	354
Borrowed Money	160,680	151,329	155,393	1,447
Foreign Exchanges	6,782	12,862	7,216	61
Corporate Bonds	412,200	403,500	330,500	3,713
Convertible Bonds		75	70	
Borrowed Money from Trust Account	1,409,181	1,358,198	1,425,148	12,692
Other Liabilities	909,604	610,191	576,391	8,192
Reserve for Employee Bonuses	4,081	3,654	4,216	37
Reserve for Employee Retirement Benefits	2,538	2,302	2,440	23
Deferred Tax Liabilities	250	190	254	2
Deferred Tax Liabilities on Revaluation Reserve for Land	6,627	2,956	6,826	60
Negative Goodwill	829	1,383	1,106	7
Acceptances and Guarantees	356,083	327,807	340,283	3,207
<b>Total Liabilities</b>	<b>15,753,294</b>	<b>14,271,700</b>	<b>14,478,992</b>	<b>141,883</b>
Minority Interest	90,866	89,655	90,356	818
<b>Stockholders' Equity:</b>				
Preferred Stock		50,000	37,428	
Common Stock	287,053	237,015	249,590	2,585
Capital Surplus	240,472	240,435	240,437	2,166
Retained Earnings	231,527	151,114	192,150	2,085
Revaluation Reserve for Land, Net of Tax	(3,530)	4,506	(3,235)	(32)
Net Unrealized Gains on Available-for-Sale Securities, Net of Tax	80,701	44,782	95,941	727
Foreign Currency Translation Adjustment	(5,643)	(3,768)	(5,848)	(51)
Treasury Stock	(4,433)	(4,393)	(4,433)	(40)
<b>Total Stockholders' Equity</b>	<b>826,146</b>	<b>719,692</b>	<b>802,029</b>	<b>7,441</b>
<b>Total Liabilities, Minority Interest and Stockholders' Equity</b>	<b>16,670,307</b>	<b>15,081,048</b>	<b>15,371,378</b>	<b>150,142</b>

<i>Note : Number of Shares</i>	<i>Authorized</i>	<i>Common Shares : 3,000,000,000</i>	<i>Preferred Shares : 125,000,000</i>
	<i>Issued</i>	<i>at Sep.30th, 2004 : 1,672,147,956</i>	<i>:</i>
		<i>at Sep.30th, 2003 : 1,464,097,764</i>	<i>: 125,000,000</i>
		<i>at Mar.31st, 2004 : 1,516,382,188</i>	<i>: 93,570,000</i>

# Consolidated Statements of Operations

	Millions of Yen			Millions of U.S. Dollars
	Six Months Ended Sep. 30,2004 (unaudited)	Six Months Ended Sep. 30,2003	Year Ended Mar. 31,2004	Six Months Ended Sep. 30,2004
<b>Income:</b>				
Trust Fees	37,253	31,627	76,401	336
Interest Income:	114,332	107,363	213,292	1,030
Interest on Loans and Discounts	58,965	61,555	121,234	531
Interest and Dividends on Securities	44,469	42,904	86,168	401
Other Interest Income	10,897	2,903	5,889	98
Fees and Commissions	39,446	33,203	72,137	355
Trading Revenue	1,541	3,008	3,760	14
Other Operating Income	24,019	60,227	76,227	216
Other Income	40,035	35,226	64,455	361
<b>Total Income</b>	<b>256,629</b>	<b>270,657</b>	<b>506,274</b>	<b>2,311</b>
<b>Expenses:</b>				
Interest Expenses:	43,935	58,668	93,583	396
Interest on Deposits (including CDs)	15,668	16,423	30,489	141
Interest on Borrowings and Rediscounts	1,558	1,710	3,245	14
Other Interest Expenses	26,708	40,533	59,848	241
Fees and Commissions	10,189	8,239	19,309	92
Trading Expenses	86			1
Other Operating Expenses	31,886	24,031	49,015	287
General and Administrative Expenses	69,119	66,545	132,716	623
Other Expenses	20,590	40,902	72,993	185
<b>Total Expenses</b>	<b>175,807</b>	<b>198,386</b>	<b>367,618</b>	<b>1,583</b>
<b>Income before Income Taxes</b>	<b>80,821</b>	<b>72,270</b>	<b>138,656</b>	<b>728</b>
Provision for Income Taxes :				
Current	723	532	1,201	7
Deferred	29,467	28,932	54,025	265
<b>Minority Interest in Net Income</b>	<b>1,842</b>	<b>1,843</b>	<b>3,798</b>	<b>17</b>
<b>Net Income</b>	<b>48,788</b>	<b>40,961</b>	<b>79,629</b>	<b>439</b>
		Yen		U.S. Dollars
<b>Net Income per Share</b>	30.98	28.09	53.98	0.28
<b>Net Income per Share (fully diluted)</b>	29.27	24.89	48.32	0.26

