

The Sumitomo Trust & Banking Co., Ltd.

2005 ANNUAL REPORT

Year Ended March 31, 2005

Pursuing a Quality Growth



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A Cautionary Note on Forward-Looking Statements

This Annual Report contains forward-looking statements about Sumitomo Trust (“the Bank”) and its group’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.

Profile



Atsushi Takahashi
Chairman of the Board
(left)

Yutaka Morita
President and CEO
(right)

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 buzz-word 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 society in general”—our CSR management aims to pursue sustainable growth that both reflects the interests of society and benefits all stakeholders.

Financial Highlights

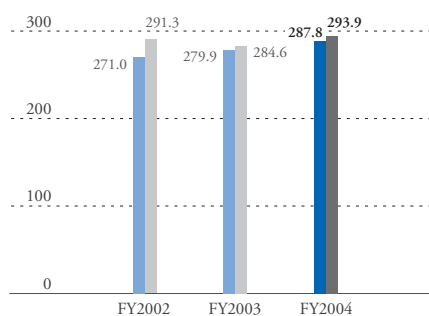
< Consolidated >	Millions of Yen (Unless otherwise specified)			Millions of U.S. Dollars ¹ (Unless otherwise specified)
	FY2004 (4/04-3/05)	FY2003 (4/03-3/04)	FY2002 (4/02-3/03)	FY2004 (4/04-3/05)
For the Year:				
Gross Business Profit	¥ 287,820	¥ 279,911	¥ 271,005	\$ 2,681
Gross Business Profit (Before Trust Account Credit Costs) ²	293,923	284,589	291,314	2,737
Credit Costs	70	(22,777)	(87,898)	(1)
Net Business Profit (Before Credit Costs) ³	161,143	153,619	159,045	1,501
Net Gains (Losses) on Stocks	13,965	25,723	(127,952)	130
Net Income (Loss)	96,865	79,629	(72,967)	902
At Year-End:				
Tier 1 Capital	861,795	789,900	706,184	8,026
Total Capital	1,489,403	1,390,649	1,213,927	13,872
Risk Assets	11,914,889	11,168,978	11,580,899	110,970
Per Common Share (Yen/U.S. Dollars):				
Total Capital	545.99	481.03	361.45	5.09
Net Income (Loss)	59.86	53.99	(50.80)	0.56
Financial Ratios:				
ROE ⁴	11.8 %	12.6 %	(13.6)%	—
BIS Tier 1 Ratio	7.23 %	7.07 %	6.09 %	—
BIS Capital Adequacy Ratio	12.50 %	12.45 %	10.48 %	—

- The U.S. dollar amounts are the yen equivalent, calculated for convenience only, at a rate of ¥107.37 to U.S. \$1.00.
- Gross Business Profit (Before Trust Account Credit Costs) = (Gross Business Profit) + (Trust Account Credit Costs)
- 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)
- ROE is computed based on the average stockholders' equity at the beginning and end of the fiscal year.

< Consolidated >

Gross Business Profit

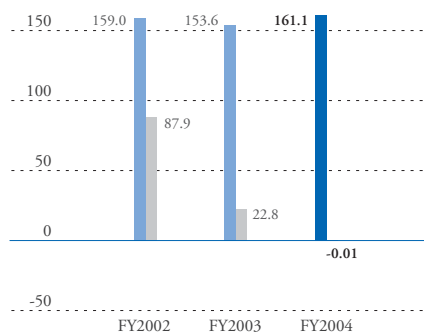
(Billions of yen)



■ Gross business profit
■ Gross business profit (before trust account credit costs)

Net Business Profit (Before Credit Costs) in Comparison with Credit Costs

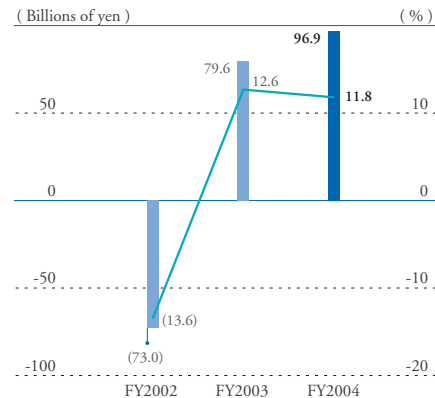
(Billions of yen)



■ Net business profit (before credit costs)
■ Credit costs

Net Income and ROE

(Billions of yen)

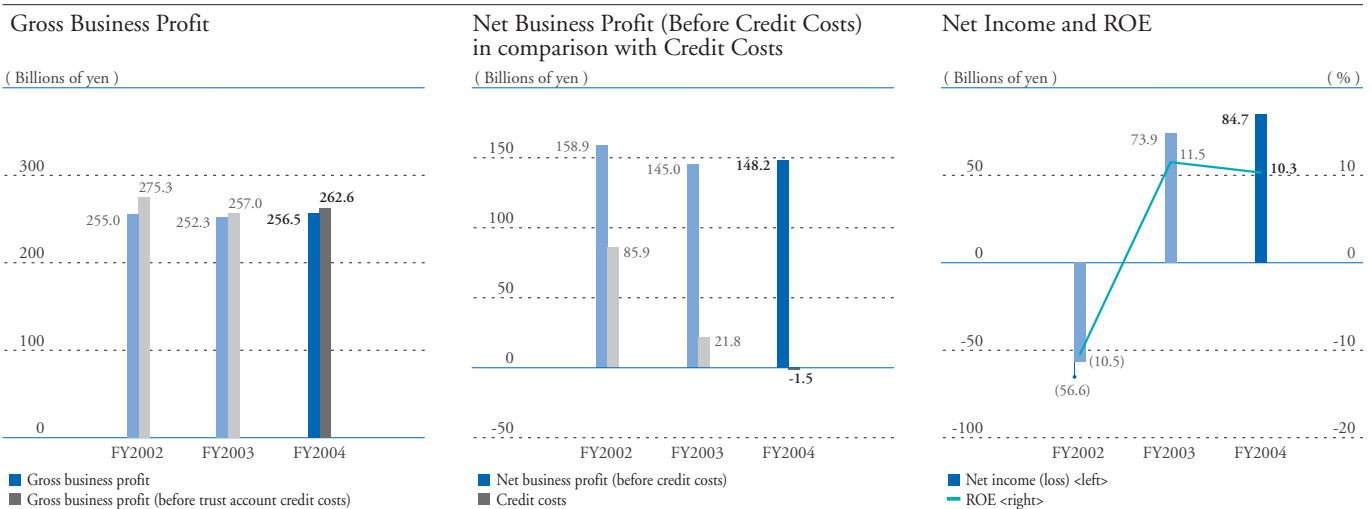


■ Net income (loss) <left>
— ROE <right>

< Non-Consolidated >	Millions of Yen (Unless otherwise specified)			Millions of U.S. Dollars ¹ (Unless otherwise specified)
	FY2004 (4/04-3/05)	FY2003 (4/03-3/04)	FY2002 (4/02-3/03)	FY2004 (4/04-3/05)
For the Year:				
Gross Business Profit	¥ 256,473	¥ 252,327	¥ 254,958	\$ 2,389
Gross Business Profit (Before Trust Account Credit Costs) ²	262,576	257,006	275,267	2,446
Credit Costs	1,474	(21,833)	(85,928)	14
Net Business Profit (Before Credit Costs) ³	148,229	145,031	158,889	1,381
Net Gains (Losses) on Stocks	13,622	25,640	(127,782)	127
Net Income (Loss)	84,700	73,928	(56,565)	789
At Year-End:				
Tier 1 Capital	855,262	790,266	713,201	7,966
Total Capital	1,490,545	1,393,089	1,221,164	13,882
Risk Assets	11,845,958	11,090,725	11,496,551	110,328
Per Common Share (Yen/U.S. Dollars):				
Total Capital	541.96	485.27	368.77	5.05
Net Income (Loss)	52.34	50.09	(39.50)	0.49
Cash Dividends	12.00	6.00	3.00	0.11
Financial Ratios:				
ROE ⁴	10.3 %	11.5 %	(10.5)%	—
BIS Tier 1 Ratio	7.21 %	7.12 %	6.20 %	—
BIS Capital Adequacy Ratio	12.58 %	12.56 %	10.62 %	—
Non-Performing Loan Ratio	1.8 %	2.8 %	3.6 %	—

- The U.S. dollar amounts are the yen equivalent, calculated for convenience only, at a rate of ¥107.37 to U.S. \$1.00.
- Gross Business Profit (Before Trust Account Credit Costs) = (Gross Business Profit) + (Trust Account Credit Costs)
- 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)
- ROE is computed based on the average stockholders' equity at the beginning and end of the fiscal year.

< Non-Consolidated >



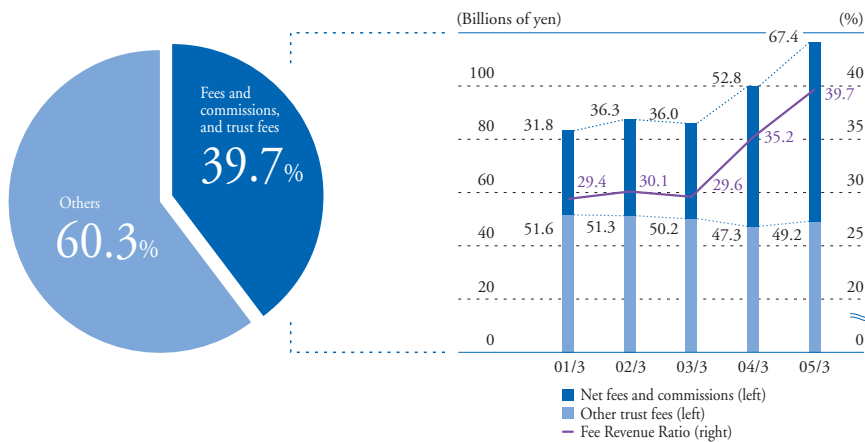
Sumitomo Trust Group at a Glance

Aiming to become Japan's top quality trust bank group, the Sumitomo Trust Group is leveraging its strength in commercial banking, trust, and real estate businesses, as well as its solid financial fundamentals.

Our differentiating characteristics are as follows:

1. Expanding Fee Business

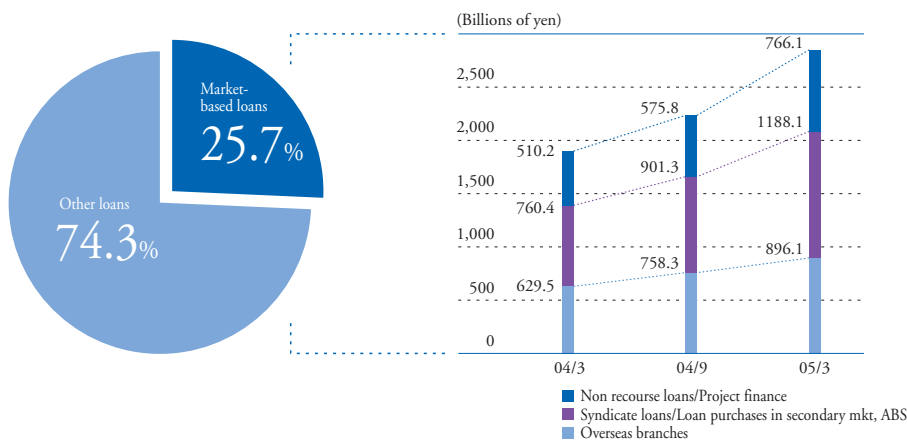
Fee Revenue Ratio (Consolidated)



We are working to boost the fee income share of consolidated gross business profit to 50% or more by the end of March 2007. In fiscal year 2004, the consolidated fee revenue ratio grew to 39.7% from 35.2% in fiscal year 2003. Fee revenues grew particularly in the real estate business, sales of mutual funds and individual annuities, and the arrangement of market-based loans (real estate non-recourse loans and syndicated loans, etc.).

2. Growing Market-Based Loans

Amount of Market-Based Loans



We are seeking to enhance our risk-adjusted return while maintaining the size of our balance sheet. To this end, we have focused on market-based loans. In particular, real estate non-recourse loans and syndicate loans are sectors in which we can apply our real estate know-how and our expertise cultivated as a leading institutional investor in Japan, giving us a competitive edge in these sectors.

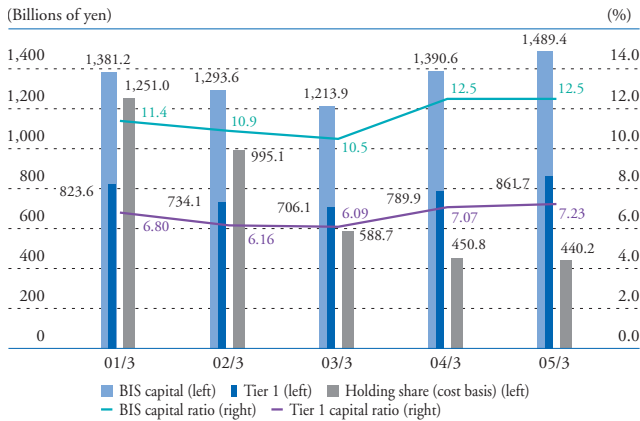
3. High-Quality Capital

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 12.5% and a BIS Tier 1 ratio of 7.2% at the end of fiscal year 2004. In addition, the balance of non-performing loans* was ¥184.2

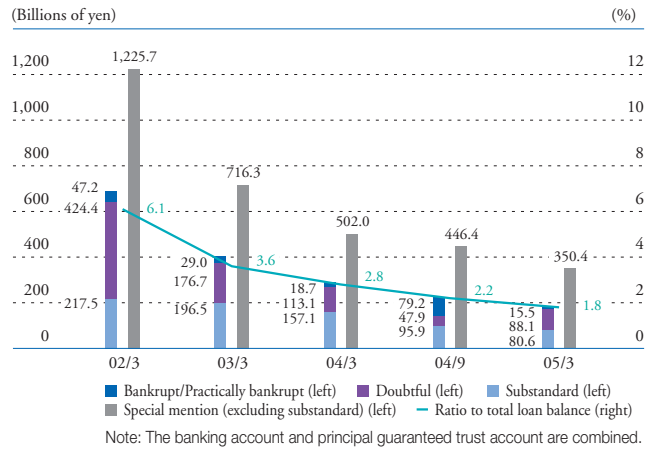
billion, a year-on-year decrease of ¥104.7 billion, and the non-performing loan ratio was further improved to 1.8% as of March 31, 2005.

*non-consolidated basis.

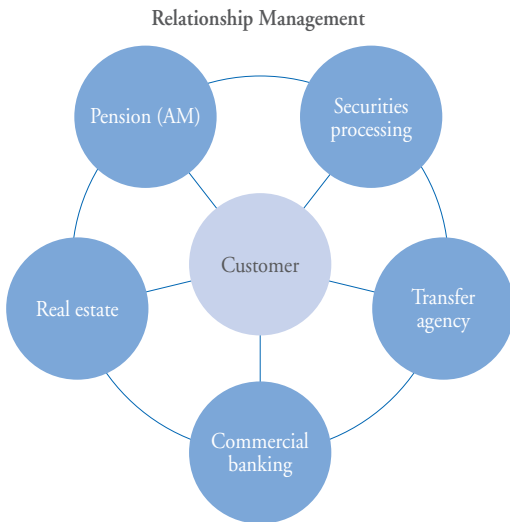
High-Quality Capital



Change in Balance of NPLs (Non-Consolidated)



4. Cross-Selling Platform



Leveraging our cross-selling platform of commercial banking, trust, and real estate businesses, we intend to achieve quality growth through customer bases such as the corporation, individuals, and institutional investors.

To Our Shareholders, Customers, and Employees

Through a rapid disposal of non-performing loans and an early repayment of public funds, Sumitomo Trust has solidified its financial position ahead of the competition. Our focus is now on pursuing an offensive growth strategy to take full advantage of emerging opportunities, particularly in the real estate and retail markets.

I am committed to furthering the lead built up by my predecessor, Atsushi Takahashi. I will proactively implement growth strategies that will ensure our position as a quality trust bank group and make every effort to maximize our corporate value for all of our stakeholders.



Yutaka Morita
President and CEO

I. A Look Back at Fiscal Year 2004

1. Operating Environment—

Expansion of Business Opportunities

The Japanese economy recorded stagnant growth in fiscal year 2004 (April 2004-March 2005) due to the yen's appreciation and inventory adjustments primarily in high-tech industries. Nonetheless, the economy avoided entering a major recession during the fiscal year and even showed some underlying strength.

The stock market in fiscal year 2004 was stable, enabling individual's risk tolerance to improve steadily. This also led to a more pronounced shift from savings to investment and from indirect financing to direct financing. As a result, our Retail Financial Services Group's sales of mutual funds and individual annuities dramatically increased in fiscal year 2004. Furthermore, with balance sheet streamlining through asset securitization continuing in the private sector, the market for real estate securitization through real estate investment trusts (REIT) and private real estate funds experienced partic-

ularly strong growth. The inflow of funds through this process resulted in structural changes in the real estate market itself, primarily in metropolitan areas. Land prices of the central Tokyo area, for example, increased for the first time in 15 years. Moreover, the revision to the Trust Business Law in December led to the creation of a new sector of trusts, with procurement and management methods utilizing trusts for a wide range of assets including intellectual property becoming available. Against this backdrop, the mega-banks' new growth strategy of financial conglomeratization strengthened while the unique role of trust banks possessing advanced expertise and offering combined commercial banking, trust services, and real estate business services came into new focus.

2. Review of Performance—

Record High Profits through Enhanced Fee Income
Consolidated net business profit (before credit costs) was ¥161.1 billion in fiscal year 2004, a year-on-year increase of ¥7.5 billion (+4.9%). As a result, consolidated net income vastly improved to ¥96.8 billion, a year-on-year increase of ¥17.2 billion (+21.6%) and profits reached a

The most outstanding feature of our fiscal year 2004 performance was an increase in fee income, which grew to ¥116.6 billion from ¥100.1 billion in fiscal year 2003.

record high. At the same time, consolidated net income per share grew from a level of ¥53.99 in fiscal year 2003 to ¥59.86 in fiscal year 2004.

The most outstanding feature of our fiscal year 2004 performance was an increase in fee income (consolidated gross business profit basis), which grew to ¥116.6 billion from ¥100.1 billion in fiscal year 2003. The Retail Financial Services Group made the largest contribution to this growth by increased sales of performance-based products such as mutual funds and individual annuities, while the Real Estate Group also increased the net fees and commissions from brokerage and securitization-related services. Further, in the Wholesale Financial Services Group, growth in stock transfer agency services as well as our focus on market-based loans like real estate non-recourse loans and syndicated loans resulted in an increase of fee income.

With respect to the credit cost, we recorded a net gain of ¥0.7 billion as transfers from the reserve for possible loan losses exceeded the amount of newly generated non-performing loans. The expense ratio on a non-consolidated basis was 43.5%, a year-on-year improvement of 0.1 percentage points.

Another feature of our performance in fiscal year 2004 was an enhancement of our financial content. On a consolidated basis, our Tier1 ratio at the close of fiscal year 2004 was 7.2%, a year-on-year improvement of 0.16 percentage points, and the BIS capital adequacy ratio was 12.5%, a year-on-year improvement of 0.05 percentage points. Both figures are much higher than that of Sumitomo Trust's peers. The balance of non-performing loans on a non-consolidated basis at the close of fiscal year 2004 was ¥184.2 billion, a year-on-year decrease of ¥104.7 billion, and the non-performing loan ratio improved to 1.8% from 2.8% at the close of fiscal year 2003.

Breakthrough Plan 2004, our three-year medium-term management plan, has established three targets for Sumitomo Trust to achieve by fiscal year 2006: 1) an ROE of over 10%; 2) a fee income percentage of over 50%; and 3) a credit rating of A or better. Looking back at the progress of the plan over its first year, steady progress has already been made with ROE at 11.8% and a fee income percentage of 39.7% (a 4.5 percentage point increase). Moreover, our Moody's credit rating improved

Steady progress has already been made with ROE at 11.8% and a fee income percentage of 39.7%. Moreover, our Moody's credit rating improved in fiscal year 2004 from Baa1 to A2.

Actions for the benefit of stakeholders must above all strengthen or maximize the benefits that our competence as a trust bank brings.

in fiscal year 2004 from Baa1 to A2. Overall, Sumitomo Trust's past fiscal year performance indicates a positive start toward a successful achievement of our fiscal year 2006 targets.

II. Core Management Principle—Aiming for Well-Balanced Quality Growth

To make ourselves ready for the future growth opportunities, we have proactively implemented measures to reduce our downside risks. In particular, we have been successful in resolving non-performing loans problem ahead of our competition. Through our actions, Sumitomo Trust has put together the highest quality financial fundamentals among Japanese banks, fully repaid public funds, and gained the flexibility to utilize improvements in the market environment to the greatest possible extent. In the market today, we see emerging opportuni-

ties for earnings growth particularly in the real estate-related and retail markets. We will make the most of these growth opportunities to improve our earnings structure by boosting fee income. We will thereby achieve our goal—quality growth with high profitability and stability.

1. Management Concept:

Quality Is Key to Becoming the Top Trust Bank.

In Breakthrough Plan 2004, Sumitomo Trust outlined its vision for becoming the top trust bank group. Being the top trust bank group is not dependent on the size of our business; instead, this status is achieved by possessing a business of an appropriate size and utilizing trust know-how to generate high-quality profit (high-level, highly efficient, and sustained profits). Trusts are a source of differentiation requiring advanced expertise, and they are also our best weapon to increase profit without irresponsibly expanding the balance sheet or, in other words, to aim for higher capital efficiency. Therefore, actions for the benefit of stakeholders, including M&As and alliances, must above all strengthen or maximize the benefits that our competence as a trust bank brings. In that sense, there is a dan-

In addition to our standard marketing efforts to expand our overall customer base, we are also endeavoring to expand our high-quality customer base by utilizing the strength of external forces through M&As and strategic alliances.

ger that becoming overly consumed in city bank-led conglomeratization may weaken our competence. Instead, we will continue to pursue value enhancement as a top quality trust bank group, recognizing Sumitomo Trust's inherent role as an independent financial institution with outstanding capital, assets, and profit. As a top quality trust bank group, we shall also possess a high-quality customer base as well as strength in our management of capital efficiency, and manage both commercial banking and trusts. I believe that faithfully advancing this vision is the only sure way for Sumitomo Trust to obtain the support of customers and the market in the medium and long-term and position ourselves as the top trust bank group.