# Consolidated Statements of Cash Flows

	Millions of Yen			Millions of U.S. Dollars
	Six Months Ended Sep. 30,2004 (unaudited)	Six Months Ended Sep. 30,2003	Year Ended Mar. 31,2004	Six Months Ended Sep. 30,2004
<b>Cash Flows from Operating Activities :</b>				
Income before Income Taxes and Minority Interest	80,821	72,270	138,656	728
Depreciation	2,564	2,860	5,846	23
Losses on Impairment of Fixed Assets	76			1
Amortization of Negative Goodwill	(276)	(276)	(553)	(2)
Equity in Losses (Earnings) of Affiliates	(653)	1,053	(99)	(6)
Increase (Decrease) in Reserve for Possible Loan Losses	(21,084)	(25,206)	(27,275)	(190)
Increase (Decrease) in Reserve for Losses on Investment Securities			3,027	
Increase (Decrease) in Reserve for Employee Bonuses	(135)	(321)	241	(1)
Increase (Decrease) in Reserve for Employee Retirement Benefits	98	23	160	1
Interest Income	(114,332)	(107,363)	(213,292)	(1,030)
Interest Expenses	43,935	58,668	93,583	396
Losses (Gains) on Securities	(21,548)	(21,663)	(54,094)	(194)
Losses (Gains) on Money Held in Trust	(5)	(2)	(33)	(0)
Losses (Gains) on Foreign Exchange	(80,239)	65,385	107,884	(723)
Losses (Gains) on Sale of Premises and Equipment	542	1,170	1,387	5
Net Decrease (Increase) in Trading Assets	17,271	433,597	378,791	156
Net Increase (Decrease) in Trading Liabilities	(7,914)	(283,674)	(283,231)	(71)
Net Decrease (Increase) in Loans and Bills Discounted	135,914	150,332	281,413	1,224
Net Increase (Decrease) in Deposits	263,769	(111,261)	86,470	2,376
Net Increase (Decrease) in Negotiable Certificates of Deposit	(65,723)	(307,079)	(176,386)	(592)
Net Increase (Decrease) in Borrowed Money other than Subordinated Borrowings	(4,612)	(328)	(1,264)	(42)
Net Decrease (Increase) in Due from Banks other than from Bank of Japan	33,888	(37,020)	(39,475)	305
Net Decrease (Increase) in Call Loans and Others	18,818	(13,433)	(163,740)	169
Net Increase (Decrease) in Call Money and Others	659,041	(188,859)	(22,333)	5,936
Net Increase (Decrease) in Collateral for Lending Securities	5,523	115,765	(147,731)	50
Net Decrease (Increase) in Foreign Exchange Assets	82	3,921	(1,882)	1
Net Increase (Decrease) in Foreign Exchange Liabilities	(433)	3,143	(2,502)	(4)
Net Increase (Decrease) in Borrowed Money from Trust Account	(15,967)	(119,147)	(52,197)	(144)
Interest Income Received on Cash Basis	119,163	127,269	229,674	1,073
Interest Expenses Paid on Cash Basis	(38,855)	(65,594)	(93,158)	(350)
Other - Net	39,870	(92,440)	(56,362)	359
Sub-Total	1,049,599	(338,209)	(8,479)	9,453
Income Tax Paid	(719)	(521)	(777)	(6)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,048,879</b>	<b>(338,731)</b>	<b>(9,256)</b>	<b>9,447</b>

# Consolidated Statements of Cash Flows

	Millions of Yen			Millions of U.S. Dollars
	Six Months Ended Sep. 30,2004 (unaudited)	Six Months Ended Sep. 30,2003	Year Ended Mar. 31,2004	Six Months Ended Sep. 30,2004
<b>Cash Flows from Investing Activities :</b>				
Purchase of Securities	(5,575,638)	(3,422,963)	(8,385,863)	(50,217)
Proceeds from Sale of Securities	3,917,975	2,754,765	7,368,617	35,288
Proceeds from Redemption of Securities	455,274	620,642	1,035,633	4,100
Increase in Money Held in Trust	(1,313)	(0)	(686)	(12)
Purchase of Premises and Equipment	(2,610)	(1,320)	(3,047)	(24)
Proceeds from Sale of Premises and Equipment	681	2,587	2,845	6
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(1,205,632)</b>	<b>(46,288)</b>	<b>17,498</b>	<b>(10,859)</b>
<b>Cash Flows from Financing Activities :</b>				
Proceeds from Subordinated Borrowings	10,000	10,000	15,000	90
Proceeds from Subordinated Bonds and Convertible Bonds	89,538	97,009	128,803	806
Redemption of Subordinated Bonds and Convertible Bonds	(8,300)		(107,366)	(75)
Cash Dividends Paid	(9,624)	(5,131)	(5,133)	(87)
Cash Dividends Paid to Minority Stockholders	(1,317)	(1,305)	(2,615)	(12)
Purchase of Treasury Stock	(41)	(30)	(73)	(0)
Proceeds from Sale of Treasury Stock	38	1	3	0
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>80,292</b>	<b>100,542</b>	<b>28,618</b>	<b>723</b>
Effect on Exchange Rate Changes on Cash and Cash Equivalents	165	(27)	(2,335)	1
<b>Net Change in Cash and Cash Equivalents</b>	<b>(76,294)</b>	<b>(284,504)</b>	<b>34,525</b>	<b>(687)</b>
Cash and Cash Equivalents at Beginning of Year	516,251	481,726	481,726	4,650
Cash and Cash Equivalents at End of (Half) Year	439,957	197,221	516,251	3,963

---

# Notes to Consolidated Financial Statements for the First Half Fiscal Year 2004

## Basis of Presentation

The accompanying consolidated financial statements of The Sumitomo Trust and Banking Company, Limited (“the Bank” hereafter) are compiled as required by the Banking Law and in conformity with accounting principles and practices generally accepted in Japan. Certain modifications have been made in the financial statements to facilitate understanding by reasons outside Japan.

As permitted by the Securities and Exchange Law of Japan, amounts less than one million yen have been rounded off. The U.S. dollar amounts presented on the financial statements have been translated from Japanese Yen, solely for convenience, at 111.03 per one U.S. Dollar, the exchange rate prevailing on the Tokyo foreign exchange market on September 30<sup>th</sup>, 2004.

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

## Balance Sheets

### 1. Trading Assets and Liabilities

Transactions for “Trading Purposes” (purposes for seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or securities prices in markets and other market-related indices or from differences between markets) are included in “Trading Assets” and “Trading Liabilities” on a trade date basis.

Trading account securities and monetary claims are stated at market value on the end of the fiscal period and financial derivatives for trading purposes, such as swaps, futures or options, are valued on the assumption that they are settled at the end of the fiscal period.

### 2. Investment Securities

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.

Equity securities classified as available-for-sale securities with fair market value are revalued at the average fair market value of the final month in the fiscal period.