2. Management Strategy:

Aiming for High Capital Efficiency

Sumitomo Trust has successfully increased both the quality and quantity of its capital. As we aim for quality growth, our next challenge is the effective utilization of freed-up capital. In doing so, we will make timely and appropriate decisions, taking into account both our strategic investments and shareholder rewards.

(1) Strategic Investments—

Expanding Our Customer Base and Trust Assets

It is essential that we greatly expand our customer base and trust assets. We must make efforts to communicate to people the value of using Sumitomo Trust's outstanding trust know-how. To that end, in addition to our standard marketing efforts to expand our overall customer base, we are also endeavoring to expand our high-quality customer base by utilizing the strength of external forces through M&As and strategic alliances. A representative example of this approach is our acquisition of a 66% stake in Matsushita Leasing & Credit Co., Ltd. Through this acquisition, we obtained access channels to two million individual customers, 500,000 corporate clients, and 86,000 employees of Matsushita Electric Group companies. Moreover, we have concluded trust agency contracts with Daiwa Securities Group Inc. and regional banks.

Meanwhile, in our loan business, we have focused intently on increasing our risk-adjusted return while maintaining the size of our balance sheet, which we aim to achieve by continuing our shift of assets from conventional loans to market-

We are promoting a new profit model under which Sumitomo Trust actively forms investment projects and achieves both fee income and investment returns concurrently.

We newly decided to aim for a consolidated dividend payout ratio of 20% or more as a numerical standard.

based loans. In respect to market-based loans, we are able to make an investment decision leveraging our risk-return assessment capability. In particular, real estate non-recourse loans and syndicated loans are sectors in which we can apply our real estate know-how and our expertise cultivated as a leading institutional investor in Japan, giving us a competitive edge in these sectors.

In addition, we have developed our original business model, “investment banking leveraging our trust functions,” by combining our expertise in market-based loans with our strong financial base. By taking acceptable risks for assets in which we hold expertise, we are promoting a new profit model under which Sumitomo Trust actively forms investment projects and achieves both fee income and investment returns concurrently.

(2) Shareholder Rewards

Under our new dividends policy, Sumitomo Trust’s dividends per share improved from ¥6 in fiscal year 2003 to ¥12 in fiscal year 2004, and our consolidated dividend payout ratio increased from 12% to 21%. We have diversified our options

in respect to shareholder rewards, shifting from the former policy of stable dividends to a method of overall return combining dividends and share buybacks. In this respect, we newly decided to aim for a consolidated dividend payout ratio of 20% or more as a numerical standard. We have already adapted this standard from the fiscal year 2004 settlement of accounts, and doubled ordinary stock dividends from ¥6 to ¥12.

(3) Capital Allocation Committee

In addition to the inherent importance of the above two points, Sumitomo Trust is strongly aware that shareholders’ capital is the most valuable procurement. Consequently, we established the Capital Allocation Committee to put in place a system that can consistently meet the expectations of our shareholders. Through this committee, we are systematically and regularly reviewing capital allocations to our various businesses based on the standard of SVA (Shareholder Value Added).

3. Corporate Social Responsibility (CSR) Management

Sumitomo Trust seeks as a trustee to obtain the unconditional confidence of our customers to take custody of their

Application of CSR management strengthens our brand power as an asset management and information processing service financial institution.

important assets by transferring ownership rights. Sumitomo Trust is also an essential component of advanced social infrastructure by its precise fiduciary operations. In that sense, we have a stronger sense of social responsibility than all other financial institutions and can proudly claim to be ahead of the others in respect to practices of CSR management. Sumitomo Trust is actively applying the concept of CSR management in all our businesses. Consequently, we are advancing specialized mortgage loans for environmentally friendly houses and project finance for environmental projects. And also, our socially responsible investment (SRI) funds are playing a pioneering role in Japan. Application of CSR management strengthens our brand power as an asset management and information processing (custodial) service financial institution that possesses the strength of sophisticated investment management and precise operation, and it has a natural role in the realization of quality growth.

III. In Conclusion

Sumitomo Trust's business model is to increase high-level, highly efficient, and sustained profits centering on fee income, taking full advantage of trusts, our main area of competence, and backed by strong financial fundamentals. Individual and corporate needs for asset management and asset servicing are rapidly increasing. I intend to ensure that consumers make our Bank their No. 1 choice among financial institutions by utilizing the outstanding know-how that we have acquired through our combined management of commercial banking, trust, and real estate services. We will continue to dedicate ourselves to high added value and highly efficient management befitting a trust bank representing Japan. In that, I respectfully ask for your understanding and support.



Yutaka Morita President and CEO

Special Feature: Sumitomo Trust Group's Growth Strategy

Pursuing Quality Growth

quality

The Sumitomo Trust Group is aiming to position itself as a “top quality trust bank group,” progressing toward a top status in the areas of capital, assets, profit, and customer base. As we strive to realize high-quality sustained growth, we will build upon our advantage of having top-notch financial fundamentals among Japanese banks as well as unrivalled competence in our trust functions.

1. Financial Targets — Defense Ensured

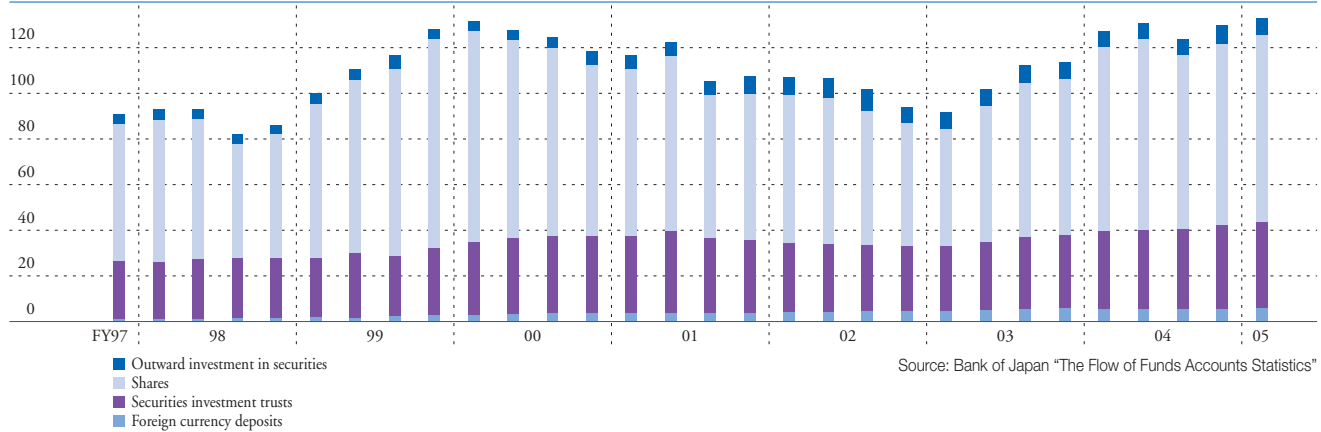
Our three main financial targets to achieve by March 2007 are a consolidated ROE of over 10%, a consolidated fee revenue ratio of over 50%, and a long-term credit rating of A or above. We have maintained our ROE level exceeding 10% for two consecutive years (with an 11.8% ROE in fiscal year 2004) and achieved our long-term credit rating target (assigned A2 by Moody's, A by S&P and A- by Fitch).

We are also moving steadily toward our fee revenue ratio target, raising the rate to 39.7% in fiscal year 2004.

Concerning our asset soundness, the ratio of our non-performing loans to total loans declined below 2.0% to 1.8%. The quality and quantity of our capital has also improved steadily. As of the end of March 2005, our BIS capital adequacy ratio was 12.5%, public funds were fully repaid, the Tier I ratio was 7.2%, and the ratio of deferred tax assets to Tier I capital was at an extremely low level of 9.3%. Having outperformed our competitors in efforts to reduce downside risks, we now have the highest quality of financial fundamentals among Japanese banks and are well positioned to powerfully push forward our growth strategy.

Balance of Risk Assets Held by Households (Quarterly)

(Trillions of yen)



2. Growth Strategy — Leap to the Next Growth Stage

In accelerating our growth strategy, we have identified four driving forces based on competence for unrivalled trust functions. Going forward, we will place our focus on “retail financial services leveraging our trust functions” and “investment banking leveraging our trust functions” as an engine of quantum profit growth, as well as on “global expansion of the trust business” and “consolidated management” to complement the preceding two forces.

1) Retail Financial Services

Leveraging Our Trust Functions

The current accelerating shift from savings to investment has facilitated an ideal environment for us to offer “retail financial services leveraging our trust functions” with strength in the investment and management of large amounts of assets.

Our retail business model is based on a marketing style of attaining high customer satisfaction and building

solid relationships by offering consulting services that make use of our strength in the real estate and pension fields and our rich lineup of products. In particular, we will set as one core target the “Trust Generation” of people aged 50 and over who are likely to obtain large amounts of assets from retirement allowances and inherited assets, and strive to expand our customer base through advertising and product development that meets the needs of this generation. At the same time, we will enhance our private banking services for wealthy customers. Targeting customers with total assets of ¥500 million or more, we will build a business structure under which 32 dedicated private bankers take direct charge. We plan to develop our PTC (private trust club) as a basic platform, and increase its present membership of approximately 3,000 to 5,000 over the next three years. Furthermore, we established STB Wealth Partners Co., Ltd., a consulting services subsidiary dedicated to the wealthy in June 2005 to provide full-fledged services that the parent trust bank cannot extend, offer-

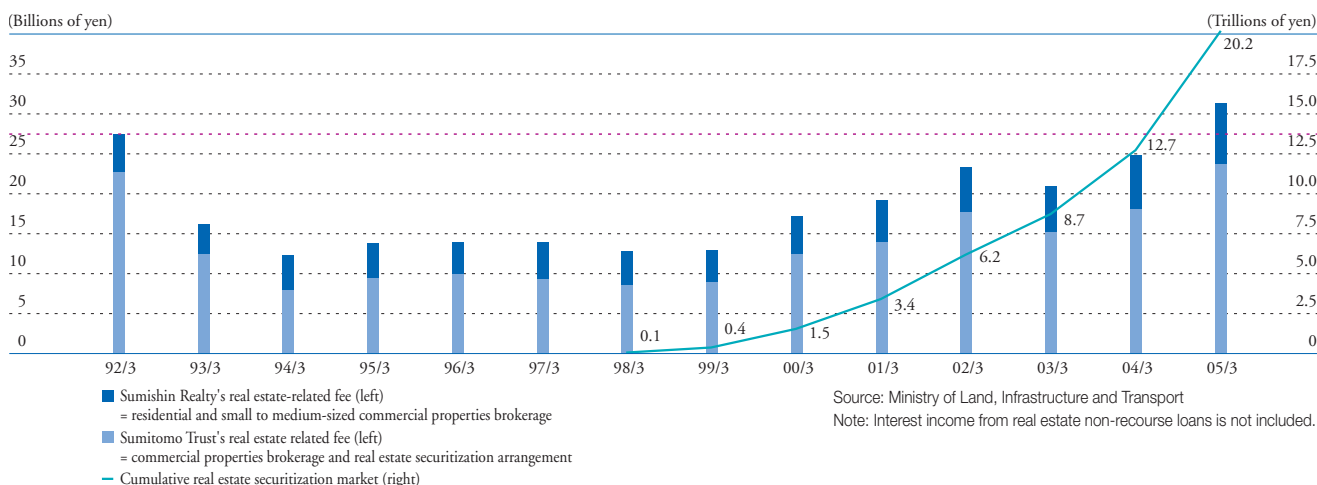
ing the most advanced private banking services in Japan.

2) Investment Banking Leveraging

Our Trust Functions

Another pillar of profit growth is “investment banking leveraging our trust functions.” At a time when corporate financing vehicles are evolving from conventional bank borrowings to new forms such as direct finance, securitization, and non-recourse loans, our securitization arrangement functions and our capacity to analyze specific investment targets including future cash flows of assets is gaining prominence. “Investment banking leveraging our trust functions” is a model designed to maximize profits by organically combining our customer base and know-how pertaining to each business line of commercial banking, trust, and real estate with our solid capital base. Through this model, we will earn profits in four areas—sourcing of assets to structure them as investment products, placement, proprietary investment, and investment advisory—based on pricing capabili-

Trends in Real Estate Business Profits



ties, risk management techniques, and the securitization know-how that we have developed in the real estate and credit businesses. We are already one of the top players in such areas as securitization, real estate non-recourse loans, and real estate fund-related businesses, and we will pursue a cross-divisional reinforcement and development of these businesses.

3) Global Expansion of Our Trust Business

We are now fostering next-generation growth by bringing our domestically developed trust banking know-how to the global market.

— Global Custody Business

We have one of the largest global custody services among Japanese banks, led by Sumitomo Trust & Banking Co. (U.S.A.). We have steadily expanded this business dedicated to Japanese institutional investors on the strength of our global network that covers 95 markets and enhanced Japanese-language support services, with our balance of assets under custody reaching

approximately US\$112 billion at the end of March 2005. We are also striving to boost our lineup of global services, including cash management services, securities lending, and voting support.

— Global Expansion of Asset Management Business

In line with our highly appraised management performance by foreign consulting agencies, we are marketing our self-managed funds to foreign institutional investors. We have already sold such products as the Japanese Stock Long & Short, the Fundamental Value Fund, and the SRI Fund to European pension funds. We also have investment advisory contracts with some foreign asset management companies concerning Japanese stock investments.

— Business in China

We established a branch in Shanghai, China in May 2005, becoming the first Japanese trust bank to enter the Chinese market and commencing commercial banking services for mainly

Japanese companies operating in China. In addition, following the enactment of the corporate pension law in China in May 2004, we set up a subsidiary for corporate pension consulting services. This subsidiary mainly provides pension system and personnel system consulting services to Japanese companies operating in China as well as non-Japanese companies, and system consulting services to Chinese financial institutions. We are preparing a foothold with an eye toward a full-fledged entry into the pension market in China. Furthermore, our private equity fund jointly established with China International Trust and Investment Corporation (CITIC) in 2003 has invested in two companies, both of which have steadily grown in terms of sales and profit.

4) Consolidated Management

Our group currently consists of 19 consolidated subsidiaries and nine equity method affiliates, each of which provides a broad range of services covering from financial services such as credit cards, leasing, venture capital, and asset management to housing bro-

Mid-Term Target (Please refer to the notes below)

<Non-Consolidated> (Billions of yen)	FY2004 (actual)	FY2005	FY2006	FY2007	FY2008
Gross Profit	262.5	272.0	277.0 ~ 284.0	289.0 ~ 299.0	301.0 ~ 311.0
Wholesale Financial Services	87.8	91.9	93.9 ~ 95.4	95.9 ~ 98.9	95.9 ~ 98.9
Retail Financial Services	65.7	67.9	68.8 ~ 71.3	74.5 ~ 78.0	85.6 ~ 88.6
Treasury and Financial Products	47.3	52.5	53.0	53.0	53.0
Fiduciary Services	33.9	32.8	33.9	36.0 ~ 36.5	39.3 ~ 40.3
Real Estate	23.7	24.0	24.0 ~ 27.0	24.0 ~ 27.0	24.0 ~ 27.0
Expenses	114.3	122.0	122.0	124.0	126.0
Net Business Profit before Credit Costs	148.2	150.0	155.0 ~ 162.0	165.0 ~ 175.0	175.0 ~ 185.0
Credit Costs	-1.4	20.0	20.0	20.0	20.0
Net Gains on Stocks	13.6	} -10.0	10.0	10.0	10.0
Others	-23.6		-10.0	-10.0	-10.0
Net Operating Profit	120.5	120.0	135.0 ~ 142.0	145.0 ~ 155.0	155.0 ~ 165.0
Net Income	84.7	72.0	81.0 ~ 85.0	87.0 ~ 93.0	93.0 ~ 99.0

<Consolidated>

(Billions of yen)	FY2004 (actual)	FY2005	FY2006	FY2007	FY2008
Net Business Profit before Credit Costs	161.1	170.0	177.0 ~ 184.0	189.0 ~ 204.0	200.0 ~ 220.0
Net Operating Profit	134.1	140.0	157.0 ~ 164.0	169.0 ~ 184.0	180.0 ~ 200.0
Net Income	96.8	80.0	91.0 ~ 95.0	98.0 ~ 107.0	105.0 ~ 117.0

* Regarding the market assumptions for the mid-term target, please see the table below.

kerage and think tanks. In recent years, in addition to the organic growth of Group companies as exemplified by the upgrading of STB Leasing Co., Ltd. to the first section of the Tokyo Stock Exchange and advancements made by STB Asset Management Co., Ltd, Sumishin Realty Co., Ltd., and BUSINEXT CORPORATION, the group has been expanding rapidly as a result of enhanced cooperation with business partners as well as mergers and acquisitions of such companies as Sumishin Matsushita Financial Services Co., Ltd. and Sumishin Card. Co., Ltd. The roles of these Group companies are growing increasingly important in respect to complementing and rein-

forcing our business models described above, expanding our customer base and business areas. We plan to aggressively cross-sell our products and services to the largely untapped customer bases of our affiliated companies. Meanwhile, we will strive to maximize economies of scale within the group and achieve greater efficiency at Japan Trustee Services Bank, Ltd. (JTSB) and Japan Pension Operation Service, Ltd. (JPOS), our outsourcing joint ventures. By strengthening our consolidated management, we will seek to strengthen our All-Sumitomo Trust services and also pursue an increase in group consolidated profitability. (For details, please refer to Subsidiaries and Affiliated Companies on P30.)

3. Medium-Term Targets — Pursuing Quality Growth

Through the specific measures identified in our four driving forces, we will continue to seek a higher consolidated ROE and long-term credit rating, realize a consolidated fee revenue ratio of over 50%, and attain “high-quality” profit growth over the medium and long term.

Notes:

1. For treasury and financial products that are largely affected by the macroeconomic environment, we will aim for a more stable profit structure through a strengthening of market-making for customers.
2. We highly expect the real estate business to be a profit driver, but we are making a conservative estimate of brokerage fees due to the uncertain market environment.
3. We estimated credit costs at ¥20 billion, or 20 basis points of ¥10 trillion, within a reasonable range calculated on the basis of our past performances.
4. Consolidated profits assume the expansion of business by Group companies.

Interest rate / stock price assumption (Base case scenario)

	FY04 (actual)	FY05	FY06	FY07	FY08
6-month Yen LIBOR	0.06%	0.06%	0.12%	0.24%	0.37%
5-year Yen SWAP	0.64%	0.73%	0.85%	0.98%	1.11%
Nikkei 225 (Yen)	11,668	11,500	11,500	11,500	11,500

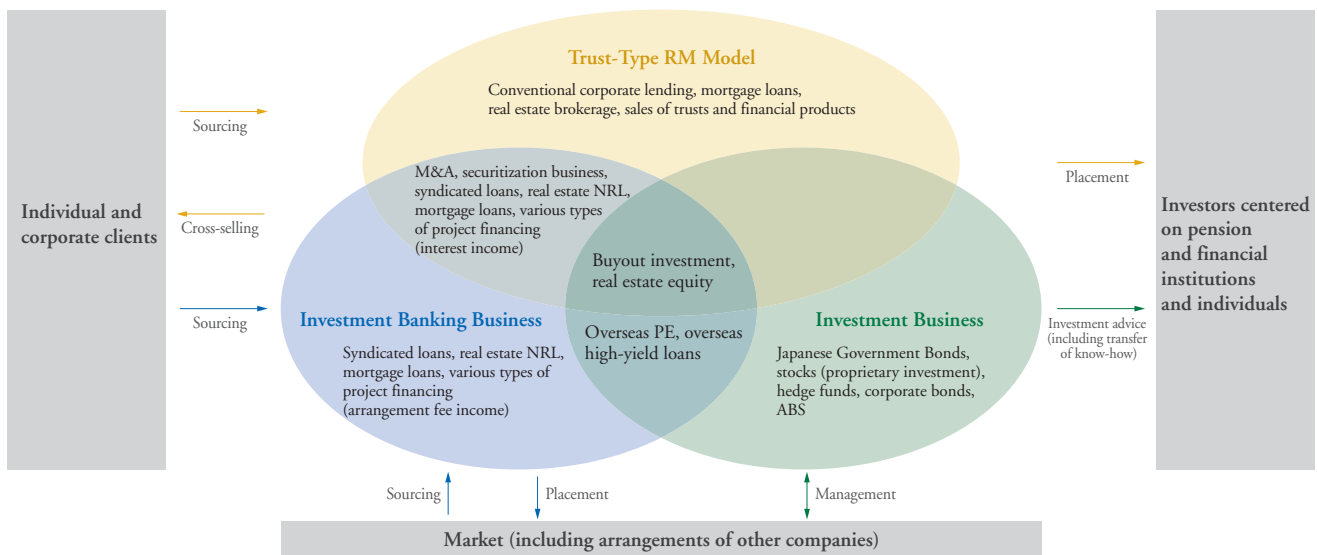
Interest rate / stock price assumption (Upside scenario)

	FY05	FY06	FY07	FY08
6-month Yen LIBOR	0.06%	0.24%	0.37%	0.51%
5-year Yen SWAP	0.73%	0.98%	1.11%	1.21%
Nikkei 225 (Yen)	11,500	12,000	12,500	13,000

Overview of Operations

Full-Fledged Expansion of Investment Banking Leveraging Trust Functions

Investment Banking Leveraging Trust Functions



→ Differences between “investment banking leveraging our trust functions” and the general investment banking business

- (1) Highly evaluated trust-type Relation Managers, which have strength in consulting-type marketing backed by a high level of trusts and finance expertise
- (2) Focusing of business fields, such as real estate, credit assets, assets related to corporate acquisitions and equipment, where Sumitomo Trust has expertise in risk-return analysis and risk control
- (3) Outstanding synergy between proprietary account investments and asset management for other people in terms of applying proprietary account investment know-how to investment management services and developing investment products for investors

We have specified the two major engines powering Sumitomo Trust’s significant earnings growth: “retail financial services leveraging our trust functions” and “investment banking leveraging our trust functions.”

In our retail financial services, we aim to create a retail business model that is distinct from those of Japan’s mega-banks and secure a significant presence in the market as a “fourth pillar” in the financial services industry by leveraging our trust functions to pursue truly customer-centric services. Our retail marketing style emphasizes consulting-based marketing from the customer’s point of view and our specialty areas including pensions and real estate services.

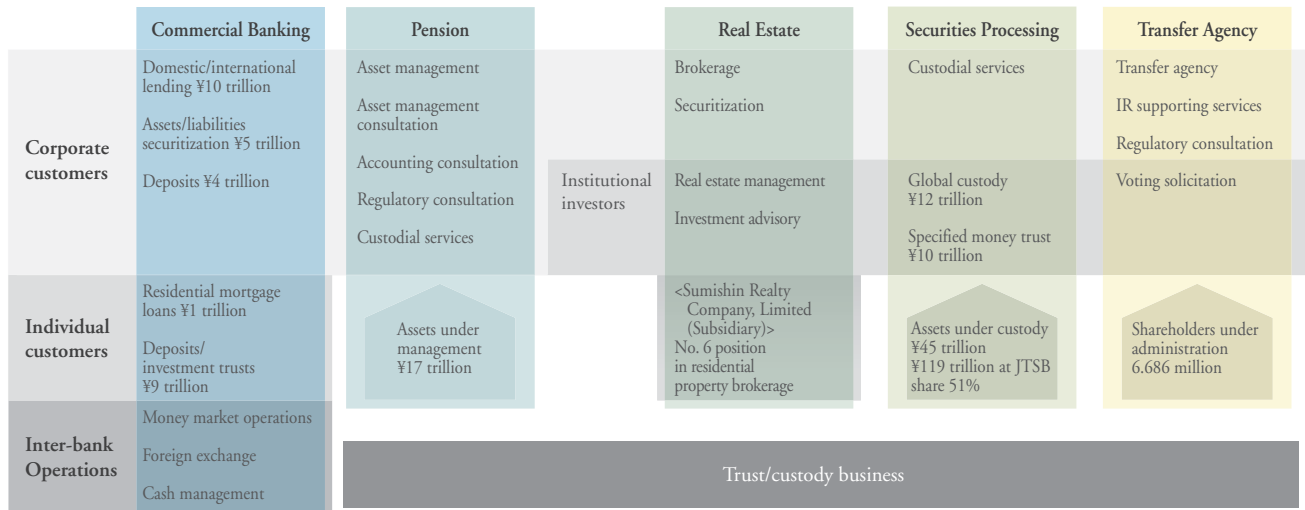
In our investment banking leveraging trust functions, we will enhance our overall profit-generating capacity by beefing up

our investment banking capability to supply a variety of products to the market, utilizing our expertise in risk-return analysis and risk control in such asset classes as real estate and various receivables. At the same time, we will strengthen investment in a diverse set of assets using a proprietary account.

We seek to become an indispensable financial institution in the fields of asset management, custody, and financing by further improving our “consulting-based marketing model with commercial banking, trust services, and real estate operations under one roof.” Central tenets to this goal are the enhancement of our cross-divisional business and maximization of the integrated strength of “All-Sumitomo Trust.”

Overview of Our Business and Business Group Management System

Overview of Business



Business Group Management System



Breakdown of Profit by Business Group

Operation Summary by Business Group

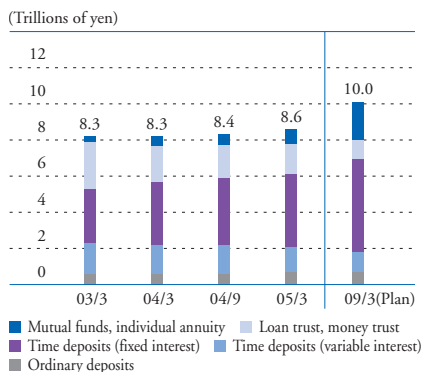
(Billions of yen)	Non-Consolidated						Consolidated		
	Gross business profit before credit costs			Net business profit before credit costs			Net business profit before credit costs		
	FY2004	FY2003	Change	FY2004	FY2003	Change	FY2004	FY2003	Change
Wholesale Financial Services Group	87.8	87.7	0.1	67.1	66.2	0.9	72.8	71.5	1.4
Stock Transfer Agency Services	5.9	5.3	0.6	3.6	2.3	1.3	6.8	6.6	0.3
Retail Financial Services Group	65.7	55.5	10.2	14.4	4.6	9.9	17.2	6.4	10.8
Treasury and Financial Products Group	47.3	56.5	-9.2	38.2	47.2	-9.1	38.2	47.2	-9.1
Fiduciary Services Group	33.9	33.6	0.3	18.9	20.0	-1.0	21.3	20.4	0.9
Pension Asset Management	28.8	29.5	-0.7	15.6	17.7	-2.2	17.0	17.8	-0.8
Securities Processing Services	5.1	4.1	1.0	3.4	2.3	1.1	4.3	2.6	1.8
Real Estate Group	23.7	18.1	5.7	16.5	11.0	5.5	17.7	11.9	5.8
Others	4.2	5.7	-1.5	-6.9	-4.0	-2.9	-6.0	-3.7	-2.3
Total	262.5	257.0	5.5	148.2	145.0	3.1	161.1	153.6	7.5

Retail Financial Services Group

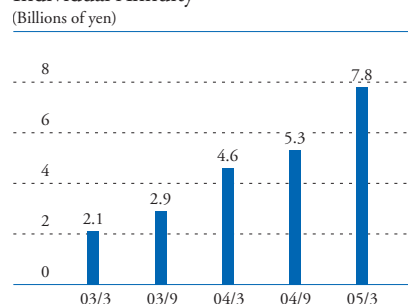


Masahiko Nakai
Group President

Volume of Plan for Depository Assets



Fee Revenue of Mutual Funds and Individual Annuity



Business Operations and Basic Strategies

The Retail Financial Services Group aims to provide distinctive retail financial services leveraging our trust functions. Specifically, our goal is to: (1) offer customer-oriented consulting services based on the trust business' basic philosophy of "confidence and integrity;" (2) ensure our strength in the asset management and asset servicing of large funds such as retirement allowances and inherited assets; (3) apply our expertise and knowledge in the real estate market to the retail business; (4) draw on our pension-related know-how to build strength in providing consulting services in such areas as financial products to supplement pension and other financial matters related to life after retirement; and (5) establish ourselves as an outstanding presence in provid-

ing full-fledged private banking, which is an essential role of trusts, and become a "fourth pillar" in contrast to Japan's three mega-banks.

We primarily target individual customers in need of our asset management and asset servicing. Looking ahead, we anticipate individuals in their 50s and above, particularly the baby-boom generation, to increasingly obtain relatively large amounts of financial assets due to retirement or inheritance. This generation of people we have named the "Trust Generation" will become the core target in our efforts to expand our customer base. Accordingly, we will strive to advertise and develop products that target the needs of this "Trust Generation."

Fiscal Year 2004 Results and Strategies (Review of Consolidated Performance)

Net business profit before credit costs for fiscal year 2004, ended March 31, 2005, rose 168.8% year-on-year to ¥17.2 billion. Amid diversified investment needs, we expanded our lineup of savings and investment products, while also exerting efforts to market performance-based products (including mutual funds and individual annuities), sales of which totaled ¥353.4 billion for fiscal year 2004, up 28% year-on-year. Including the sales commissions from these performance-based products, fees and commissions substantially increased by 72% year-on-year. A significant increase in loans to individuals, principally mortgages, also contributed to profit growth.

We attach importance to an expansion of our total depository assets*, and therefore, we emphasize the value of increasing the balance of both our savings products and performance-based

products. Thanks to our reinforced lineup of savings instruments, total depository assets grew significantly to ¥8,617.9 billion, a year-on-year increase of ¥227.0 billion. In particular, the balance of Good Select, a new fixed-term deposit launched in April 2004, grew rapidly to top ¥1 trillion just one year after its launch.

In the area of will trusts and estate settlement, both of which are important to developing customer needs for asset management and asset servicing, the number of contracts grew rapidly as a result of our focused marketing efforts that we started last year.

* Total depository assets: Savings products (deposits, loan trusts, jointly-managed money trusts) + Performance-based products (mutual funds, individual annuities, etc.)

Progress to Date and Plans for Fiscal Year 2005 and Beyond

Two major structural changes have taken place in the retail financial services market.

The first change is an accelerating shift “from savings to investment.” Individuals’ risk tolerance has been rising amid growing concerns over the public pension system and the prolonged period of low interest rates. As seen in the strong sales of performance-based products, the ratio of risk assets (investment trusts and stocks) to personal financial assets has been growing, and this trend is likely to develop steadily for some time to come.

The second change relates to population dynamics. Two huge markets of personal financial assets will emerge over the next few years, led mainly by the so-called “baby-boom generation” (totaling some eight million). The first market is the retirement money market, which is expected to reach a total of approximately ¥50 trillion between 2007 and 2009. Another market is the inheritance asset market, of which with assets are expected to top ¥80 trillion in fiscal year 2008. Within this market, the retiring baby-boom generation will be the main inheritors. In addition, the second-generation baby boomers will be in their 40s and in their prime years for home buying and other asset formation.

We will seize this excellent opportunity by positioning our retail financial services business as an “engine of profit growth” over the medium and long term and mobilize the full force of Sumitomo Trust to enhance our presence in the market.

1. Products – Substantial Lineup Expansion (Mobilizing Sumitomo Trust’s Full Force in the Retail Business)

In light of the shift from savings to investment, we have been developing and marketing a variety of investment products for our retail customers, leveraging our know-how from our other business groups including pension, real estate, and private equity (PE) investment. In fiscal year 2005, we will further enrich our product lineup, centering on pension-supplementing products primarily oriented toward the “Trust Generation.” Specifically, we launched a Pension-Type Time Deposit for managing funds reserved for the lock-up period of pension benefits in July 2005, and plan to launch Asset Management-Type Packages of investment instruments compiled by customer needs and type of investment, and foreign currency deposits in five currencies. Furthermore, drawing upon our strength of “investment banking leveraging our trust functions,” we are preparing the launch of a new money trust instrument for individual customers based on the securitization of our mortgage loan claims.

2. Consulting – Making the Most of Trust Bank Expertise in Pension, Real Estate, etc.

We have specialized staff for fine-tuned consulting-type marketing, consisting of about 400 asset management advisers for core market centering on the “Trust Generation” as well as some 60 financial consultants for high net worth customers. In both segments, we are striving to enhance customer satisfaction by offering consulting services that correspond to the attributes and needs of customers, making the most of our: (1) expertise in asset management and asset servicing; (2) expertise in pension and real estate; and (3) a wide array of financial products.

One example of our measures to support consulting-type marketing is the gradual remodeling of our branch offices through fiscal year 2005 to create private counseling spaces that allow our customers to receive consulting services in a relaxed atmosphere. We will also push ahead with a project to share branch offices with Sumishin Realty Co., Ltd. to achieve synergy with our real estate operations. Furthermore, as part of a strategy to boost our private banking business, branch general managers are placing themselves at the forefront to promote face-to-face relationships with private banking customers.

3. Efficient Expansion of the Customer Base

We are also taking advantage of a variety of marketing channels to expand our customer base efficiently. In April 2005, we started television commercials highlighting the “Trust Generation.” We are also redoubling efforts in the area of direct telephone and Internet banking and now boast the largest base of Internet banking subscribers among trust banks at 330,000.

Through new market exploration efforts in the workplaces of our corporate clients as well as focused efforts to broaden our customer base by utilizing affiliated firms, business partner companies, and agents, we have been able to achieve tangible results, including a remarkable increase in the workplace-based mortgage loans.

In developing our trust agency network, we concluded agency contracts with PanaHome Corporation, a homebuilder within the Matsushita Group, as well as two regional banks. As for business tie-up arrangements, we have concluded agreements on will trust and estate settlement services with PanaHome, as well as with more than 20 corporations, schools, and others.

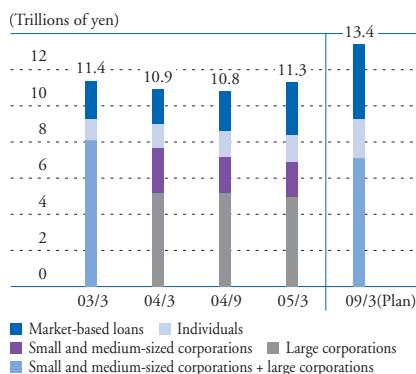
With regard to the private banking business, we are developing a high profit business model through the establishment of a subsidiary specializing in consulting services.

Wholesale Financial Services Group

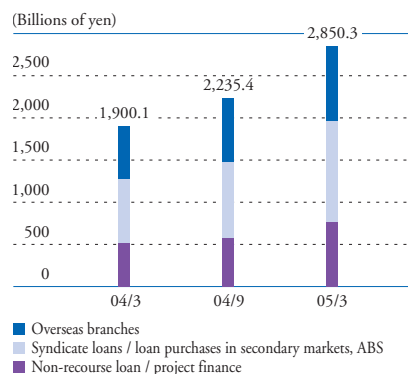


Jiro Araki
Group President

Change in Balance of Loans



Amount of Market-Based Loans



Business Operations and Basic Strategies

The Wholesale Financial Services Group’s business model is “the bank that enhances clients’ corporate value.” Leveraging our cross-selling platform of commercial banking, trust, and real estate services we offer creative solutions for management issues from the clients’ point of view. We combine high value-added proposals, speedy responses, and financial support based on our trust function to enhance customer satisfaction and boost our own profitability.

To meet clients’ diverse needs, we offer a broad range of services, including conventional deposits and loans, market-based loans such as real estate non-recourse loans and syndicated loans, and also investment in asset-backed securities (ABS), asset securitization arrangement, and stock transfer agency services. We are one of the top performers in asset securitization arrangement, and also, favorably positioned to provide real estate non-recourse loans and syndi-

cated loans. Our close and solid relationship with corporate clientele as well as our expertise in risk-return analysis and risk control, and our competitive edge in these operations, are playing a central role in our push for “investment banking leveraging our trust functions.”

In the current business environment of fund surplus in the corporate sector, we see weak funding needs of corporations and a tightening bias in lending spreads. Against this market situation, we are following a “credit barbell portfolio” strategy to strike a balance between an adequate expansion of loan assets, improved profitability, and stronger credit risk management. Specifically, while seeking to increase our lending volume to quality companies with high credit ratings, we are striving to boost absolute returns through investment in high-yield loans, equities, and mezzanine instruments on the strength of our risk-taking capacity and expertise in risk-return analysis and risk control.

Fiscal Year 2004 Results and Strategies (Review of Consolidated Performance and Outlook)

In fiscal year 2004, ended March 31, 2005, net business profit before credit costs totaled ¥72.8 billion (up 1.8% year-on-year).

We focused on a “portfolio reallocation strategy” to compensate for a decline in conventional loans amid the corporate sector’s weak demand for fund by actively utilizing real estate non-recourse loans, ABS investment in Japan, and credit investment overseas. As a result, our overall balance of credits rose ¥294.8 billion during the second half of fiscal year 2004 to register the first net increase in two and a half years. While asset securitization needs slowed somewhat due to waning

funding demand from non-bank financial institutions, we covered the declines both in revenue from conventional loans and in securitization fees by expanding market-based loans both at home and overseas.

At the same time, we have consistently been working on minimizing downside risks. The quality of our loan assets improved further, with the non-performing loans ratio falling to 1.8%. Furthermore, we are actively engaged in loan trades as a means of optimizing the risk-return profile of our loan portfolio and newly started bulk trades (portfolio exchanges with other financial institutions).

Progress to Date and Plans for Fiscal Year 2005 and Beyond

With the new BIS capital rules (Basel II) scheduled to be introduced fully in March 2007, we will continue efforts to optimize our risk-return profile by proactively using a credit barbell portfolio strategy and portfolio exchanges.

Going forward, the corporate sector's overall demand for funding is likely to remain weak. Amid this trend, we will seek to realize sufficient earnings growth to counter the shrinking trend of revenue from conventional loans by further increasing market-based loans in Japan and overseas, particularly investment in highly liquid credit assets, in addition to fee income from asset securitization arrangements, loan syndications, and the stock transfer agency business. At the same time, we will expand our "investment banking leveraging our trust functions" by taking on a degree of risk in equities and mezzanine instruments.

1. Full-Scale Development of "Investment Banking Leveraging Trust Functions"

The business model of "investment banking leveraging our trust functions" is to make "all possible opportunities, assets, and transactions, which are found through our customer base, particularly for large corporate clients, as well as our direct access to the financial markets, to acquire in profits by undertaking various functions including arrangement, structuring, investment, and placement all on our own through cross-divisional coordination in the loan business, asset securitization, and credit investment. In particular, we will strive to strengthen our profitability by focusing on non-bank financial institutions, real estate, overseas credit, and asset securitization arrangements, our fields of expertise in risk-return analysis and risk control and competitive edge.

(1) Strategy for Business with Non-Banks

Our particular expertise in risk-return analysis and risk control and our competitive edge extends to business with the non-banking sector. We are trying to expand profit-earning opportunities and our customer base through strategic investment, such as capital tie-up arrangements and joint business operations, based on the strength of our risk-taking capacity.

In fiscal year 2004, we purchased ¥20 billion in preferred shares of APLUS Co., Ltd., a major consumer credit company, and developed the opportunity to organize our largest-ever syndicated loan (a total of ¥100 billion, with 25 banks participating).

We were also able to expand our product lineup and customer base through a capital tie-up with Matsushita Leasing & Credit Co., Ltd. (renamed as Sumishin Matsushita Financial Services Co., Ltd.) as well as the formation of the joint venture Sumishin Life Card Co., Ltd. with LIFE Co., Ltd. In fiscal year 2005, we will advance to the stage of realizing profits by actively taking advantage of newly added customer bases and product areas.

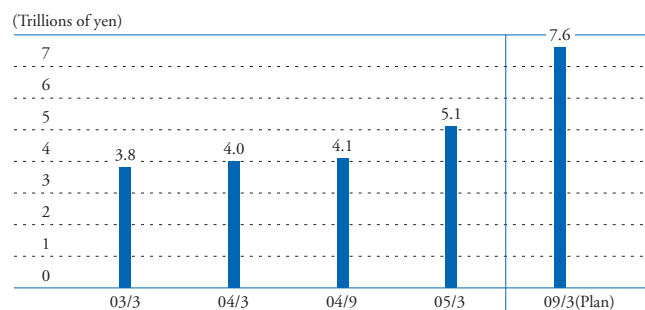
(2) Asset Securitization Business

In the asset securitization business, we not only intend to develop further demand through strategic investments in the non-bank sector, but also to direct our attention to the development of new customers and areas of business.

One such effort is collaboration with regional banks. In September 2004, we launched jointly with regional banks a special-purpose company (SPC) established as a vehicle to facilitate the securitization of accounts receivable held by corporate clients of regional banks. It has now been recognized as a promising business model from the regional bank sector, with the official participations from Iyo Bank and Hokkoku Bank with as many as eight others expressing their intention to participate. We also expect to increase the number of business partners for a real estate fund that we created in a tie-up with Hokkaido Bank.

As a result of a revision to the Trust Business Law in December 2004, intellectual property has been newly qualified for securitization on top of the existing types of assets including lease assets, credits, accounts receivable, auto loans, and mortgage loans. An intellectual property trust for video content has been created. In addition, we

Change in Entrusted Assets for Securitization



will redouble our efforts in the area of real estate non-recourse loans for real estate investment trusts (J-REIT) and funds for private placement in cooperation with the Real Estate Group. *

* The Real Estate Group handles the arrangement of real estate securitization.

(3) Credit Investment Business

In the credit investment business, we are far ahead of our competitors in overseas credit investment such as high-yield loans in North America and mortgage loan securitization products in Europe. Project financing and private equity-related businesses also have great potential. We have established ourselves as a leading player in such areas as ship and wind power generation financing. In this business line, we will also exert efforts to provide investment advisory services, which are rooted in our knowledge of investment, to domestic pension funds and financial institutions.

2. Expansion of the Customer Base

In executing a credit barbell portfolio strategy, it is important to secure quality borrowers with a good credit standing. Recently, large Japanese companies have been giving priority to the quality of services and products over *keiretsu* business affiliations. Furthermore, share allocations are being adjusted against the backdrop of the banking industry reshuffle. To take advantage of this emerging opportunity, we will launch focused efforts to strengthen relationships with large corporations with major business potential.

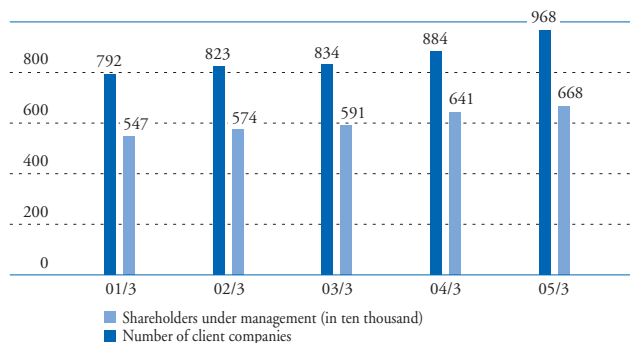
Regarding an expansion of the customer base using external sales channels, we will focus more energy on gaining access to a broader customer base by way of business partners in various sectors. This will be pursued in the wake of the revision to the Trust Business Law at the end of December 2004, which expanded the scope of eligible trust agencies from financial institutions only to business corporations and other entities.

We established a specialized office in December 2004 and have already concluded an agency contract with the Daiwa Securities Group Inc. We will be more proactive in this area, in anticipation of further deregulation allowing agencies to engage in the commercial banking business.