Debt securities classified as available-for-sale securities with fair market value are revalued at the fair market value on the end of the fiscal period.

Available-for-sale securities without fair market value are carried at cost or amortized cost using moving average method.

Net unrealized gains and 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.

### 3. Issuance Costs of Bonds and Discounts of Bonds

Issuance costs of bonds are charged to expenses when incurred. Discount of bonds are deferred and amortized using the straight-line method over the lives of the bonds.

### 4. 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 internal rules regarding reserve for possible credit losses.

For claims to debtors who are legally bankrupt (due to bankruptcy, subject to the Japanese Civil Rehabilitation Law, suspension of transactions with banks by the rules of clearinghouses, etc.) or virtually bankrupt, the specific reserve is provided based on the amount of claims, after direct deduction described below, net of the amount expected to be collected through the disposal of collateral or execution of guarantees.

For claims to debtors who are likely to become bankrupt, the specific reserve is provided based on the amount considered to be necessary by an overall solvency assessment, on net amounts expected to be collected through the disposal of collateral or execution of guarantees.

Among for claims to debtors with more than certain amount of the Bank's claims to debtors, 1) who are likely to become bankrupt, 2) to whom the Bank has Restructured Loans (see definition (4) on page 12), 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 that 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 Corporate 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 67,194 millions of yen.

For the consolidated subsidiaries, the reserve for possible loan losses is provided based on the historical loan-loss-ratio for ordinary claims, and based on the amount expected to be uncollectible for each specific claim, respectively.

#### 5. Reserve for Losses on Investment Securities

Reserve for losses on investment securities is provided against possible future losses on securities considering the financial conditions of issuers.

#### 6. 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.

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 (mainly 10 years).

According to initial adoption of a new accounting standard, 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 millions of yen, is amortized straight-line basis primarily over 5 years. For this interim period, six-twelfths of such amount is stated as expense.

#### 7. Hedge Accounting

##### *(Interest Related Transactions)*

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 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, hereafter "Report No. 24"). In hedging activities to offset changes in the fair value of deposits, loans, etc., as hedged items, the Bank designated 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.

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 September 30,2004, deferred hedge losses and income resulted from "Macro Hedge Accounting" are 177,292 millions of yen and 169,163 millions of yen, respectively. "Macro Hedge Accounting" had been the former hedge accounting method, which was stated in the "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Auditing Committee Report No.15), under which the Bank managed the total interest rate risk arising from various financial assets and liabilities, such as loans, bills discounted, deposits etc., as a whole by using financial derivative transactions.

##### *(Currency Related Transactions)*

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 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").

The Bank designates specific currency swaps and foreign exchange swaps made to mitigate the 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.

##### *(Internal Hedge Transactions)*

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 account. 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.

*(Others)*

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

#### 8. Other Assets

“Other Assets” in the consolidated balance sheets includes the amount of 6,316 million yen of provisional payment of the withholding tax. For this issue, 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.

#### 9. Accrued Income of Trust Fees

From this first half fiscal year 2004, trust fees based on the balance of entrusted assets formerly accounted only at the end of each trust accounting period have been accrued for the period elapsed in order to more appropriately report the earnings of the Bank. As a result, the operating income and the operating expenses increased by 5,505 millions, 1,266 millions of yen, respectively, and net operating profit as well as income before income taxes increased by 4,239 million of yen.

#### 10. Impairment of Fixed Assets

The Bank has implemented an early application of the “Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets” (issued by the Business Accounting Deliberation Council on August 9, 2002), and Financial Accounting Standard Implementation Guidance No.6, “Implementation Guidance for Accounting Standards for Impairment of Fixed Assets” (issued by the Accounting Standards Board of Japan (“ASBJ”) on October 31, 2003), as they permitted such early application from the beginning of April 2004. As a result, income before income taxes decreased by 76 millions of yen.