3. Stock Transfer Agency

It is becoming essential that the shareholders register be finalized at an early date in connection with corporate defenses against hostile takeover attempts. In addition, there is a growing need for earlier dates for general shareholders' meetings and dividend payments. Against this backdrop, a review of stock transfer agencies is already under way. Our next-generation stock transfer agency service system, NEO-CAROL, boasts the fastest processing speed in the industry to give it an overwhelming competitive advantage. By adding investor relations support services to this system, we plan to increase our number of corporate clients.

Number of Shareholders under Management and Client Companies

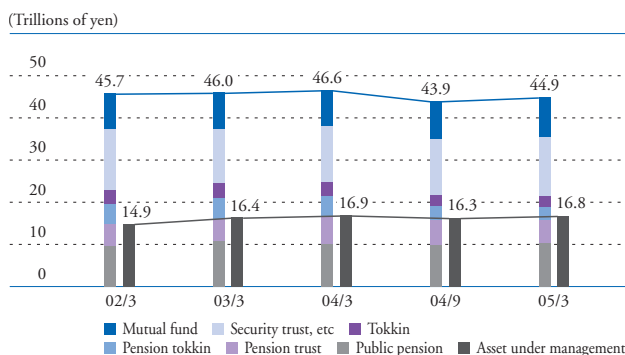


Fiduciary Services Group



Takaaki Hatabe
Group President

Volume of Entrusted Assets (Ending Balance)



Business Operations and Basic Strategies

The Fiduciary Services Group's business is classified into three categories: (1) trustee of pension assets (asset management and asset servicing for pension assets) and pension system planning; (2) investment management (asset management, investment advisory); and (3) securities processing services.

We command the largest share of the public pensions market, and also, our capabilities in corporate pensions are highly rated. In the corporate pensions area, we offer multi-plans for both defined benefit and defined contribution pension plans in accordance with customer needs, provide comprehensive consulting services covering asset management to system planning, and offer products catering precisely to customer needs. Leveraging these strengths, we have increased our market share for defined benefit pension plans while being appointed as asset manager for defined contribution plan by a number of pension funds. We intend to further raise our share in the market of pension trust (corporate pension plans offered by trust banks) from 15.4% at the end of March 2005 to 20.2% by 2009 and aim to solidify our position as the market leader for defined contribution pension plans.

With respect to investment management, on top of our strength in active management of conventional assets such as domestic and foreign stocks and bonds, we are suitably positioned to offer alternative investments including hedge funds, real estate securitization products, and private equity investment. In the corporate pension market, in particular, we have earned a solid reputation for our business model that offers an optimal combination of products catering to customer needs through investment consulting services. In promoting this business model, we have built our status as Japan's market leader in the area of alternative investments, boosting the largest outstanding balance.

In securities processing services, we are pursuing economies of scale by expanding assets under custody in collaboration with Japan Trustee Services Bank, Ltd. (JTBSB), an affiliate specializing in securities processing with approximately ¥119 trillion worth of entrusted assets. Our global custody business, provided through a U.S. subsidiary, is the largest in scale offered by any Japanese bank, with assets under custody topping \$100 billion. Together with securities lending, this business has grown into Sumitomo Trust's largest global service.

Fiscal Year 2004 Results and Strategies (Review of Consolidated Performance)

In fiscal year 2004, ended March 31, 2005, net business profit before credit costs totaled ¥21.3 billion (up 4.4% year-on-year). As of the end of March 2005, the balance of assets under management stood at ¥44.9 trillion (down 3.6% year-on-year), with

assets accompanying asset management amounting to ¥16.8 trillion (down 0.6% year-on-year). This reflects a decline in the balance of designated money trust primarily due to the rebalancing of public pension assets. Pension trust balances at the end of March

2005 fell 19.7% year-on-year to ¥5.3 trillion (at market), mostly due to the decline of *daiko henjo* (returning to the government the public pension portion of the corporate pension funds) flows and the popularity of our “multi-plan and multi-product” business model. The balance of assets for custody alone (without asset

management) declined primarily because large-lot specified money trusts (*tokkin*) of pension assets were directly entrusted with JTSB. Meanwhile, mutual fund assets registered a sizable 10.6% year-on-year increase.

Progress to Date and Plans for FY2005 and Beyond

The corporate pension market is expected to expand again in the near future, as the effect of *daiko henjo* flows approaches its end in fiscal year 2005 and growing concern over public pensions draws renewed attention to the supplementary role of corporate pension plans. As competition now largely revolves around the quality of services and products rather than corporate groups (*keiretsu*), a great opportunity presents itself to fully utilize our competitive edge. In addition, it is likely that there will be market share adjustment resulting from a reorganization of the mega-banks. Leveraging our comprehensive consulting services that range from investment to system planning and high value-added marketing expertise, we will seize this opportunity to expand our market share and broaden our customer base. Furthermore, we will diversify our profit sources as well as maintain and improve our profitability by strengthening alternative investment products and distinctive instruments for active management and by redoubling efforts to develop customers such as non-profit organizations, financial corporations, retail investors, and foreign investors.

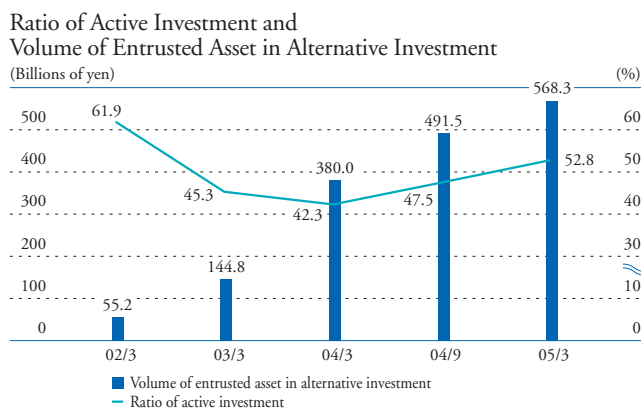
In the field of the securities processing business, we will enhance resistance to downward pressures on custody fees by offering high value-added services such as sophisticated information based on our asset management and custody know-how and by exerting our marketing efforts to thoroughly differentiate ourselves from the competition. We also seek to strengthen our cost competitiveness by operating JTSB more efficiently.

1. Pension Trust – Seeking to Expand Market Share by Consulting + A Multi-Plan, Multi-Product Approach

In the corporate pension market, our strengths are: (1) sophisticated expertise and an accumulation of know-how that enable us to perform “highly-practical services” ranging from the introduction of a system to its management, not limited to system consulting and including actuarial computation, labor-management negotiations, and support for negotiations with competent authorities; (2) an

“open platform” business model for investment that allows us to offer optimal products to meet customer needs using not only our own products but also those offered by other asset management companies; and (3) our ability to design custom-made pension plans to offer all types of defined benefit and defined contribution pension plans in line with corporate customers’ personnel and finance strategies. Customer understanding and support for our “multi-plan and multi-product” business model are steadily gaining ground.

With a view to curbing pension obligations, an increasing number of companies are likely to continue introducing cash balance plans and defined contribution pension plans. Our expertise in system consulting services is proving effective in attracting pension funds to our defined contribution pension plans. As of the end of March 2005, the number of employees subject to enrollment in our defined contribution plan reached 264,000, placing us at the top of the industry, including life insurance companies and mega-banks. We offer an array of defined contribution pension products, including our own socially responsible investment (SRI) fund “Good Company.” We will continue to hone this strength to fully consolidate our position as the market leader.



At the same time, the introduction of cash balance plans is giving rise to the need to diversify beneficiary management and benefit administration. In order to immediately respond to the situation, together with Mizuho Trust & Banking Co., Ltd., we jointly established Japan Pension Operation Service, Ltd. (JPoS). in December 2004, a company specializing in pension plan administration services, and we are combining both banks' know-how for its efficient operation.

2. Investment Management—Expanding our Customer Base with High-Quality Investment Product Groups

Outside the corporate pension market as well, investors are finding it difficult to identify rewarding investment opportunities in light of low interest rates. Leveraging our distinctive business model, we are aggressively seeking to expand our customer base by focusing on non-profit organizations, financial corporations, retail investors, and foreign investors.

For the “multi-product” feature of our investment management business, we offer a rich assortment of premier-quality products, including domestic stock and bond investments backed by a number of experienced analysts and fund managers. In addition, we offer a highly-rated leading alternative investment. We are seeking to build a “multidimensional diversified investment portfolio” composed of carefully selected products to realize stable and high returns conforming to customers' investment needs. External evaluation organizations constantly rank us among the top-tier companies in terms of both investment performance and client services. Our alternative investment know-how is also used by STB Asset Management Co., Ltd. for its mutual fund product development.

3. Securities Processing Services—Improving Profitability

by Pursuing Volume and Higher Value-Added Services

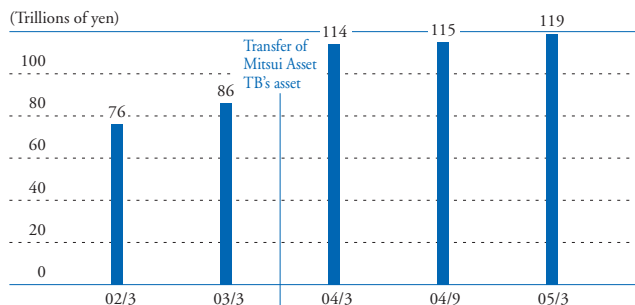
As fee rates are declining, we will redouble efforts to expand volume and increase efficiency in the securities processing business.

First, we aim to improve performance by accurately grasping individual investors' increasing interest in mutual fund products amid the growing shift “from savings to investment.” To boost assets for stock investment trusts, we will develop new customers among foreign-affiliated asset management companies, in addition to increased marketing efforts to existing investment trust management companies.

Secondly, we intend to bolster JTSB's competitiveness by reinforcing its marketing staff and improving efficiency in its operations. As the trend toward a “fragmentation of asset management and custody” is likely to become more evident going forward, we anticipate JTSB to win more business in securities processing directly, instead of through Sumitomo Trust. We believe our efforts to boost JTSB's capacity will lead to an increase in its market share.

In our well-established Japanese-language services for our global custody business, we are gradually expanding the scope of our markets for these services so as to improve customer convenience. In the securities lending business, we are also broadening our scope of operations to include foreign equities for active management to respond to diversifying customer needs.

Volume of Japan Trustee Services Bank (JTSB)

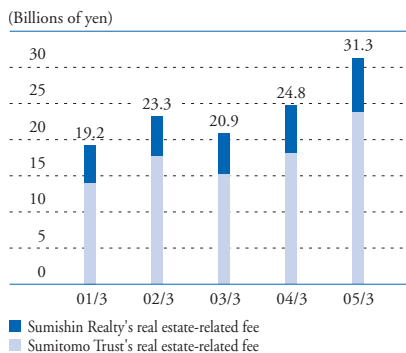


Real Estate Group

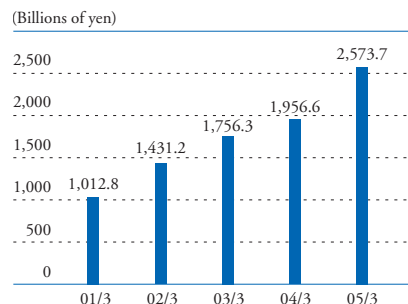


Masao Shibuya
Group President

Growth of Real Estate Business



Entrusted Assets for Real Estate Securitization



Business Operations and Basic Strategies

The Real Estate Group offers a broad range of real estate-related services, including brokerage, securitization, investment advisory, appraisal services, and other consulting services. In the area of securitization, in particular, we are superior not only in scheme arrangement and placement, but also in the identification of quality properties. We also excel in our expertise in risk-return analysis and risk control in real estate management trust, which is essential for the management of securitized properties. Moreover, in tandem with growth in the securitization market, our business in real estate management trust and real estate brokerage has been growing every year.

On the one hand, the supply of premier property to the market is increasing due to the introduction of impairment accounting for fixed assets by corporations as well as their balance sheet streamlining efforts. On the other hand, investors (financial insti-

tutions, pension funds, and individuals) who are having difficulty finding good investment opportunities in the low interest rate environment are showing strong interest in real estate for investment purposes. The combined effect of these has led to booming real estate investments through exchange-traded real estate investment trusts (J-REIT) and private real estate funds. To make the utmost of this favorable trend, we will explore all possible profit-earning opportunities including real estate management trust and brokerage, following the “one deal, multi-income” principle. At the same time, we will use our strength in property information and our real estate expertise in risk-return analysis and risk control to bolster our competitive edge in other service groups, including our Wholesale Financial Services Group, Retail Financial Services Group, and Fiduciary Services Group.

Fiscal Year 2004 Results and Strategies (Review of Consolidated Performance)

For fiscal year 2004, ended March 31, 2005, net business profit before credit costs rose 48.7% year-on-year to ¥17.7 billion. As a result of increased marketing efforts amid the booming market in real estate for investment purposes, real estate transaction services (brokerage of real estate, securitization-related) and infrastructure

services (real estate management, etc.) also recorded a strong performance. Thanks to the increase in the number of real estate brokerage transactions, Sumishin Realty Co., Ltd. reported fee revenue of ¥7.5 billion.

Progress to Date and Plans for Fiscal Year 2005 and Beyond

Guided by the basic policy of exploring every possible profit-earning opportunity to receive the full benefit of the booming market, the Real Estate Group will implement the following measures.

1. Expansion of Business Base through Cooperative Tie-ups

In the real estate business, we are developing new sales channels through business tie-up arrangements with a view to achieving efficient customer development and increased property information. In fiscal year 2004, along with Sumitomo Mitsui Banking Corporation, we invested in the real estate consulting firm Japan Real Estate Solution Support Co., Ltd. and concluded a business tie-up contract with Daiwa Property Co., Ltd., a subsidiary of Daiwa Securities Group.

We expect the booming real estate market in metropolitan areas to spread to other large cities. To respond to the growing needs for liquidity of real estate in areas not extensively covered by our branch network, we will aggressively participate in activities to support the securitization of real estate held by client companies of regional banks through tie-ups with regional banks. To start with, we launched an investment fund with Hokkaido Bank in March 2005.

With a view toward revamping our property development pipeline, we established a joint investment trust management company with manufacturer-affiliated real estate firms Nippon Steel City Produce, Inc. and Oji Real Estate Co., Ltd., thereby facilitating our move into the J-REIT business. Furthermore, there are plans for this new company, Top REIT Asset Management Co., Ltd., to establish an investment corporation with initial assets of around ¥50 billion and obtain a listing for the investment corporation on the Tokyo Stock Exchange at an early date.

2. Real Estate Equity Investment

Real estate equity investment will be one of the major drivers in Sumitomo Trust's company-wide efforts to promote the "investment banking leveraging our trust functions."

Amid limited investment opportunities, pension funds and regional banks with structural surplus funds are increasingly attracted to alternative investments, including investment in private real estate funds and securitized real estate equities. However, the supply of investment-grade instruments is far from sufficient. In order to fill the void, we are exerting efforts to develop investment-grade instruments by leveraging our expertise in risk-return analysis and risk control and scheme development capabilities.

In our placement activities, we are actively investing in an equity portion of the same instrument. By doing so, we can provide other investors with a sense of security, and at the same time, increase investment returns for ourselves as an institutional investor.

3. Stronger, More Efficient Administrative Operations

The rapid market expansion made the capacity of real estate administrative operations a major issue for all trust banks. In order to substantially improve our administrative processing capacity, we developed and switched to a new comprehensive real estate management system in March 2005.

Compared with a conventional hosting-based system, the processing speed and quality of administrative operations have been significantly improved. The system has reduced administrative costs by automating cumbersome rent receipt/negotiation and accounting procedures. Also, the system has enhanced customer services by strengthening the function of data linkup with asset managers and real estate management companies as well as the function of cash flow analysis.

Currently, inquiries are pouring in from asset managers and J-REIT management companies about the purchase or joint use of this system. In the future, we hope to make this system the de facto standard for common infrastructure in the real estate management industry.

4. Boosting Integrated Strength as a Corporate Group

Together with the new system's launch, it is important to bolster our ability to provide fine-tuned property management services along with adequate human resources. In fiscal year 2005, as in fiscal year 2004, we plan to aggressively pursue the mid-career recruitment of people with expertise in the real estate business as well as qualified people with an interest in this business.

In our real estate business, group companies are also coming to play an extremely important role.

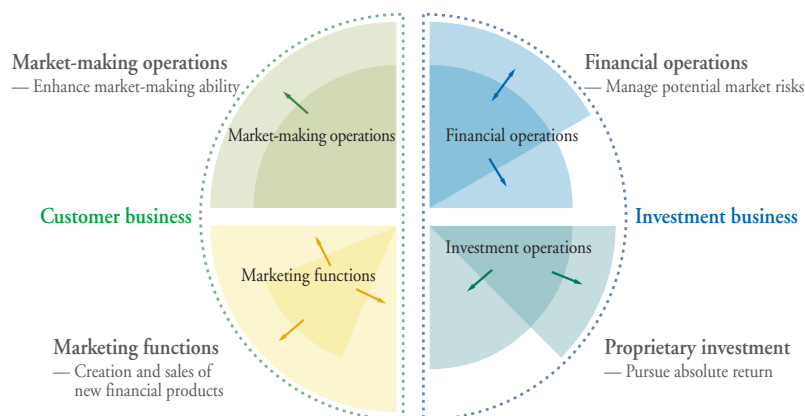
Sumishin Realty Co., Ltd. now handles a number of brokerage deals for corporate clients on top of its residential brokerage business. Going forward, we plan to pursue community-based fine-tuned services in closer cooperation with the Retail Financial Services Group.

STB Research Institute Co., Ltd., a highly-rated think tank in the area of real estate investment evaluation, plans to further strengthen its investment advisory business for real estate-related investments of pension assets. It also supports the management of the J-REIT Fund of Funds by STB Asset Management Co., Ltd.

Treasury and Financial Products Group



Tomoaki Ando
Group President



Business Operations and Basic Strategies

The Treasury and Financial Products Group's business operations consist of an investment business and a customer business. The investment business comprises (1) financial operations intended to manage potential market risks across Sumitomo Trust's business operations and (2) investment operations conducted on our own account. The other pillar, our customer business, covers (1) market-making operations and (2) the syndication and sales of market-oriented financial products (marketing function).

Through our investment business, we seek to secure stable

company-wide earnings by hedging a whole range of market risks involved in Sumitomo Trust's balance sheet as well as to generate absolute profits from proprietary investment. In our customer business, our aim is to offer quality, competitively-priced financial products that match customer needs by drawing upon the financial techniques and market-making prowess that we have accumulated as a major player in the financial markets. In doing so, we will contribute to a strengthening of Sumitomo Trust's competitiveness in both retail and wholesale markets.

Fiscal Year 2004 Results and Strategies (Review of Consolidated Performance)

In fiscal year 2004, ended March 31, 2005, net business profit totaled ¥38.2 billion (down 19.1% year-on-year).

Changes in the global market environment, such as a shift in the U.S. to a tightened monetary policy in June 2004, prompted us to adjust our market operations from a deflationary footing, and our net business profit in the first half totaled only ¥10.3 billion, far below

our planned net business profit. In the second half, however, our earnings performance greatly improved due to a more robust market environment, carryovers from efforts to invest in bonds during the first half, and investment diversification. Our net business profit in the second half amounted to ¥27.9 billion, and net business profit for the entire fiscal year was ¥38.2 billion.

Change in Cost and Net Unrealized Gains/Losses of Securities (for Securities with Available Market Prices) (Consolidated/After Devaluation)

(Billions of Yen)	Cost			Net Unrealized Gains (Losses)		
	Mar. 2005 (A)	Mar. 2004 (B)	(A)-(B)	Mar. 2005 (C)	Mar. 2004 (D)	(C)-(D)
Held-to-maturity Debt Securities	822.6	10.3	+812.2	+4.6	+0.3	+4.3
Available-for-sale Securities	3,115.6	3,117.4	-1.8	+193.0	+160.5	+32.5
Stocks	440.2	450.8	-10.5	+193.1	+159.0	+34.0
Bonds (JGB)	957.1	1,165.2	-208.1	+3.3	-8.9	+12.2
Foreign Bonds and Others	1,718.2	1,501.3	+216.8	-3.4	+10.3	-13.7

Progress to Date and Plans for Fiscal Year 2005 and Beyond

Investment Business (1)

Financial Operations—Dynamic Risk Management

Financial operations are designed to stabilize earnings and maximize Sumitomo Trust's economic value by appropriately controlling risks involved in the overall balance sheet. They feature not only operations to hedge measured risks but also a close analysis of ever-changing market conditions and dynamic execution of hedge and risk controls. With a view to enhancing these features and strengths further, we launched the Dynamic Risk Allocation approach in a full-fledged manner by establishing a dedicated department in April 2005.

Investment Business (2)

Proprietary Investment—Three-Dimensional Diversified Investment

We pursue absolute profitability when investing in our own accounts through a strategy of “three-dimensional diversified investment” that involves various combinations of risk involved, time span, and investment technique.

The core competence that supports this three-dimensional diversified investment is our “Robot” investment system built on the accumulation of investment know-how and data since 1995. This system, which could be described as the grand sum of our investment techniques, is contributing to the enhancement and stability of investment returns as well as the development of human resources. Our highly capable staff is constantly staying one step ahead of the system, acquiring sophisticated investment skills by developing investment know-how and applying the new skills to actual investments in the market, feeding the results back into the system to form a virtuous circle.

We are also boosting our capabilities by taking flexible measures to respond to the investment environment, including hedge fund investments as a way of “outsourcing” to supplement our own personnel and system.

Furthermore, we newly set up the Strategic Diversified Investment Group in April 2005, which is charged with developing our investment business into one of Sumitomo Trust's core businesses by accelerating the diversification of risks to which investment techniques are applied.

Customer Business (1)

Market Making—A “Manufacturer” of Financial Products

The market-making function, which is likened to a “manufacturing division” for financial products, forms the basis of our customer busi-

ALM Strategy

■ ALM → Business Portfolio Management

*Key – Stable Profit with Balanced Business Portfolio

ness. We consistently seek to offer high-quality and better-priced financial products to our customers, while enhancing our presence as a major player in the financial markets by taking the initiative in creating various markets associated with foreign exchange and interest rates.

Looking back on the history of Japan's financial markets, we played a central role in the creation of the yen interest rate swap market, allowing us now to take pride in our strength in interest rate derivatives. In April 2005, we established the Financial Markets Department in a move to reinforce our already strong structure.

Customer Business (2)

Marketing Function—Supporting Retail, Wholesale Groups

Another important role of our group is to provide the marketing function for financial products utilizing our financial techniques and market-making prowess to meet customer needs.

In fiscal year 2004, we received our first order for market-risk consulting, a deal to sell our know-how acquired through in-house risk management to outside clients. This service includes means to measure the risks that confront corporate clients, proposing ways to manage risk and offering specific hedging products.

In fiscal year 2004, we also identified unique business opportunities for a trust bank in foreign exchange transactions on margin, which are now rapidly expanding. We were the first in Japan to develop the Foreign Exchange Margin Trust and were able to secure our first-ever order for such a trust product.

In fiscal year 2005, we will push ahead with efforts to establish our risk consulting service and foreign exchange margin trust scheme as the de facto standard. Additionally, we aim to facilitate the development of competitive products in the fields of foreign exchange deposit and fixed-term deposit through stepped-up cooperation with the Retail Financial Services Group and Wholesale Financial Services Group.

Strength of The Sumitomo Trust Group

— Subsidiary companies and Affiliates

The Sumitomo Trust Group consists of Sumitomo Trust, 19 consolidated subsidiaries, and nine equity method affiliates. The Group provides a wide spectrum of financial services with trust banking at its core, while other services include credit card operations, leasing, and the real estate business.

In fiscal year 2004, Group companies became increasingly competitive in their respective areas of specialty. STB Leasing Co., Ltd. moved to a listing on the first section of the Tokyo Stock Exchange, while STB Asset Management Co., Ltd. and Sumishin Realty Co., Ltd. showed rapid progress.

To reinforce the cross-divisional function and total strength of the Sumitomo Trust Group, we intend to expand the scope of closer cooperation to the STB Group companies in fiscal year 2005. In particular, as some Group companies have considerable room to develop their customer bases, we will mount a vigorous group-wide effort to cross-sell Sumitomo Trust's quality products and services from an approach of maximizing customer value. Further, strategic tie-ups and M&As are expected to expand dramatically the Group's business scope and customer base. Such endeavors include the start of operations in Sumishin Life Card Co., Ltd. and the acquisition of a controlling stake in Matsushita Leasing & Credit Co., Ltd., both in April 2005.

■ RETAIL FINANCIAL SERVICES GROUP

Sumishin Card Co., Ltd.
(Credit card – Consolidated subsidiary)

[Scope of Business]

Established in 1983, Sumishin Card Co., Ltd. is a member of the VISA Japan Group and has approximately 140,000 cardholders. It offers highly refined credit services through eight types of cards, each tailored to different customer characteristics. Utilizing its healthy financial position (a capital adequacy ratio of 35.7% as of the end of March 2005), the Company is taking proactive steps to expand financial operations through the introduction of new revolving payment services and purpose-free loans offered through the workplace of large corporate clients.

[Strategic Role in the Group]

Working closely with Sumitomo Trust's Retail Financial Services Group, Sumishin Card Co. is trying to create a mechanism for attracting new customers by preparing a shared reward-point scheme with Sumitomo Trust. The Company does not simply utilize the Sumitomo Trust customer base; rather, it strives to provide indirect support for Sumitomo Trust's retail strategies by strengthening its services offered through the workplace of large corporate clients and, in particular, to the retiree market (also known as the "Trust Generation").

■ WHOLESALE FINANCIAL SERVICES GROUP

STB Leasing Co., Ltd.
(Leasing – Equity method affiliate)

[Scope of Business]

With a listing on the Tokyo Stock Exchange's second section

in December 2003 and a promotion to the first section in March 2005, STB Leasing Co., Ltd. is a comprehensive leas-

ing company with an asset value of more than ¥520 billion. In October 2004, the Company acquired a controlling stake in Sumisei Leasing Co., Ltd. from Sumitomo Life Insurance Company.

Sumishin Matsushita Financial Services Co., Ltd.
(Leasing – Consolidated subsidiary)

[Scope of Business]

Sumishin Matsushita Financial Co., Ltd., which was formerly Matsushita Leasing & Credit Co., Ltd., took its current form after a controlling stake was acquired from Matsushita Electric Industrial Co., Ltd. in May 2005. The purpose of this acquisition was to integrate the financial and trust banking expertise of Sumitomo Trust with the extensive customer base of the Matsushita Electric Group. At present, Sumitomo Trust and Matsushita Electrical Industrial, Ltd. own 66% and 34% of Sumishin Matsushita Financial Services, respectively.

BUSINEXT CORPORATION
(Cash loan – Equity method affiliate)

[Scope of Business]

BUSINEXT CORPORATION is a loan company for small and medium-sized enterprises as well as unincorporated private enterprises, co-founded in 2001 with the major consumer loan company Aiful Corp. BUSINEXT's strength is its unique scoring model, created using credit control expertise amassed through its consumer financing operations. As of the end of March 2005, BUSINEXT's balance of loans was ¥47.6 billion (up 73% year-on-year), with the Company

Japan TA Solution Ltd.
(Data processing and computing – Consolidated subsidiary)

[Scope of Business]

Co-founded by Sumitomo Trust and Japan Securities Agents, Ltd. in 2002, Japan TA Solution, Ltd. carries out system development/operation and data processing for stock transfer agencies. The Company is entrusted by both parent companies to handle stocks on behalf of approximately 1,250 client companies. (Sumitomo Trust has an 80% stake in the Company.) A new level of competitiveness was secured through the next generation NEO-CAROL custody service system, which began operations in January 2004. This system

[Strategic Role in the Group]

The Company takes an active role in enhancing the Sumitomo Trust Group's capacity to propose solutions that address the increasingly diverse financial needs of our corporate customers.

[Strategic Role in the Group]

In terms of wholesale operations, the Company offers various financial services including leasing, financing, and factoring to the Matsushita Electric Group companies, their related companies, and other entities.

For retail operations, the Company provides credit services, various types of loan operations, and consulting on asset formation, and also acts as a trust bank's agent. In addition to Matsushita Electric products buyers, the employees of the Matsushita Group companies and their affiliates are also important customers of the Company.

recording a profit over the preceding one-year period.

[Strategic Role in the Group]

The Company contributes to the profitability of the Sumitomo Trust Group's wholesale operations, successfully developing loans for small and medium-sized enterprises, a highly profitable area. It also has had an impact on the retail sector, securing the individual business of corporate leaders and senior executives.

enables the processes required to confirm stockholder identities to be undertaken much more quickly than before and also makes possible the presentation of a variety of documents over the Internet.

[Strategic Role in the Group]

The Company takes advantages of its scale, allowing Sumitomo Trust to focus on new customer development using NEO-CAROL as a potent sales tool.

FIDUCIARY SERVICES GROUP

Japan Pension Operation Service Co., Ltd.
(Pension plan administration services – Equity method affiliate)

[Scope of Business]

Japan Pension Operations Service Co., Ltd. (JPOS) was established as a joint venture between Sumitomo Trust and Mizuho Trust & Banking Co., Ltd. The venture handles pension plan management, membership management, and benefit payments. By integrating the two banks' systems, JPOS seeks to provide an industry-leading level of service while also reducing costs associated with maintenance, management, and updating.

JPOS was founded in December 2004 and began operations in February 2005. Preparations are now being made to transfer Mizuho Trust's pension business to the venture in

October 2005. Sumitomo Trust and Mizuho Trust each holds a 50% stake in JPOS.

At present, the venture's two partner companies are entrusted with managing corporate pension plans for approximately three million current and former employees, and we aim to maximize scale merits from this base.

[Strategic Role in the Group]

As in the case of Japan Trustee Services Bank, Ltd., introduced below, the Company will pursue economies of scale. Further, JPOS will enable Sumitomo Trust to focus its resources on such areas as pension system planning and investment management.

STB Asset Management Co., Ltd.
(Investment trust management and consulting - Consolidated subsidiary)

[Scope of Business]

STB Asset Management Co., Ltd. was established in 1986 and acts as an investment trust and investment advisory company, handling asset management for a variety of customers ranging from private individuals to corporations. It oversaw assets valued at ¥465.9 billion as of the end of March 2005, an increase of 55% from a year earlier.

Offering a diverse product mix, STB Asset Management is particularly strong in the active management of Japanese stocks, rigorously promoting SRI (Socially Responsible

Investing) funds such as STB SRI Japan Open [known as Good Company] funds (with a net asset balance of approximately ¥21.7 billion as of end of March 2005).

[Strategic Role in the Group]

The Company is developing mutual funds as well as a diverse range of other investment products, providing support for the Group's multi-product strategy, which aims at both enhancing its retail product mix and facilitating the needs of institutional customers such as pension plan operators and financial companies.

Japan Trustee Services Bank, Ltd.
(Trust banking – Equity method affiliate)

Japan Trustee Information Systems
(System development and operations – Equity method affiliate)

[Scope of Business]

Japan Trustee Services Bank, Ltd. (JTSB) was established in 2000 as the first trust bank in Japan to specialize in asset servicing, with a view to eventually becoming a master trustee (a trust bank responsible for administering the entire assets of a corporation's pension fund. In Japan, pension fund assets are generally entrusted to multiple investment companies.). JTSB provides the most sophisticated asset servicing products in the industry, and responds promptly and sufficiently to customers' increasingly diverse needs for asset servicing solutions. As of the end of March 2005, JTSB oversaw assets valued at more than ¥119 tril-

lion, making it one of the largest trust companies in Japan. Japan Trustee Information Systems, Ltd. (JTIS) is responsible for JTSB's system development, maintenance, and operations. The Sumitomo Trust Group, the Resona Group, and the Mitsui Trust Holdings Group all have a 33.33% stake in each of JTSB and JTIS.

[Strategic Role in the Group]

These companies pursue the maximum benefits of scale merits and support key operations of Sumitomo Trust's Fiduciary Services Group through efficient and thorough management.

REAL ESTATE GROUP

Sumishin Realty Co., Ltd.
(Residential brokerage – Consolidated subsidiary)

[Scope of Business]

Sumishin Realty Co., Ltd. began as the Sumitomo Trust Group's residential brokerage company in 1986. The scope of the Company's business activities has since expanded and now includes real estate consulting as well as brokerage services for individual and corporate customers. For individual clients, Sumishin Realty handles a full spectrum of real estate brokerage for products ranging from homes to investment properties.

[Strategic Role in the Group]

As part of the Sumitomo Trust Group's retail operations, Sumishin Realty offers collaborative services in fields extending from asset and property management to home mortgages. In 2004, as part of Sumitomo Trust's effort to strengthen its retail financial services, it established a joint branch with

Sumishin Realty to enhance customer convenience. (There are now 27 such branches as of May 2005.)

Sumishin Realty also provides referrals and information exchange to Sumitomo Trust's real estate operations, mainly on properties suited for small and medium-sized enterprises, for which demand is high.

In December 2004, Sumitomo Trust concluded a real estate business alliance with Daiwa Property (the real estate brokerage subsidiary of Daiwa Securities Group). Through this agreement, we expect to offer a variety of services to Daiwa Securities Group customers, including real estate price valuations and brokerage business regarding sales, purchase and rent transactions, as well as consulting including real estate securitization.

STB Research Institute Co., Ltd.
(Surveys, research, and consulting – Consolidated subsidiary)

[Scope of Business]

STB Research Institute Co., Ltd. was established in 1988 as a corporate think-tank. The scope of its business activities ranges from surveys, research, and consulting services for the real estate market, including supply and demand trends as well as market forecasts, to surveys regarding real estate investments (property investment eligibility evaluations and real estate investment market forecasts). The Company is regarded as the market leader in conducting field surveys for real estate investments.

Utilizing its unparalleled knowledge, expertise, and analytical capacities of the Japanese real estate market, the Company acts as an investment advisor for properties as well as residential/commercial mortgage backed securities and other marketable securities. It also acts as a third-party

evaluator in conducting surveys, analysis, and real estate fund evaluations.

[Strategic Role in the Group]

The Company provides consultation services to Sumitomo Trust's asset management division in the case of real estate fund investments, offering such advice as the risk standpoint of a prospective purchase, the evaluation of an investment strategy, and the management capacity of a fund manager.

Further, the Company began to provide an advisory service in December 2004 to two investment companies, including STB Asset Management Co., Ltd., on the management of real estate investment trusts for private-banking customers.

Corporate Social Responsibility

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 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 a significant presence in society and generates sustained earnings.

CSR – Strategy and Promotion System

In June 2003, Sumitomo Trust became one of the first members of the Japanese banking community to begin CSR initiatives. Our efforts since then have steadfastly deepened and enhanced these initiatives.

For us, CSR is far more than merely a corporate buzz-word. We seek to ensure that our actions speak louder than words in contributing to society primarily through our core financial products and services. Toward this objective, we have established the Corporate Social Responsibility Office as a central coordinating body to promote CSR and a CSR officer has been appointed to each Sumitomo Trust business group and branch to strengthen our efforts in achieving CSR in our everyday operations.

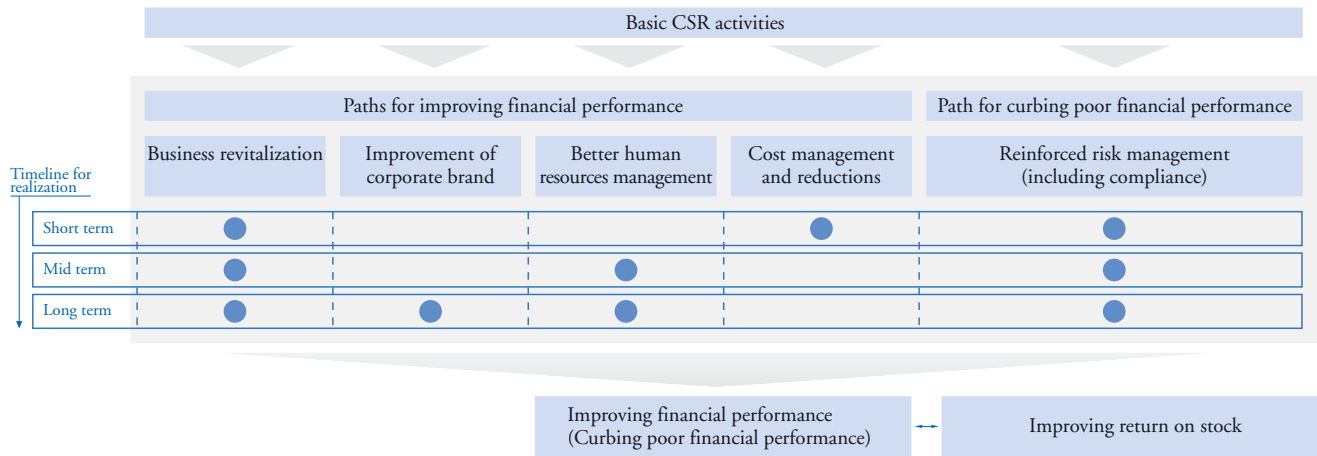
In these efforts, from fiscal year 2004 we have sought to link CSR objectives with strategies and evaluation criteria of our business groups, and have launched trial evaluations of each group's performance.

We also believe it is essential for each and every employee to understand the significance of CSR and take cooperative steps for initiatives to work. In fiscal year 2004, our employees' union initiated activities based on the idea that “maintaining the balance between work and private life leads to higher individual capabilities, which in turn strengthen the organization and ultimately ensure the stable and sustainable development of Sumitomo Trust as a corporation trusted by the commu-

Management System

quality

Five Paths for Improving Corporate Value and “Portfolio of CSR Efforts”



nity.” The Bank intends to support proactively such activities.

CSR Activities in FY2004

Sumitomo Trust has continued to make good use of our banking and trust functions in its CSR efforts. In particular, we have made social contributions through charitable trusts and financed projects for environment-friendly businesses such as wind power generation.

Our socially responsible investment (SRI) funds, nicknamed "Good Company," have proven popular with investors. In addition to two types of funds aimed at institutional and retail investors, we now offer a third type for defined-contribution pension plans. At the close of FY2004, total assets invested in our SRI funds amounted to ¥28,814 million, with increased growth especially in the retail field.

Also, our individual branch offices have been devising their own unique CSR activities, many of which are

being undertaken in close contact with local communities and their members. For example, some branches are conducting seminars on asset management, wills (trusts), and inheritance-related matters—organized by civic centers as a community-based public service.

Our extensive CSR activities and firm policy on CSR have become widely recognized. In fiscal 2004, Sumitomo Trust was selected one of the stocks that comprise MS-SRI Index by Morningstar Japan K.K., which offers comprehensive financial information centering on evaluation of mutual funds.

CSR Activities Policy for

Fiscal Year 2005 and Beyond

Sumitomo Trust selects companies for its SRI funds by evaluating them from four perspectives: social responsibility, legal responsibility, environmental responsibility, and economic responsibility. Since fiscal year 2005, we have reevaluated our own company’s opera-

tions based on these four perspectives in an effort to improve our own corporate value through enhanced CSR activities.

Specifically, we intend to advance our CSR efforts by implementing measures along five paths, improving our financial performance along the way. These paths consist of: (1) business revitalization through new products and services that incorporate environmental and social concepts; (2) better human resources management through the appointment of more women, human rights education, and the employment of elderly and disabled persons; (3) cost management and cost reductions to combat global warming through actions such as energy conservation and reduced paper usage; and (4) reinforced risk management that includes compliance. At the same time, we will (5) hold stakeholder dialogue and actively manage our reputation to improve Sumitomo Trust’s corporate brand, seeking to become a financial institution with broad community and customer support.

Corporate Governance / Compliance

Corporate Governance

Basic Stance

Since its foundation, Sumitomo Trust has adhered to two core principles: “confidence and integrity” (the essence of the trust business) and “placing prime importance on credibility and sound management” (basic Sumitomo Trust 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 supervisory 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 nine directors who serve currently as executive officers, as well as two other directors and 17 other executive officers. Decisions

on important business matters are made at Board of Directors meetings attended by all directors and corporate auditors. The Board of Directors also supervises business execution by directors and executive officers.

We have adopted 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, Capital Allocation 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 the Award for Excellence in Corporate Disclosure from the Security Analysts Association of Japan for the fourth consecutive year. We also upload various IR presentation documents onto our website, underscoring our commitment to providing detailed information to shareholders and customers alike.

Compliance

Trust banks are engaged in an 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 banking as well as trust and other financial 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 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 compliance officers.

Along with checking on the situation related to our compliance structure, the Compliance Committee (committee chair: the director in charge of the Legal Department) investigates and solves problems concerning compliance an—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

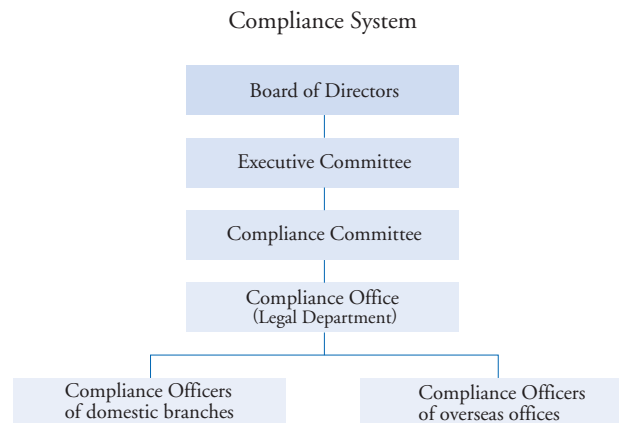
Primary compliance checks are made at all domestic and overseas branches by the appointed compliance officers.

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 provide training.

Additionally, we are continuing our compliance structure realignment to comply with revisions to the Trust Business Law and legal revisions to acts such as the Personal Information Protection Law.



Human Resources Strategy

Basic Policy on Human Resources — Developing Teams Offering Top Quality

Sumitomo Trust is taking active steps to establish itself as a financial institution driven by highly specialized and strongly interconnected services. Under the Sumitomo Trust brand, our teams of specialists provide customers with high value-added services in areas such as pensions, real estate, asset securitization, corporate finance consulting, and private banking.

Our personnel system focuses on three approaches to developing and utilizing highly qualified human resources: (1) provide more “choice,” allowing employees to shape their career paths based on individual goals and offering a supportive workplace environment; (2) align employee compensation/promotion system and human resource portfolios to the business strategies and attributes of different business groups through greater cooperation between the Personnel Department and business divisions; and (3) foster “true professionals” able to fully compete in the marketplace.

We take pride in our unsurpassed dedication to securing and developing highly specialized human resources. As part of our efforts, we have introduced a career system which gives employees adequate flexibility to choose their career paths. We also have established an “internal job recruitment system” through which employees can proac-

tively shape their own careers based on individual commitment. All employees are evaluated under an equal personnel framework that seeks to uncover real capabilities, including levels of specialization and skill, while considering individuals’ career paths and motivation. This system encourages sound competition among individuals and assists us in finding the best-qualified personnel for promotion regardless of age or gender. Also, we make sure that mid-career employees are not at a disadvantage.

Personnel Strategy to Support Business Group Strategies

— Enhancing Customer Value through Greater Specialization

Sumitomo Trust provides its business groups the necessary flexibility to execute their respective strategies. One manifestation of this approach is that business group intentions are strongly reflected in mid-career recruitment as well as staff assignment and remuneration. Our basic policy is to educate employees through on-the-job training. In addition, we seek to enhance managerial skills through external training and e-learning, and encourage leadership development by way of training, exchange programs, and personnel transfers. Mid-career employees can take advantage of our induction training programs and in-house trainee systems within each business group, which allow them to share their experiences and know-how with other

employees and quickly make the greatest contribution possible as a member of “Team Sumitomo Trust.”

We are reinforcing our cross-divisional marketing activities to maximize the integrated strength of “All-Sumitomo Trust,” closely intertwining our specialist know-how in many business lines such as real estate and pensions with our relationship management expertise, as well as the cross selling of banking and trust services. For example, our Fiduciary Services Group (Pension Department) has dispatched 50 pension consultants to 12 locations across Japan, including Tokyo and Osaka, where they are working closely with our Wholesale Financial Services Group.