### Statements of Operations

#### 1. Trading Profits and Losses

Profits and losses on trading transactions are shown as “Trading Revenue” or “Trading Expenses” on a trade date basis.

#### 2. Other Income

Other income includes 10,803 millions yen of gains on sale of shares and other securities and 16,727 millions yen of net transfer from reserve for possible loan losses.

#### 3. Other Expenses

Other expenses includes 1) 805 millions yen of claims written-off, 2) 2,302 millions yen of losses on devaluation of shares and other securities, and 3) 1,829 millions yen of the amortization of net transition obligation which arose from the initial adoption of a new accounting standard for employee retirement benefits (see note 6 to balance sheets).

#### 4. External Standards Taxation

With the implementation of the “Revision of the Local Tax Law” (Legislation No. 9, March 2003) on March 31, 2003, a part of the tax basis of enterprise taxes is to be a combination of “amount of added value” and “amount of capital” from the fiscal year beginning on April 1, 2004. Accordingly, such taxes based on a combination of “amount of added value” and “amount of capital” are included in general and administrative expenses in accordance with the “Practical Treatment for Presentation of External Standards Taxation of the Enterprise Taxes in the Statements of Operations” (Practical Solution Report No.12 issued by ASBJ on February 13, 2004).

### Statements of Cash Flows

#### 1. Definition of Cash and Cash Equivalents

In preparing the consolidated statements of cash flows, cash and due from Bank of Japan (“BOJ”) 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.”

#### 2. Reconciliation to Cash and Cash Equivalents

The reconciliation between “Cash and Cash Equivalents” in the consolidated statements of cash flows, and “Cash and Due from Banks” in the consolidated balance sheets is shown as below:

	(Millions of Yen)
Cash and Due from Banks	637,145
Due from Banks (excluding due from BOJ)	(197,188)
Cash and Cash Equivalents	<u>439,957</u>

# Statements of Trust Account

(Unaudited)

	Millions of Yen			Millions of U.S. Dollars
	Sep. 30,2004	Sep. 30,2003	Mar. 31,2004	Sep. 30,2004
<b>Assets:</b>				
Loans and Bills Discounted	1,001,893	1,499,722	1,132,607	9,024
Investment Securities	5,950,395	5,363,196	5,796,846	53,593
Money Held in Trust	36,063,837	37,971,904	37,804,184	324,812
Securities Held in Custody Accounts	645	880	875	6
Money Claims	3,389,575	3,162,319	3,375,654	30,528
Premises and Equipment	2,452,159	2,047,854	2,095,424	22,086
Other Claims	85,390	66,426	73,831	769
Loans to Banking Account	1,409,181	1,358,198	1,425,148	12,692
Cash and Due from Banks	213,256	161,058	184,590	1,921
<b>Total Assets</b>	<b>50,566,336</b>	<b>51,631,561</b>	<b>51,889,165</b>	<b>455,429</b>
<b>Liabilities:</b>				
Money Trusts	16,880,087	18,943,918	18,475,916	152,032
Pension Trusts	5,544,434	5,187,752	6,017,425	49,936
Property Formation Benefit Trusts	9,841	11,137	11,256	89
Loan Trusts	1,128,654	1,617,789	1,362,069	10,165
Securities Investment Trusts	7,815,287	6,784,070	7,210,767	70,389
Money Entrusted, other than Money Trusts	2,350,478	3,231,977	2,689,844	21,170
Securities Trusts	9,294,997	9,107,795	9,119,565	83,716
Money Claim Trusts	3,112,772	2,836,827	3,060,074	28,035
Equipment Trusts	3,658	4,590	4,123	33
Land and Fixtures Trusts	163,490	186,987	176,288	1,472
Other Trusts	4,262,634	3,718,716	3,761,832	38,392
<b>Total Liabilities</b>	<b>50,566,336</b>	<b>51,631,561</b>	<b>51,889,165</b>	<b>455,429</b>