Entering fiscal year 2005, we will continue efforts to expand our personnel significantly so as to support company-wide endeavors to broaden our customer base and further enhance the quality of our products and services.

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 work 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.

1. Risk Management Structure

Along with deciding upon our basic plan for risk management at the Board of Directors,

we have established departments which control risk by category. These departments consist mainly of managerial and administrative sections that were spun off from the business groups 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

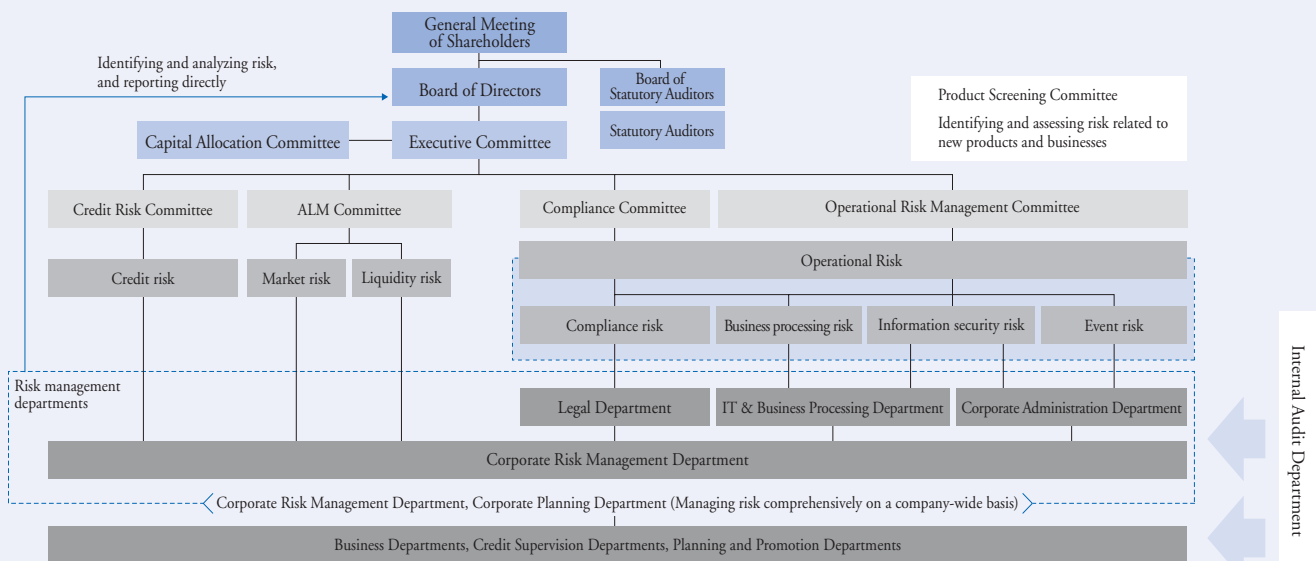
risk management structure. The Corporate Risk Management Department and the Corporate Planning Department are responsible for cross-company adjustment regarding overall operation and management of these various types of risk. Moreover, the Internal Audit Department verifies the appropriateness and effectiveness 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.

2. Overall Risk Management

Overall risk management is a series of activities to ensure soundness through controlling risk within the range of a company's financial strength, looking at the various risks that a company faces with a common perspective in an integrated manner.

We control the risk of capital being damaged by determining the overall possible risk burden based on our financial strength and setting an upper limit for each risk unit

Risk Management Structure



and department that is commensurate with operation plans. We carry out efficient and appropriate risk operation as a result of our introduction of management indicators, Value at Risk (VaR) and Shareholders Value Added (SVA), as pillars of overall risk management. Moreover, we have a structure in which our Capital Allocation Committee, which is an advisory board of our Executive Committee, examines and verifies our capital adequacy, and gives advice and recommendations to the Executive Committee.

Glossary:

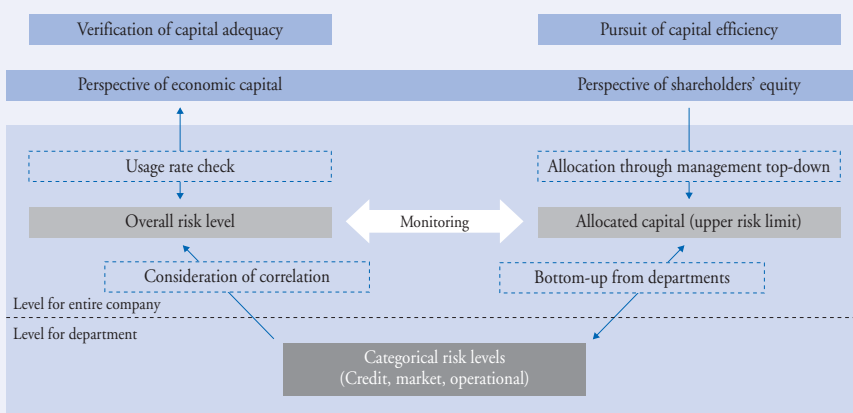
— Value at Risk (VaR): The greatest amount of loss forecast within the range of a certain probability based on an integrated level of risk, taking into account the correlation of the risk of each risk unit.

— SVA (Shareholders Value Added) = Net Business Profit – Capital Costs (gains that investors expect in return for investment risk). An SVA exceeding zero indicates that positive shareholders' value is generated.

3. Crisis Management

We have devised a system for sustaining business operations even in emergency situations, such as natural disasters and wars, through measures that include setting up an emergency headquarters. We have developed a contingency plan and regularly carry out integrated training to ensure its effectiveness.

Overall Risk Management Framework



CREDIT RISK

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 carry out an efficient and optimal risk operation through a quantified measurement of risk while paying close attention to our control over the provision of credit. In addition to the individual management of credit risk through loan screening and self-assessment, we use portfolio management to reduce "concentration risk" to diversify and optimize the portfolio (i.e., risk related to providing too much credit to one client).

1. 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.
4. The Corporate Risk Management Department manages portfolios through the measurement of credit risk and monitoring and also audits a self-assessment procedure of loans.

2. 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 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.

3. Credit Rating System

We have our own credit rating system which provides basic data on individual loan assessments and overall credit portfolio management. Credit ratings indicate the credit situation of borrowers in terms of the level of risk

Credit Rating System

Credit ratings	Self-assessment	
	Classification of borrowers	Categories
1	Sound (Ordinary)	Not categorized
2		
3		
4		
5	Need careful monitoring (special mention)	II
6		
7		
8	At risk of failure (potentially bankrupt)	III
9		
10	Legally bankrupt and virtually bankrupt	IV

Note: Individual credit ratings can be further adjusted, where necessary, through the addition of [+] or [-] symbols.

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.

4. 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.

5. 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 the recovery ratio for each credit rating (see chart).

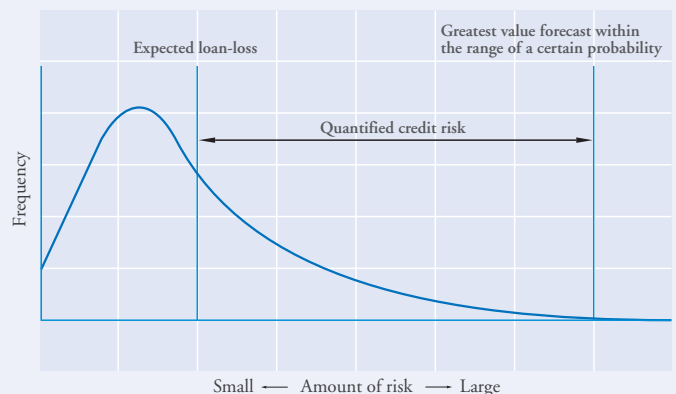
The amount of credit risk that we measure this way forms the basis for our distribution of capital to the business groups in charge of providing credit. By regularly monitoring the amount of credit risk in our overall credit portfolio—both in Japan and overseas—we ensure that we have made an appropriate distribution of capital and can check 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 sup-

plement 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 conduct simulations to determine the amount of risk each of these situation 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 the 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 to manage and control 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 independent 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

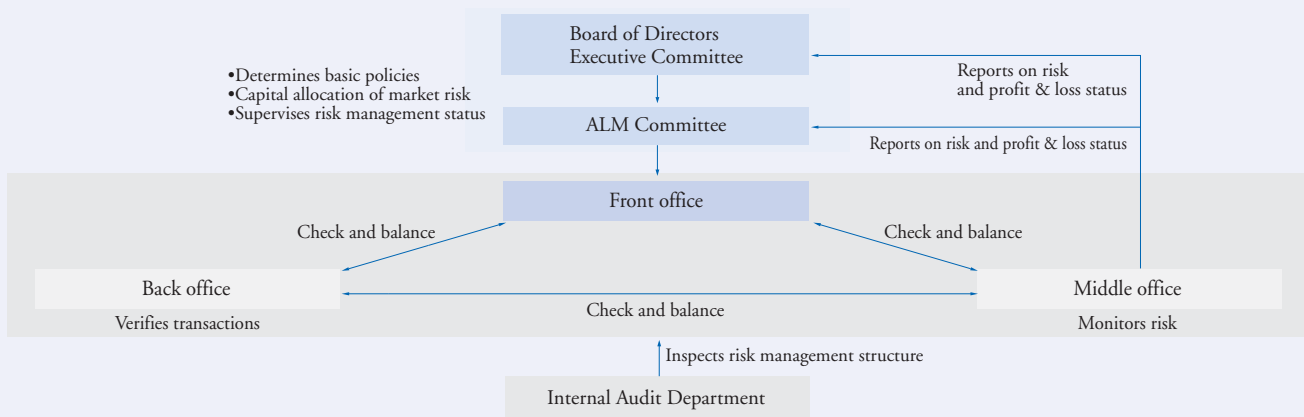
The market risk for our trading activities in fiscal year 2004 is summarized as follows:

VaR for Fiscal Year 2004 (99% confidence level, one-day holding period)

	Billions of Yen		
	Maximum	Minimum	Average
Consolidated VaR	0.66	0.13	0.36

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

Risk Management Structure of Market and Liquidity Risk



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 2004 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.

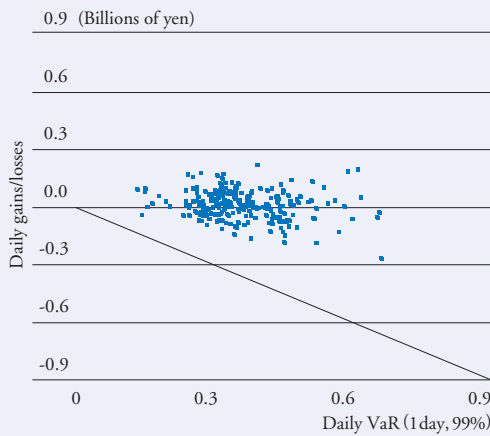
The Corporate Risk Management Department carries out appropriate stress tests based on various stress scenarios that it has regularly witnessed, under different market conditions and changes in portfolios. The results are reported directly to the Board of Directors.

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-shareholding 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).

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



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.

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 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 Sumitomo Trust 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 asset management and asset servicing businesses, such as pension trusts, investment management, and a stock transfer agency business, which are meant to coexist alongside our 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 group and are promoting the management of clerical operations that allow the business groups to respond to their clients' needs.

Because we handle a wide range of businesses, each business group carries out its own risk management activities based on the Office Work Management Rules, which offer 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

Management Structure of Operational Risk



group, and works to improve their risk management. The department 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 the consignee's (1) internal management system, (2) degree of reliability, (3) quality and technological abilities, (4) system for controlling information security, and (5) 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 the absence of 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 that is designed to secure, maintain, and improve the safety of 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 toward 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 a 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 procedures and deal with the problems quickly.

We are also improving customer convenience through 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.

Internal Auditing

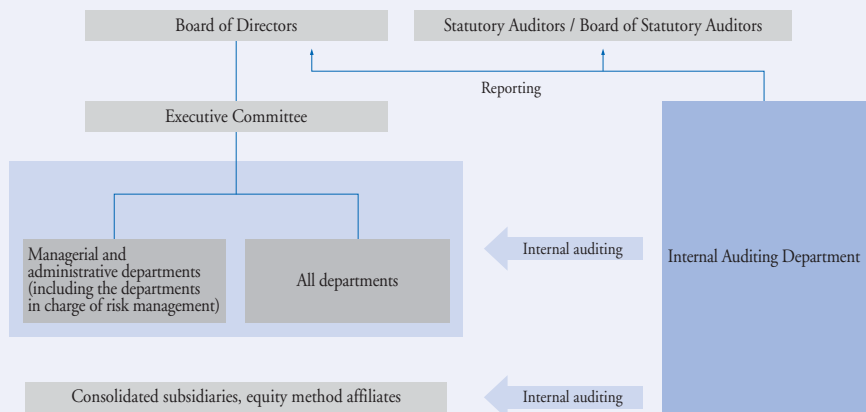
We realize that building an effective internal auditing system in accordance with different types and levels of risk is essential for grasping corporate profits and appropriate risk management. Based on this, we have established an Internal Audit Department as a department that carries out internal auditing operations independently from other departments, with the President and CEO, himself, presiding over the department.

Internal auditing verifies the appropriateness and effectiveness of our internal management system (including our risk management system) in accordance with legislation, business policy, and regulations. Through guidance,

advice, and recommendations based on this verification, we aim to contribute to a strengthening and business improvement of our internal auditing system.

We perform internal auditing of all our departments as well as business management departments (including departments in charge of risk management), consolidated subsidiaries, and equity method affiliates, and the auditing results are reported each month to the President and CEO as well as the auditors. The results are also reported regularly at Board of Directors meetings. We ensure the effectiveness of the auditing process by having the Internal Audit Department oversee the improvement of problems identified through internal auditing.

Implementation System for Internal Auditing



Board of Directors, Executive Officers, and Auditors

as of June 29, 2005

Chairman of the Board

Atsushi Takahashi*

President and CEO

Yutaka Morita*

Senior Executive Officers

Takaaki Hatabe*
Group President, Fiduciary 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

Masahiko Nakai*
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 and Retail Financial Services

Masaru Suzuki*
Deputy Group President, Retail Financial Services

Teruhiko Sugita
Deputy Group President, Wholesale Financial Services

Hiroaki Okuno
Deputy Group President, Retail Financial Services
General Manager, IT & Business Process Planning Dept.

Tomoaki Ando*
Group President, Treasury and Financial Products
Deputy Group President, Wholesale Financial Services

Hitoshi Tsunekage*

Executive Officers

Tadashi Chida
Deputy Group President, Real Estate
General Manager, Real Estate Business Planning Dept.

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

Takashi Fukazawa
Head Office Executive

Hidehiko Asai
Regional Executive, Nagoya
General Manager, Nagoya Branch

Yoshio Nakabayashi
Deputy Group President, Retail Financial Services
General Manager, Osaka Business Dept.

Norihiro Katada
General Manager, Planning and Coordination Dept.

Takashi Matsui
General Manager, Fukuoka Branch

Mitsuru Nawata
General Manager, Retail Business Planning and Promotion Dept.

Shuichi Kusakawa
General Manager, Personnel Dept.

Rikiya Hattori
General Manager, Financial Institutions Dept.

Hideo Amemiya
General Manager, Global Credit Investment Management Dept.

Sumikazu Tsutsui
General Manager, Treasury Dept.

Standing Statutory Auditor

Eiichi Tanabe

Statutory Auditors

Koichi Takamura

Hiroshi Noguchi

Hitoshi Maeda

Koji Hirao

*Directors



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

Our IR activities place a high priority on maintaining highly transparent of disclosure, as illustrated by the fact that, in 2004, the Security Analysts Association of Japan awarded us the “No. 1 Fair Disclosure Company” position among Japanese banks for the fourth consecutive year. In this context, we welcome your comments and/or inquiries about this report.

As an executive and 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 our future prospects.

Hideo Fujii

FINANCIAL SECTION

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FEATURES OF TRUST BANKS' FINANCIAL STATEMENTS

1. Features of Trust Banks' Balance Sheets

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

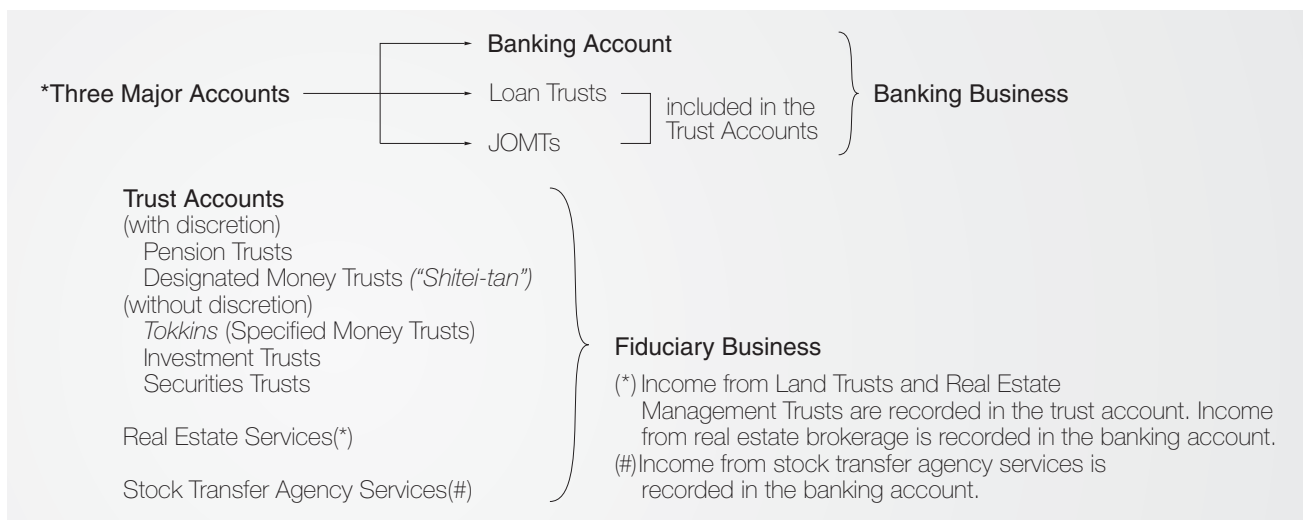
Among various trust accounts, Loan Trusts and Jointly-Operated Money Trusts ("JOMTs") are subject to principal-guaranteed contracts provided by trust banks and covered by deposit insurance. From the viewpoint that the banking account bears contingent liability by virtue of principal-guaranteed contracts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

Loan Trusts and JOMTs, mentioned above, are booked and administrated 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 manage-

ment, 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 internal 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 bank-

ing account,” posted on the asset side of the trust account. Assets on the balance sheets for Loan Trusts and JOMTs are classified into “loans and bills discounted,” “securities,” and “other.” “Other” accounts consist mainly of loans to the banking account.

2. Features of Income Statement of Trust Banks

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

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

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

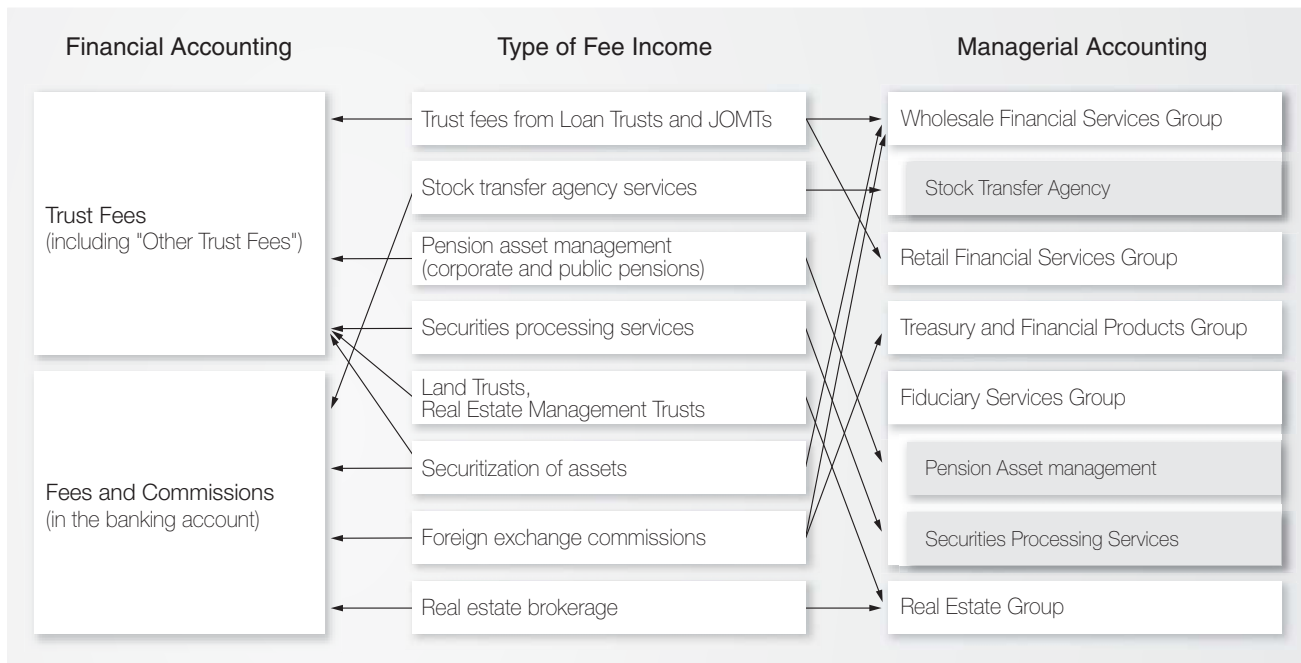
Among various accounts on the income statements of trust banks, “trust fees” and “fees and commissions” require special mention. For the purpose of financial statements, fees and commissions earned based on trust agreements are booked as “trust fees” and those earned without trust agreements are booked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

- * Trust Fees
 - Trust fees from Loan Trusts and JOMTs
 - Other trust fees
 - pension asset management (corporate and public pensions)
 - securities custody with trust contract services (Investment Trusts, Tokkins and others)
 - real estate services (Land Trusts and Real Estate Management Trusts)
- * Fees and Commissions
 - Fees from transfer agency services
 - Fees from real estate brokerage
 - Fees from securities custody services, other than trust contract etc.
 - Fees from banking business (foreign exchange, securitization, etc.)