# Supplementary Information

## Risk Managed Loans

### (1) Banking Account

	Millions of Yen			Millions of U.S. Dollars
	Sep. 30,2004	Sep. 30,2003	Mar. 31,2004	Sep. 30,2004
Loans in Bankruptcy Proceedings	9,756	11,840	12,505	88
% to Total Loans	0.11%	0.13%	0.14%	
Other Delinquent Loans	105,626	124,020	104,988	951
% to Total Loans	1.21%	1.38%	1.18%	
Loans more than Three Months Past Due	15	10,917	18	0
% to Total Loans	0.00%	0.12%	0.00%	
Restructured Loans	80,796	168,336	131,336	728
% to Total Loans	0.93%	1.87%	1.48%	
Total Loans Outstanding	8,728,627	8,992,977	8,862,059	78,615
Direct Reduction	67,194	121,573	107,151	605

### (2) Guaranteed Trust Account

	Millions of Yen			Millions of U.S. Dollars
	Sep. 30,2004	Sep. 30,2003	Mar. 31,2004	Sep. 30,2004
Loans in Bankruptcy Proceedings	3,650	4,875	2,563	33
% to Total Loans	0.43%	0.37%	0.25%	
Other Delinquent Loans	7,691	16,842	11,561	69
% to Total Loans	0.91%	1.28%	1.12%	
Loans more than Three Months Past Due		8,521		
% to Total Loans		0.65%		
Restructured Loans	15,121	25,821	25,738	136
% to Total Loans	1.78%	1.97%	2.50%	
Total Loans Outstanding	848,292	1,310,989	1,029,541	7,640

#### Definitions :

- (1) Loans in bankruptcy proceedings are nonaccrual loans outstanding (not including direct write-off portion of loans) to borrowers who are legally bankrupt as defined in Article 96 1-3 or 4 of Enforcement Ordinance for the Corporate Tax Law.
- (2) Other delinquent loans are nonaccrual loans other than 1) loans in bankruptcy proceedings and 2) loans of which interest payments are rescheduled in order to assist the restructuring of borrowers.
- (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 exclude loans in bankruptcy proceedings, other delinquent loans and loans more than three months past due.

Note : Guaranteed trust, the principals of which are guaranteed, are constituted by "Loan Trusts" and Jointly-Operated Money Trusts("JOMT") included in "Money Trusts".

## Reserves

(1) Banking Account	Millions of Yen			Millions of U.S. Dollars
	Sep. 30,2004	Sep. 30,2003	Mar. 31,2004	Sep. 30,2004
Reserve for Possible Loan Losses :				
General Reserve	58,659	78,397	73,425	528
Specific Reserve	31,559	34,917	37,877	284
Reserve for Loans to Borrowers in Specific Foreign Countries	482	538	481	4
<b>Total</b>	<b>90,701</b>	<b>113,853</b>	<b>111,785</b>	<b>817</b>

## (2) Guaranteed Trust Account

Reserve for Possible Impairment of Principal (Loan Trusts)	6,840	10,075	8,275	62
Reserve for Possible Impairment of Principal (JOMT)	563	674	585	5
<b>Total</b>	<b>7,403</b>	<b>10,749</b>	<b>8,861</b>	<b>67</b>

## Credit Costs

(1) Banking Account	Millions of Yen			Millions of U.S. Dollars
	Six Months Ended Sep. 30,2004	Six Months Ended Sep. 30,2003	Year Ended Mar. 31,2004	Six Months Ended Sep. 30,2004
Provision for General Reserve	(14,809)	(9,526)	(14,296)	(133)
Expenses Relating to Problem Loans	(1,246)	17,354	32,395	(11)
Claims Written-Off	805	8,552	16,840	7
Provision for Specific Reserve	(1,898)	6,968	13,355	(17)
Losses on Sale of Loans in Bulk		(14)	(397)	
Provision for Reserve for Borrowers in Specific Foreign Countries	(19)	(191)	(215)	(0)
Others	(133)	2,039	2,813	(1)
<b>Total</b>	<b>(16,055)</b>	<b>7,828</b>	<b>18,099</b>	<b>(145)</b>