4. Managerial Accounting for Trust Banks

The Bank consists of five business groups. As of the end of fiscal year 2004, 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

to the Wholesale Financial Services Group or Retail Financial Services Group. Fees from securitization of assets are also allocated to the Wholesale Financial Services Group. Foreign exchange commissions are allocated to the Wholesale Financial Services as well as to 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, to “Pension Asset Management” and “Securities Processing Services” to 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 allocated to 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

During fiscal year 2004 ended March 31, 2005, the Nikkei average advanced into the 12,000 range for the first time in three years during the first half of the term, raising hopes for continued economic growth, but the second half was marked by concern over the future of the economy as mining and manufacturing production declined in addition to the sudden rise in material prices including crude oil. Nevertheless, corporate profits continued to expand, plant and equipment investment remained firm and the employment situation continued improving, thereby allowing the economy to avoid sliding back and mark a gradual slowdown. Against such a background, the consumer price index was unable to stop declining, and the Bank of Japan maintained its quantitative easing monetary policy, and the government bond yield moved within the 1% range.

Under such conditions, individuals' assets moved actively from savings to investment. Sumitomo Trust captured this trend and increased sales of performance-based products such as mutual funds in the retail business. In addition to that, brokerage and securitization in real estate business had a sharp rise due to the recovery of the land price. As a result, the Bank's net business profit before credit costs increased 4.9% to ¥161.1 billion. Additionally, due to a more than expected decrease of non-performing loans, reversal of reserves of ¥17.8 billion was posted as extraordinary profit. With these positive effects, net income rose ¥17.2 billion, or 21.6%, over the previous fiscal year, achieving the highest level of profits ever with ¥98.8 billion.

Looking at the increase or decrease of each line in the operating results, trust fees and net other operating income decreased by ¥5.0 billion and ¥31.3 billion, respectively. On the other hand, net interest income, net fees and commissions, and net trading account revenue increased by ¥29.3 billion, ¥14.6 billion, and ¥0.4 billion, respectively. General and administrative expenses increased by ¥5.5 billion mainly due to a newly-introduced taxation scheme. Total credit costs decreased by ¥22.8 billion and net gains on stocks also decreased by ¥11.7 billion.

Trust fees saw a decrease of ¥5.0 billion mainly due to a decline in principal guaranteed trust account while the balance of time deposit, which offers more lucrative yield, has increased. Meanwhile, other trust fees, which include custody fees from real estate securitization, pension trusts, and mutual funds, have increased by ¥1.8 billion.

Net fees and commissions increased by ¥14.6 billion mainly due to the increase of brokerage fees in the Real Estate Business Group, which had a historical high profit as well as the increase of sales of mutual funds and individual annuities in Retail Financial Services Group.

Net interest income increased by ¥29.3 billion. This was mainly due to the increase of coupons from domestic and foreign bonds investment. In addition, net position of interest rate swaps and the spread margin from deposits have improved. On the other hand,

net other operating income, which is composed of net capital gains or losses on bonds and financial derivatives, has declined by ¥31.3 billion. This was due to a substantial decrease in net capital gains on bonds, which had a large gain in the previous fiscal year. Net losses on financial derivatives that are subject to mark to market accounting caused a slump of this line item. Financial derivatives are often used to minimize the interest risks of bonds, deposits, and loans, even though hedge accounting is not applicable to them. Therefore, it is necessary to analyze the combined results of net gains on financial derivatives, net interest income and net gains on bonds. Comparing the combined results of ¥31.3 billion decrease of net other operating income, ¥29.3 billion increase of net interest income and ¥0.4 billion increase of net trading account revenue to that of the previous fiscal year, market related income, which is mainly from an investment to fixed income products, proves to be shifting its emphasis from capital gains to more stable income gains. General and administrative expenses increased by ¥5.5 billion. This was mainly due to the newly-introduced taxation scheme which imposes on business size such as capital amount. In addition, amortization of the new system introduced in the previous fiscal year by Japan TA Solution Ltd., a subsidiary company, has started. Amortization amount of ¥1.0 billion increased the non-personnel expenses, while personnel expenses decreased by ¥1.4 billion.

Total credit costs decreased by ¥22.8 billion. This includes reversal of reserves that was posted as extraordinary profit. This was due to the effect of our conservative policy of accounting provisions to debtors who are likely to become bankrupt and substandard debtors. In addition, collection of loans from special mention debtors also contributed to the decrease of total credit costs. As a result, non-performing loan ratio has declined by 1.0 point to 1.8%.

Net gains on stocks decreased by ¥11.7 billion. This is because amid the upward trend of the stock market, sales of cross shareholdings were kept to ¥30.7 billion in contrast to ¥143.1 billion sales in the previous fiscal year. As a result, cross shareholdings balance was ¥440.2 billion, or approximately 51% of the Tier1 capital as of the end March 2005.

The net business profit before credit costs, which express core business profit, increased by ¥7.5 billion. Analyzing by business group using managerial accounting figures, the Wholesale Financial Services Group increased profit by ¥1.4 billion to ¥72.8 billion mainly due to the growth of non-recourse loans. The profit of the Retail Financial Services Group grew ¥10.8 billion to ¥17.2 billion largely due to a substantial increase in sales of performance-based products and mortgage loans. The Real Estate Group recorded a historical high profit of ¥17.7 billion, up by ¥5.8 billion, thanks to the strong results from brokerage and securitization business. The Fiduciary Services Group increased profit by ¥0.9 billion to ¥21.3

billion due to the growth of entrusted asset balance at Japan Trustee Services Bank, Ltd., an affiliate company. The Treasury and Financial Products Group decreased profit by ¥9.1 billion to ¥38.2 billion due to the decrease of net gains on bonds and increase of net losses on financial derivatives. Other than these five business groups, miscellaneous revenues and costs such as funding cost and dividends from holding shares are segmented as "others". Others' losses are ¥6.0 billion, increased from ¥2.3 billion.

Looking at capital, stockholders' equity rose by ¥98.7 billion to ¥1,489.4 billion and Tier1 rose by ¥71.8 billion to ¥861.7 billion. This is due to the accumulation of net income. As a result, BIS cap-

ital adequacy ratio and Tier1 ratio rose by 0.05 point and 0.16 point to 12.50% and 7.23%, respectively. These two figures represent one of the top levels among the Japanese major banks.

Finally, in May 2004, we have renewed the policy for profit sharing with shareholders, and we plan to share profits with shareholders in accordance with performance level of each fiscal year, by cash dividends and share buy-backs. In line with this policy, we have set near-term target of payout ratio to net income on a consolidated basis to be 20% or above. As a result, dividend for fiscal year 2004 was doubled from ¥6 to ¥12 per common share.

Operating Results (Consolidated)

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2005	2004	Changes	2005
Trust Fees	¥ 71,316	¥ 76,401	¥ (5,084)	\$ 664
Net Interest Income	149,013	119,709	29,303	1,388
Net Fees and Commissions	67,469	52,827	14,642	628
Net Trading Account Revenue	4,166	3,760	406	39
Net Other Operating Income	(4,146)	27,212	(31,358)	(39)
General and Administrative Expenses	138,239	132,716	5,522	1,288
Net of Other Income and Expenses	8,273	(8,538)	16,812	77
Income before Income Taxes	157,854	138,656	19,198	1,470
Net Income	96,865	79,629	17,236	902
Net Business Profit before Credit Costs	161,143	153,619	7,524	1,501

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 ¥28.2 billion (before elimination of credit costs in the trust account), decrease 16.4% from fiscal year

2003. The decreases in the balance of Loan Trusts 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 increased by ¥1.8 billion, or 3.9%. Composite Trusts volume increased by ¥1,332.3 billion. Composite Trusts and Money Claim Trusts increased due to the expansion of securitization businesses, respectively (see the Statement of Trust Account for detailed figures on page 88). Trust fees in total saw a decrease of ¥5.0 billion, or 6.7%, from the fiscal year 2003.

Trust Fees

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2005	2004	Changes	2005
Net Trust Fees	¥ 71,316	¥ 76,401	¥ (5,084)	\$ 664
Trust Accounts Credit Costs (Eliminated)	6,103	4,678	1,424	57
Trust Fees from Loan Trusts and Jointly-Operated Money Trusts ... (before eliminating trust accounts credit costs)	28,216	33,742	(5,525)	263
Profits and Losses on Sale of Securities	—	(472)	472	—
Other Trust Fees	49,203	47,338	1,865	458

Net Interest Income

Interest income increased by ¥25.4 billion from ¥213.2 billion to ¥238.6 billion, while interest expenses decreased by ¥3.8 billion from ¥93.5 billion to ¥89.6 billion, which resulted in a increase in

net interest income by ¥29.3 billion, or 24.5%, from the fiscal year 2003. This gain was mostly attributed to the improvement of interest on debt securities or interest rate swaps.

Net Interest Income (Consolidated)

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2005	2004	Changes	2005
Interest Income	¥ 238,698	¥ 213,292	¥ 25,405	\$ 2,223
Interest on Loans and Discounts	120,943	121,234	(291)	1,126
Interest and Dividends on Securities	97,186	86,168	11,018	905
Interest on Deposits with Banks	4,177	2,988	1,188	39
Interest on Interest Rate Swaps	14,348	—	14,348	134
Others	2,041	2,901	(859)	19
Interest Expenses	89,684	93,583	(3,898)	835
Interest on Deposits	33,806	30,489	3,317	315
Interest on Borrowings and Rediscounts	3,177	3,245	(67)	30
Interest on Corporate Bonds	6,161	5,930	231	57
Interest on Convertible Bonds	0	0	0	0
Interest on Interest Rate Swaps	—	2,678	(2,678)	—
Interest on Payable under Repurchase Agreements	20,034	11,966	8,068	187
Interest on Collateral for Lending Securities	3,100	6,227	(3,126)	29
Others	23,403	33,045	(9,642)	218
Net Interest Income	¥ 149,013	¥ 119,709	¥ 29,303	\$ 1,388

Net Other Operating Income

Net other operating income saw a drastic decrease of ¥31.3 billion, or 115.2%, from fiscal year 2003 due to significant decrease in net gains on bonds and increase in net loss on financial derivatives.

Net Other Operating Income (Consolidated)

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2005	2004	Changes	2005
Other Operating Income	¥ 46,861	¥ 76,227	¥ (29,366)	\$ 436
Gains on Foreign Exchange Transactions	2,246	3,536	(1,289)	21
Gains on Sale of Bonds (1)	43,260	72,476	(29,215)	403
Others	1,354	215	1,138	13
Other Operating Expenses	51,008	49,015	1,992	475
Losses on Sale of Bonds (2)	33,491	43,272	(9,780)	312
Losses on Redemption of Bonds (3)	—	159	(159)	—
Losses on Devaluation of Bonds (4)	—	538	(538)	—
Losses on Financial Derivatives	17,488	5,034	12,453	163
Others	27	9	18	0
Net Other Operating Income	¥ (4,146)	¥ 27,212	¥ (31,358)	\$ (39)
Net Gains on Bonds [(1)-(2)-(3)-(4)](*)	¥ 9,768	¥ 28,505	¥ (18,736)	\$ 91

(*) Gains and losses on redemption of bonds are excluded from the schedule above and posted in "Interest Income/Expenses."

General and Administrative Expenses

Total general and administrative expenses increased by ¥5.5 billion, or 4.2%, from the fiscal year 2003. Personnel expenses declined by ¥1.4 billion due to increase of expected return on plan assets.

Others increased due to amortization of the new system installed in the previous fiscal year. Taxes other than income taxes increased due to newly-introduced taxation scheme (see Note 2).

General and Administrative Expenses (Consolidated)

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2005	2004	Changes	2005
Personnel Expenses	¥ 63,634	¥ 65,087	¥ (1,452)	\$ 593
Others (Non-Personnel Expenses)	67,618	62,569	5,048	630
Taxes other than Income Taxes	6,986	5,059	1,926	65
Total	¥ 138,239	¥ 132,716	¥ 5,522	\$ 1,288

Net of Other Income and Expenses

Net of other income and expenses increased by ¥16.8 billion. Net of securities gains and losses significantly decreased by ¥11.7 billion, because net gains on sale of shares and other securities decreased by ¥10.5 billion and losses on devaluation of stocks

slightly increased by ¥1.2 billion. Expenses related to problem loans, amounted to minus ¥6.1 billion, decreased by ¥24.2 billion, from the fiscal year 2003 due to increase in net transfer from the general reserve. 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)
	2005	2004	Changes	2005
Net of Securities Gains and Losses	¥ 13,965	¥ 25,723	¥ (11,757)	\$ 130
Gains on Sale of Shares and Other Securities	19,067	41,365	(22,297)	178
Losses on Sale of Shares and Other Securities	828	12,625	(11,796)	8
Losses on Devaluation of Shares and Other Securities	4,273	3,016	1,256	40
Expenses Relating to Problem Loans (Banking Account Credit Cost)	(6,173)	18,099	(24,273)	(58)
Losses on Write-Offs	9,682	16,840	(7,158)	90
Provision for Reserve for Possible Loan Losses	(17,849)	(1,157)	(16,692)	(166)
General Reserves	(29,375)	(14,296)	(15,079)	(274)
Specific Loan Loss Reserves	11,565	13,355	(1,789)	108
Reserves for Loans to Restructuring Countries	(39)	(215)	176	(0)
Losses on Bulk Sale	—	(397)	397	—
Other Credit Costs	1,993	2,813	(819)	19
Other Expenses.....	54,879	38,094	16,784	511
Other Gains	43,013	21,932	21,080	401
Net of Other Income and Expenses	¥ 8,273	¥ (8,538)	¥ 16,812	\$ 77

Financial Condition

Total Assets

As of March 31, 2005, the Bank's total assets stood at ¥15,908.3 billion, upward by ¥536.9 billion, or 3.5%, from March 31, 2004. This is mainly due to the ¥950.7 billion, or 26.1%, increase in investment securities. Loans and bills discounted also increased by ¥151.8 billion, or 1.7%. Deferred tax assets was decreased by ¥69.7 billion, or 46.5%, from the fiscal year 2003, reflecting the Bank's sound financial condition.

Total Liabilities and Stockholders' Equity

Total liabilities of the Bank as of March 31, 2005 amounted to ¥14,913.3 billion, which was upward by ¥434.4 billion, or 3.0%, from March 31, 2004. Deposits rose by ¥344.9 billion to ¥9,130.1

billion, and negotiable certificates deposits rose by ¥104.7 billion to ¥1,487.0 billion. Stockholders' equity rose by ¥107.6 billion, or 13.4%, from March 31, 2004. This is mainly attributable to an increase in retained earnings caused by a ¥96.8 billion net income. Net unrealized gains (losses) on available-for-sale securities, net of tax, increased to ¥116.6 billion from ¥95.9 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 0.05 points and 0.16 points to 12.50% and 7.23%, respectively. Tier I capital increased by ¥71.8 billion compared with March 31, 2004 mainly due to a ¥96.8 billion net income.

BIS Capital Adequacy Ratio

At March 31	Billions of Yen, except for percentages		
	2005	2004	Changes
Total Qualifying Capital	¥ 1,489.4	¥ 1,390.6	¥ 98.7
Tier I Capital	861.7	789.9	71.8
including: Non-cumulative Preferred Securities (*)	83.0	83.0	—
Tier II Capital	658.7	605.5	53.2
Upper Tier II	322.3	276.3	46.0
Net Unrealized gains on Available-for-Sale Securities, Net of Tax	88.2	72.6	15.6
Unrealized Gains on Land after 55% Discount	1.3	1.6	(0.2)
General Reserve for Possible Loan Losses	44.0	73.4	(29.3)
Subordinated Debts	188.6	128.6	59.9
Lower Tier II	336.4	329.2	7.2
Deductible Items (-)	31.1	4.7	26.3
Total Risk-Adjusted Assets	11,914.8	11,168.9	745.9
On-Balance-Sheet Items	11,031.4	10,165.7	865.6
Off-Balance-Sheet Items	828.8	939.2	(110.3)
Market Risk Equivalents	54.5	64.0	(9.4)
Tier I Capital Ratio	7.23%	7.07%	0.16%
BIS Capital Ratio	12.50%	12.45%	0.05%

(*) For detailed information of non-cumulative preferred securities, see "Summary of Description of the Non-cumulative Preferred Securities ("The Offered Securities")" on page 59.

Classified Assets under Financial Reconstruction Law

As of March 31, 2005, the total of “Bankrupt and Practically Bankrupt,” “Doubtful,” and “Substandard” (Banking and Trust Accounts combined; non-consolidated basis) loans decreased significantly by ¥104.7 billion, or 36.2%, mainly due to aggressive sale

and disposal of those problem loans during the fiscal year 2004. The coverage ratio for classified assets kept comparatively higher level in the industry, and the percentage of classified assets to total assets resulted in 1.8%, 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	
	2005	2004	2005	2004	2005	2005	2004	
At March 31								
Bankrupt and Practically Bankrupt (A)	¥ 15.5	¥ 18.7	100%	100%	Specific Reserve	¥ 1.0	100%	100%
					Collateral/Guarantee	14.5		
Doubtful (Kiken-Saiken) (B)	88.1	113.1	93%	94%	Uncovered	5.8		
					Specific Reserve	25.8	81%	82%
					Collateral/Guarantee	56.6		
Substandard (Yo-Kanri-Saiken) (C)	80.6	157.1	64%	71%	Uncovered	28.5		
					General Reserve	11.1	27%	34%
					Collateral/Guarantee	41.1		
Ordinary Assets (Seijo-Saiken)	10,163.1	10,121.9			General Reserve	31.2		
					Reserve for Losses to Restructuring Countries	0.4		
Total of (A), (B) and (C)	184.2	288.9						
Total	¥10,347.3	¥10,410.8						

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

Classification	Billions of Yen, except for percentages							
	Balance		Coverage Ratio		Collateral/Reserve		Reserve Ratio	
	2005	2004	2005	2004	2005	2005	2004	
At March 31								
Bankrupt and Practically Bankrupt (D)	¥ 10.4	¥ 15.3	100%	100%	Specific Reserve	¥ 1.0	100%	100%
					Collateral/Guarantee	9.4		
			93%	95%	Uncovered	5.3		
Doubtful (Kiken-Saiken) (E)	86.7	102.4			Specific Reserve	25.8	82%	86%
					Collateral/Guarantee	56.6		
			66%	75%	Uncovered	23.5		
Substandard (Yo-Kanri-Saiken) (F)	70.1	131.3			General Reserve	11.1	31%	42%
					Collateral/Guarantee	35.5		
Ordinary Assets (Seijo-Saiken)	9,444.3	9,132.2			General Reserve	31.2		
					Reserve for Losses to Restructuring Countries	0.4		
Total of (D), (E) and (F)	167.1	249.0						
Total	¥9,611.4	¥9,381.2						

Trust Accounts
(Non-consolidated)

Classification	Billions of Yen, except for percentages							
	Balance		Coverage Ratio		Collateral/Reserve		Reserves	
	2005	2004	2005	2004	2005	2005	2005	
At March 31								
Bankrupt and Practically Bankrupt (G)	¥ 5.1	¥ 3.5	100%	100%	Collateral/Guarantee	¥ 5.1	Reserve for Loan Trust (Tokubetsu-Ryuhokin)	
					Uncovered	0.4		¥ 5.8
Doubtful (Kiken-Saiken) (H)	1.4	10.7	68%	87%	Collateral/Guarantee	1.0	Reserve for JOMTs	
					Uncovered	4.9	(Saiken Shoukyaku	
Substandard (Yo-Kanri-Saiken) (I)	10.6	25.7	53%	51%	Collateral/Guarantee	5.6	Junbikin)	0.6
Ordinary Assets (Seijo-Saiken)	718.9	989.7						
Total of (G), (H) and (I)	17.1	39.9						
Total	¥ 735.9	¥1,029.5						

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

Years Ended March 31	Millions of Yen			Millions of U.S. Dollars (Note1)
	2005	2004	Changes	2005
Banking Account	¥ (7,577)	¥ 17,154	¥ (24,732)	\$ (71)
Losses on Write-Offs	9,583	16,725	(7,142)	89
Provision for Reserve for Possible Loan Losses	(19,117)	(1,986)	(17,131)	(178)
General Reserves	(29,176)	(14,469)	(14,707)	(272)
Specific Loan Loss Reserves	10,097	12,698	(2,600)	94
Reserves for Loans to Restructuring Countries	(39)	(215)	176	(0)
Losses on Bulk Sale	—	(397)	397	—
Other Credit Costs	1,956	2,813	(856)	18
Trust Account	6,103	4,678	1,424	57
Losses on Write-Offs	5,662	4,720	942	53
Losses on Bulk Sale	440	(41)	482	4
Total Credit Costs	¥ (1,474)	¥ 21,833	¥ (23,307)	\$ (14)

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

Years Ended March 31	Percentage Points		
	2005	2004	Changes
Average Yield on Interest-Earning Assets (a)	1.25%	1.22%	0.03%
Loans and Bills Discounted (A)	1.29	1.32	(0.03)
Securities	0.93	1.07	(0.14)
Average Yield on Interest-Bearing Liabilities (b)	0.19	0.24	(0.05)
Deposits (B)	0.17	0.17	—
Gross Margin (a)-(b)	1.06	0.98	0.08
Loan-Deposit Margin (A)-(B)	1.12	1.15	(0.03)