## (2) Guaranteed Trust Account

Claims Written-Off	2,969	2,051	4,720	27
Losses on Sale of Loans	156	188	(41)	1
<b>Total</b>	<b>3,126</b>	<b>2,239</b>	<b>4,678</b>	<b>28</b>
<b>Total Credit Costs</b>	<b>(12,929)</b>	<b>10,067</b>	<b>22,777</b>	<b>(116)</b>

### Notes :

- (1) Credit costs in banking account are included in " Other Expenses" on the consolidated statements of operations.
- (2) Credit costs in guaranteed trust accounts are reflected in "Trust Fees" after deduction of such costs.

## Securities

Securities Gains and Losses	Millions of Yen			Millions of U.S. Dollars
	Six Months Ended Sep. 30,2004	Six Months Ended Sep. 30,2003	Year Ended Mar. 31,2004	Six Months Ended Sep. 30,2004
<b>(1) Bonds</b>				
Gains on Sale of Bonds	21,976	36,857	72,474	198
Losses on Sale of Bonds	8,294	24,025	43,272	75
Losses on Redemption of Bonds			159	
Losses on Devaluation of Bonds		1	538	
<b>Net Gains</b>	<b>13,681</b>	<b>12,831</b>	<b>28,503</b>	<b>123</b>
<b>(2) Stocks</b>				
Gains on Sale of Stocks	10,803	19,923	41,281	97
Losses on Sale of Stocks	634	8,400	12,624	6
Losses on Devaluation of Stocks	2,302	2,550	3,016	21
<b>Net Gains</b>	<b>7,866</b>	<b>8,972</b>	<b>25,640</b>	<b>71</b>

Note : Figures in the table above are on a non-consolidated basis. The differences against consolidated numbers are immaterial.

## Unrealized Gains and Losses on Securities

	Millions of Yen			Millions of U.S. Dollars
	Sep. 30,2004	Sep. 30,2003	Mar. 31,2004	Sep. 30,2004
Held-to-Maturity Debt Securities	1,786	595	369	16
Available-for-Sale Securities	134,853	73,810	160,067	1,215
<b>Total</b>	<b>136,640</b>	<b>74,406</b>	<b>160,437</b>	<b>1,231</b>
Japanese Stocks	142,226	70,633	159,077	1,281
Japanese Bonds	(265)	(12,942)	(8,915)	(2)
Others	(5,321)	16,714	10,274	(48)

**BIS Capital Adequacy Ratio**

	Billions of Yen		
	Sep. 30,2004	Sep. 30,2003	Mar. 31,2004
Total Qualifying Capital	1,505.6	1,380.3	1,390.6
Tier I Capital	839.7	760.0	789.9
including: Net Unrealized Losses on Available-for-Sale Securities, Net of Tax (-)			
including: Non-cumulative Preferred Securities	83.0	83.0	83.0
Tier II Capital	670.7	624.1	605.5
Upper Tier II	309.8	244.1	276.3
Net Unrealized Gains on Available-for-Sale Securities, Net of Tax, after 55% Discount	61.2	33.6	72.6
Unrealized Gains on Land, after 55% Discount	1.3	3.3	1.6
General Reserve for Possible Loan Losses	58.6	78.3	73.4
Subordinated Debts	188.6	128.6	128.6
Lower Tier II	360.9	380.0	329.2
Deducted Items (-)	4.9	3.7	4.7
Total Risk-Adjusted Assets	11,364.0	11,405.3	11,168.9
On-Balance-Sheet Items	10,437.2	10,259.3	10,165.7
Off-Balance-Sheet Items	840.8	1,086.4	939.2
Market Risk Equivalents	86.0	59.5	64.0
Tier I Capital Ratio (%)	7.38	6.66	7.07
Total Capital Ratio (%)	13.24	12.10	12.45

*Note : Figures in this table are calculated on a consolidated basis in accordance with BIS guidelines.*

---

# International Network as of December 20, 2004

## The Americas

### United States

#### **New York Branch**

527 Madison Avenue,  
New York, NY 10022, U.S.A.  
Phone: 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.  
Phone: 1-201-420-9470  
Facsimile: 1-201-420-7853  
Telex: 428538

## Europe

### United Kingdom

#### **London Branch**

155 Bishopsgate,  
London EC2M 3XU, U.K.  
Phone: 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  
Phone: 352-4779851  
Facsimile: 352-474608

## Asia

### Singapore

#### **Singapore Branch**

8 Shenton Way,  
Singapore 068811  
#45-01, Temasek Tower,  
Singapore 068811  
Phone: 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  
Phone: 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  
Phone: 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  
Phone: 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  
Phone: 86-10-6513-9020  
Facsimile: 86-10-6513-9243

#### **Shanghai Representative Office**

5001 Jin Mao Tower, 88 Shiji Dadao  
Pudong New Area,  
Shanghai 200121,  
People's Republic of China  
Phone: 86-21-5047-6661  
Facsimile: 86-21-5047-8298

### Republic of Korea

#### **Seoul Representative Office**

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



---

# Subsidiaries and Affiliated Companies as of December 1, 2004

---

## JAPAN

---

The Sumishin Shinko Company Limited  
Sumishin Loan Guaranty Company Limited  
Sumishin Business Service Company, Limited  
STB Investment Corporation  
Sumishin Guaranty Company Limited  
Japan TA Solution, Ltd.  
BUSINEXT CORPORATION  
Human Resource Management Service & Consulting Co., Ltd.  
Japan Trustee Services Bank, Ltd.  
Sumishin Information Service Company Limited  
Sumishin Card Company, Limited  
Sumishin Realty Company, Limited  
STB Asset Management Co., Ltd.  
STB Research Institute Co., Ltd.  
Japan Trustee Information Systems, Ltd.  
STB Leasing Co., Ltd.

---

## OVERSEAS

---

The Sumitomo Trust Finance (H.K.) Ltd.  
Sumitomo Trust and Banking (Luxembourg) S.A.  
Sumitomo Trust and Banking Co. (U.S.A.)  
STB CONSULTING (CHINA) CO., LTD  
STB Finance Cayman Ltd.  
STB Cayman Capital Ltd.  
STB Preferred Capital (Cayman) Ltd.

---

# Board of Directors, Executive Officers and Auditors as of December 1, 2004

## *Chairman of the Board*

---

Hitoshi Murakami

## *President and CEO*

---

Atsushi Takahashi

## *Deputy President Executive Officer*

---

Yutaka Morita

## *Senior Executive Officers*

---

Takaaki Hatabe  
Toshiharu Sakurai  
Kazuo Miyakawa  
Jiro Araki  
Hideo Fujii  
Masao Shibuya  
Ikuho Inoue

## *Managing Executive Officers*

---

Yukio Aoyama  
Masahiko Nakai  
Masakiyo Inoue  
Akio Otsuka  
Kiyoshi Mukohara

## *Executive Officers*

---

Kanae Kubota  
Takashi Shingai  
Zengo Tanoue  
Hiroaki Okuno  
Teruhiko Sugita  
Tomoaki Ando  
Tadashi Chida  
Takashi Fukazawa  
Nobuyuki Wakuta  
Hiroshi Noguchi  
Hidehiko Asai  
Hitoshi Tsunekage  
Yoshio Nakabayashi

## *Standing Statutory Auditor*

---

Eiichi Tanabe

## *Statutory Auditors*

---

Masaru Suzuki  
Koichi Takamura  
Tsuneo Hiroe  
Hitoshi Maeda

Directors

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)

[http://www.sumitomotrust.co.jp/IR/company/index\\_en.html](http://www.sumitomotrust.co.jp/IR/company/index_en.html)