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, 2005 and 2004

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Assets:			
Cash and Due from Banks (Notes 2 and 30)	¥ 432,183	¥ 747,328	\$ 4,025
Call Loans and Bills Bought	85,255	205,377	794
Commercial Paper and Other Debt Purchased (Note 2)	219,782	104,628	2,047
Trading Assets (Notes 2, 3 and 9)	282,812	301,134	2,634
Money Held in Trust (Note 4)	2,000	686	19
Investment Securities (Notes 2, 5 and 9)	4,587,489	3,636,779	42,726
Loans and Bills Discounted (Notes 6 and 9)	9,013,920	8,862,059	83,952
Foreign Exchanges	7,397	13,339	69
Other Assets (Notes 2 and 7)	790,045	1,015,665	7,358
Premises and Equipment (Notes 2 and 8)	106,826	108,861	995
Deferred Tax Assets (Note 24)	80,327	150,047	748
Customers' Liabilities for Acceptances and Guarantees (Note 17)	399,099	340,283	3,717
Reserve for Possible Loan Losses (Note 2)	(80,806)	(111,785)	(753)
Reserve for Losses on Investment Securities (Note 2)	(17,958)	(3,027)	(167)
Total Assets (Note 27)	¥ 15,908,374	¥ 15,371,378	\$ 148,164
Liabilities:			
Deposits (Notes 9 and 10)	¥ 9,130,196	¥ 8,785,275	\$ 85,035
Negotiable Certificates of Deposit (Note 10)	1,487,025	1,382,259	13,850
Call Money and Bills Sold (Note 9)	301,937	150,700	2,812
Payables under Repurchase Agreements (Note 9)	936,658	1,024,599	8,724
Collateral for Lending Securities (Note 9)	53,507	239,138	498
Trading Liabilities (Notes 2 and 3)	51,817	47,171	483
Borrowed Money (Note 11)	160,608	155,393	1,496
Foreign Exchanges	903	7,216	8
Corporate Bonds (Note 12)	388,100	330,500	3,615
Convertible Bonds (Note 13)	—	70	—
Borrowed Money from Trust Account (Note 14)	1,473,736	1,425,148	13,726
Other Liabilities (Note 16)	515,675	576,391	4,803
Reserve for Employee Bonuses (Note 2)	4,371	4,216	41
Reserve for Employee Retirement Benefits (Notes 2 and 15)	2,551	2,440	24
Deferred Tax Liabilities (Note 24)	40	254	0
Deferred Tax Liabilities on Revaluation Reserve for Land (Notes 8 and 24)	6,613	6,826	62
Negative Goodwill (Note 2)	553	1,106	5
Acceptances and Guarantees (Note 17)	399,099	340,283	3,717
Total Liabilities	14,913,397	14,478,992	138,897
Minority Interest	85,250	90,356	794
Stockholders' Equity:			
Preferred Stock (Note 18)	—	37,428	—
Common Stock (Note 18)	287,053	249,590	2,673
Capital Surplus (Note 18)	240,472	240,437	2,240
Retained Earnings (Note 18)	279,966	192,150	2,607
Revaluation Reserve for Land, Net of Tax (Note 8)	(3,551)	(3,235)	(33)
Net Unrealized Gains on Available-for-Sale Securities, Net of Tax (Note 2)	116,628	95,941	1,086
Foreign Currency Translation Adjustment (Note 2)	(6,376)	(5,848)	(59)
Treasury Stock (Note 18)	(4,466)	(4,433)	(42)
Total Stockholders' Equity	909,726	802,029	8,473
Total Liabilities, Minority Interest and Stockholders' Equity	¥ 15,908,374	¥ 15,371,378	\$ 148,164
Net Assets per Share (Note 2)			
	¥ 545.98	¥ 481.03	\$ 5.09

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME — The Sumitomo Trust & Banking Company, Limited for the years ended March 31, 2005 and 2004

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Income:			
Trust Fees	¥ 71,316	¥ 76,401	\$ 664
Interest Income:			
Interest on Loans and Discounts	120,943	121,234	1,126
Interest and Dividends on Securities	97,186	86,168	905
Other Interest Income (Note 19)	20,567	5,889	192
	238,698	213,292	2,223
Fees and Commissions	88,466	72,137	824
Trading Revenue (Note 20)	4,239	3,760	39
Other Operating Income (Note 21)	46,861	76,227	436
Other Income (Note 22)	79,930	64,455	744
Total Income (Note 27)	529,513	506,274	4,932
Expenses:			
Interest Expenses:			
Interest on Deposits	33,806	30,489	315
Interest on Borrowings and Rediscounts	3,177	3,245	30
Other Interest Expenses (Note 19)	52,700	59,848	491
	89,684	93,583	835
Fees and Commissions	20,996	19,309	196
Trading Expenses (Note 20)	72	—	1
Other Operating Expenses (Note 21)	51,008	49,015	475
General and Administrative Expenses (Note 23)	138,239	132,716	1,288
Other Expenses (Notes 22)	71,657	72,993	667
Total Expenses (Note 27)	371,658	367,618	3,461
Income before Income Taxes (Note 27)	157,854	138,656	1,470
Income Taxes: (Note 24)			
Current	1,981	1,201	18
Deferred	56,216	54,025	524
Minority Interest in Net Income	2,791	3,798	26
Net Income	¥ 96,865	¥ 79,629	\$ 902
	Yen		U.S. Dollars (Note 1)
Net Income per Share (Note 29)	¥ 59.86	¥ 53.98	\$ 0.56
Net Income per Share (fully diluted) (Note 29)	58.07	48.32	0.54

See accompanying notes.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

— The Sumitomo Trust & Banking Company, Limited for the years ended March 31, 2005 and 2004

	Number of Shares		Millions of Yen							
	Preferred Stock (Thousands)	Common Stock (Thousands)	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Revaluation Reserve for Land	Net Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Treasury Stock
Balance at March 31, 2003 ..	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)				
Balance at March 31, 2004 ..	93,570	1,516,382	¥37,428	¥249,590	¥240,437	¥192,150	¥(3,235)	¥ 95,941	¥(5,848)	¥(4,433)
Net Income						96,865				
Cash Dividends Paid						(9,631)				
Shares Issued upon Conversion of Preferred Stock	(93,570)	155,625	(37,428)	37,428						
Shares Issued upon Conversion of Convertible Bonds		140		35	35					
Net Change								20,687	(527)	(33)
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property						314	(315)			
Loss on Disposal of Treasury Stock						(7)				
Change due to increase of affiliates						344				
Bonuses to Directors						(70)				
Balance at March 31, 2005 ...	—	1,672,147	¥ —	¥287,053	¥240,472	¥279,966	¥(3,551)	¥116,628	¥(6,376)	¥(4,466)

	Millions of U.S. Dollars (Note 1)								
	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Revaluation Reserve for Land	Net Unrealized Gains (Losses) on Available-for-Sale Securities	Foreign Currency Translation Adjustment	Treasury Stock	
Balance at March 31, 2004	\$349	\$2,325	\$2,239	\$1,790	\$(30)	\$ 894	\$(54)	\$(41)	
Net Income				902					
Cash Dividends Paid				(90)					
Shares Issued upon Conversion of Preferred Stock	(349)	349							
Shares Issued upon Conversion of Convertible Bonds		0	0						
Net Change						193	(5)	(0)	
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property				3	(3)				
Loss on Disposal of Treasury Stock				(0)					
Change due to increase of affiliates				3					
Bonuses to Directors				(1)					
Balance at March 31, 2005	\$ —	\$2,673	\$2,240	\$2,607	\$(33)	\$1,086	\$(59)	\$(42)	

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS — The Sumitomo Trust & Banking Company, Limited for the years ended March 31, 2005 and 2004

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Cash Flows from Operating Activities :			
Income before Income Taxes and Minority Interest	¥ 157,854	¥ 138,656	\$ 1,470
Depreciation	5,351	5,846	50
Losses on Impairment of Fixed Assets	106	—	1
Amortization of Negative Goodwill	(1,407)	(553)	(13)
Equity in Losses (Earnings) of Affiliates	(1,505)	(99)	(14)
Increase (Decrease) in Reserve for Possible Loan Losses	(30,978)	(27,275)	(289)
Increase (Decrease) in Reserve for Losses on Investment Securities	14,930	3,027	139
Increase (Decrease) in Reserve for Employee Bonuses	155	241	1
Increase (Decrease) in Reserve for Employee Retirement Benefits	111	160	1
Interest Income	(238,698)	(213,292)	(2,223)
Interest Expenses	89,684	93,583	835
Losses (Gains) on Securities	(23,734)	(54,094)	(221)
Losses (Gains) on Money Held in Trust	(71)	(33)	(1)
Losses (Gains) on Foreign Exchange	(52,828)	107,884	(492)
Losses (Gains) on Sale of Premises and Equipment	1,094	1,387	10
Net Decrease (Increase) in Trading Assets	18,322	378,791	171
Net Increase (Decrease) in Trading Liabilities	4,645	(283,231)	43
Net Decrease (Increase) in Loans and Bills Discounted	(157,141)	281,413	(1,464)
Net Increase (Decrease) in Deposits	346,289	86,470	3,225
Net Increase (Decrease) in Negotiable Certificates of Deposit	104,765	(176,386)	976
Net Increase (Decrease) in Borrowed Money other than Subordinated Borrowings	(4,784)	(1,264)	(45)
Net Decrease (Increase) in Due from Banks other than from Bank of Japan	(48,974)	(39,475)	(456)
Net Decrease (Increase) in Call Loans and Others	4,440	(163,740)	41
Net Increase (Decrease) in Call Money and Others	63,296	(22,333)	590
Net Increase (Decrease) in Collateral for Lending Securities	(185,630)	(147,731)	(1,729)
Net Decrease (Increase) in Foreign Exchange Assets	5,937	(1,882)	55
Net Increase (Decrease) in Foreign Exchange Liabilities	(6,312)	(2,502)	(59)
Net Increase (Decrease) in Borrowed Money from Trust Account	48,588	(52,197)	453
Interest Income Received on Cash Basis	237,796	229,674	2,215
Interest Expenses Paid on Cash Basis	(83,227)	(93,158)	(775)
Other-Net	57,546	(56,362)	536
Subtotal	325,622	(8,479)	3,033
Income Tax Paid	(1,259)	(777)	(12)
Net Cash Provided by (Used in) Operating Activities	324,362	(9,256)	3,021
Cash Flows from Investing Activities :			
Purchase of Securities	(11,208,948)	(8,385,863)	(104,396)
Proceeds from Sale of Securities	9,442,280	7,368,617	87,942
Proceeds from Redemption of Securities	1,031,361	1,035,633	9,606
Increase in Money Held in Trust	(1,313)	(686)	(12)
Purchase of Premises and Equipment	(5,756)	(3,047)	(54)
Proceeds from Sale of Premises and Equipment	1,301	2,845	12
Purchase of Stock of Consolidated Subsidiaries	(1,960)	—	(18)
Net Cash Provided by (Used in) Investing Activities	(743,034)	17,498	(6,920)
Cash Flows from Financing Activities :			
Proceeds from Subordinated Borrowings	10,000	15,000	93
Proceeds from Subordinated Bonds and Convertible Bonds	89,538	128,803	834
Redemption of Subordinated Bonds and Convertible Bonds	(32,400)	(107,366)	(302)
Proceeds from Issuance of Consolidated Subsidiaries' Stock to Minority Stockholders ...	98	—	1
Cash Dividends Paid	(9,627)	(5,133)	(90)
Cash Dividends Paid to Minority Stockholders	(2,595)	(2,615)	(24)
Purchase of Treasury Stock	(114)	(73)	(1)
Proceeds from Sale of Treasury Stock	73	3	1
Net Cash Provided by (Used in) Financing Activities	54,972	28,618	512
Effect on Exchange Rate Changes on Cash and Cash Equivalents	(419)	(2,335)	(4)
Net Change in Cash and Cash Equivalents	(364,119)	34,525	(3,391)
Cash and Cash Equivalents at Beginning of Year	516,251	481,726	4,808
Cash and Cash Equivalents at End of Year (Note 30).....	¥ 152,132	¥ 516,251	\$ 1,417

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 ¥107.37 to U.S. \$1.00, the exchange rate prevailing at March 31, 2005. 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 19 subsidiaries for the year ended March 31, 2005, the major 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 or negative goodwill are 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 9 affiliates in total, including Japan Trustee Services Bank, Ltd., as of March 31, 2005.

(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.

(c) Cash and cash equivalents

In preparing the consolidated statements of cash flow, 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 tak-

ing 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 consolidated 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”).

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.

Japanese stocks 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.

Securities other than Japanese stocks classified as available-for-sale securities with fair market value are revaluated at the year-end fair market value.

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

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.

Significant declines in the fair value of securities are charged to statements of income, 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 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 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. In accordance with “Temporary Treatment for Accounting and Auditing concerning Application of Accounting Standard for Financial Instruments in Banking Industry” (JICPA Industry Auditing Committee Report No.15), the bank had adopted “Macro Hedge Accounting” to account for certain interest related derivatives, which were utilized to manage interest rate exposure of certain changes of transactions such as loans and deposits. 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, 2005, deferred hedge losses and income resulted from “Macro Hedge Accounting” are ¥140,328 million and ¥133,020 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 regulated by “Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transactions in 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 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.

For hedge accounting in the consolidated subsidiaries, the individual deferred hedge accounting or the accrual-basis calculation on interest rate swaps are applied.

(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 in "Other Assets" and amortized using the 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 assets' 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) 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 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 Global

Credit Supervision Department based on the internal rules for self-assessment of assets' 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 ¥74,881 million.

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

(j) Reserve for losses on investment securities

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

(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.

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).

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, when the new accounting standard was first applied, amounted to ¥17,503 million, is amortized principally over 5 years using the straight-line method from the year ended March 31, 2001.

From the fiscal year 2004, the Bank has implemented an early application of the "Accounting Standards for Employee Retirement Benefits" (issued by the Business Accounting Deliberation Council on June 16, 1998) revised on March 16, 2005 and the Financial Accounting Standard Implementation Guidance No.7, "Implementation Guidance for Accounting Standards for Employee Retirement Benefits" (issued by the Accounting Standards Board of Japan on March 16, 2005). As a result of adopting the accounting standards and the guidance, unrecognized net plan asset, which is now allowed to be regarded as assets or profits, are deducted from unrecognized

actuarial loss from this fiscal year. As a result, prepaid pension cost increased by ¥2,944 million, and income before income taxes increased by the same amount.

(m) Accounting for leases

Finance leases where the ownership of the property is not transferred to the lessee are accounted for by the accounting treatment which is similar to operating leases.

(n) Amounts per share

Net assets per share 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 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) Accrued Income of Trust Fees

Effective April 1, 2004, trust fees based on the daily balance of entrusted assets formerly accounted only at the end of each trust accounting period have been accrued for during the period elapsed in order to more appropriately report the earnings of the Bank. As a result, trust fees in income and fees and commissions in expenses increased by ¥230 million, ¥72 million, respectively, and income before income taxes increased by ¥158 million.

(q) Impairment of Fixed Assets

Effective April 1, 2004, the Bank has implemented an early application of the "Opinion Concerning Establishment of Accounting Standards 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 on October 31, 2003). As a result, income before income taxes decreased by ¥106 million.

(r) Investment in Limited Partnerships

Investment in limited partnerships and similar partnerships were formerly presented as "Other Assets", but from this fiscal year they are regarded as securities and presented as "Investment Securities" due to the implementation of the "Revision of the Securities and Exchange Law" (Legislation No. 97, June 2004). And according to this implementation, share of net income raised by those securities are included in "Interest and Dividends on Securities" instead of "Other Interest Income" from this fiscal year. Certain amounts in prior year regarding this revision were not reclassified due to the fact that those amounts were considered to be immaterial with small portion.

(s) Size-Based Taxation

With the promulgation of the "Revision of the Local Tax Law" (Legislation No. 9, 2003) on March 31, 2003, the tax bases for assessing enterprise taxes comprise "amount of income", "amount of added value" and "amount of capital" commencing April 1, 2004. Enterprise taxes based on "amount of added value" and "amount of capital" are included in general and administrative expenses commencing this fiscal year pursuant to "Practical Solutions on Presentation of Size-Based Components of Corporate Enterprise Tax on the Income Statement" (Accounting Standards Board of Japan, Practical Solution Report No.12 issued on February 13, 2004).

3. Trading Assets and Trading Liabilities

(a) Trading Assets at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Trading Account Securities	¥ 6,803	¥ 4,444	\$ 63
Trading-Related Financial Derivatives	47,630	44,662	444
Derivatives of Trading Securities	—	32	—
Derivatives of Securities Related to Trading Transactions	—	11	—
Other Trading Assets	228,377	251,984	2,127
Total	¥ 282,812	¥ 301,134	\$ 2,634

(b) Trading Liabilities at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Derivatives of Trading Securities	¥ 19	¥ —	\$ 0
Derivatives of Securities Related to Trading Transactions	176	424	2
Trading-Related Financial Derivatives	51,620	46,747	481
Total	¥ 51,817	¥ 47,171	\$ 483

4. Money Held in Trust

Money Held in Trust at March 31, 2005 and 2004:

	Millions of Yen			
	2005		2004	
	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	2,000	—	686	—
Total	¥ 2,000	¥ —	¥ 686	¥ —

5. Investment Securities

Investment Securities held at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Japanese Government Bonds	¥ 1,038,452	¥ 924,520	\$ 9,672
Japanese Local Government Bonds	60,486	59,955	563
Japanese Corporate Bonds	860,977	311,660	8,019
Japanese Stocks	757,659	710,904	7,057
Others	1,869,913	1,629,738	17,416
Total	¥ 4,587,489	¥ 3,636,779	\$ 42,726

Others include foreign securities amounted ¥1,775,726 million and ¥1,606,326 million at March 31, 2005 and 2004, respectively.

6. Loans and Bills Discounted

Loans and Bills Discounted at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Bills Discounted	¥ 8,881	¥ 12,128	\$ 83
Loans on Bills	714,147	1,207,149	6,651
Loans on Deeds	7,217,833	6,484,091	67,224
Overdrafts	1,073,057	1,158,689	9,994
Total	¥ 9,013,920	¥ 8,862,059	\$ 83,952

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 ¥74,881 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 of guarantees, is directly written off from the claims in the fiscal year 2004.

Loans and Bills Discounted for 2005 and 2004 include the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Loans in Bankruptcy Proceedings	¥ 2,975	¥ 12,505	\$ 28
Other Delinquent Loans	94,085	104,988	876
Loans more than Three Months Past Due	188	18	2
Restructured Loans	69,878	131,336	651

- 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.
 5. Amount described in above schedule are before deducting reserve for possible loan losses.

7. Other Assets

Other Assets at March 31, 2005 and 2004 are summarized as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Prepaid Expenses	¥ 296	¥ 259	\$ 3
Accrued Income	62,705	61,058	584
Derivatives other than in the Trading Account	351,706	510,111	3,276
Deferred Hedge Losses	—	19,793	—
Discount of Bonds	61	36	1
Receivables for Securities Transactions	131,140	137,104	1,221
Others	244,135	287,302	2,274
Total	¥ 790,045	¥ 1,015,665	\$ 7,358

As of March 31, 2005, others include ¥67,450 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. The Bank filed a petition with the

National Tax Tribunal objecting to such tax imposition, whereby the Bank's petition was dismissed on February 22, 2005. However, the Bank disputed the alleged legal basis for this imposition, and then filed a lawsuit in the Tokyo District Court on March 31, 2005 and the claim is currently in litigation. Discount of bonds are deferred and amortized using the straight-line method over the lives of the bonds.

8. Premises and Equipment

Premises and Equipment at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Land	¥ 45,604	¥ 46,195	\$ 425
Buildings	103,885	105,189	968
Equipment	39,603	40,654	369
Others	18,723	19,018	174
Subtotal	207,817	211,057	1,936
Accumulated Depreciation	(100,991)	(102,196)	(941)
Net Book Value	¥ 106,826	¥ 108,861	\$ 995

In accordance with the Enforcement Ordinance for the Law Concerning Revaluation Reserve for Land, the Bank recorded a ¥3,551 million of unrealized revaluation loss in stockholders' equity, of which ¥6,613 million of deferred tax was deducted from the

gross surplus, as of March 31, 2005, based on the evaluations as of March 31, 1999, after accounting for premises sold. As of March 31, 2005, it is estimated that current fair value of the land would be ¥10,358 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)
	2005	2004	2005
Assets Pledged as Collateral:			
Trading Assets	¥ 138,988	¥ 178,990	\$ 1,294
Investment Securities	1,627,287	1,853,501	15,156
Loans and Bills Discounted	165,652	196,168	1,543
Corresponding Liabilities of the Assets Pledged as Collateral:			
Deposits	18,014	26,763	168
Call Money and Bills Sold	291,200	150,700	2,712
Payables under Repurchase Agreements	936,658	1,024,599	8,724
Collateral for Lending Securities	53,507	239,138	498

10. Deposits and Negotiable Certificates of Deposit

Deposits and Negotiable Certificates of Deposit at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Current Deposits, Ordinary Deposits and Deposits at Notice	¥ 1,670,020	¥ 1,808,304	\$ 15,554
Time Deposits	7,161,290	6,709,229	66,697
Others	298,884	267,741	2,784
Subtotal	9,130,196	8,785,275	85,035
Negotiable Certificates of Deposit	1,487,025	1,382,259	13,850
Total	¥ 10,617,221	¥ 10,167,535	\$ 98,884

11. Borrowed Money

Borrowed Money at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Subordinated Debt	¥ 138,500	¥ 128,500	\$ 1,290
Other Borrowed Money	22,108	26,893	206
Total	¥ 160,608	¥ 155,393	\$ 1,496

Average interest rates of the borrowed money were 1.99% and 1.95% for the year ended March 31, 2005 and 2004, respectively.

Years to Maturity

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
1 year or less	¥ 3,766	¥ 5,892	\$ 35
More than 1 year but less than 2 years	1,266	3,266	12
More than 2 years but less than 3 years	13,650	1,266	127
More than 3 years but less than 4 years	766	13,442	7
More than 4 years but less than 5 years	666	766	6

12. Corporate Bonds

Corporate Bonds at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
(a) Unsecured Subordinated Bonds.....	¥ 130,000	¥ 90,000	\$ 1,211
(b) Euro Medium-Term and Perpetual Subordinated Notes	258,100	240,500	2,404
Total	¥ 388,100	¥ 330,500	\$ 3,615

(a) Unsecured Subordinated Bonds were issued publicly by the Bank under the ¥200 billion of domestic issue shelf registration system. The Bank has issued ¥40,000 million, bearing fixed interest at 1.94 p.a., on April 28, 2004.

(b) 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, 2005, the Bank and its subsidiary have issued ¥50,000 million of notes under the programme, and exercised options to redeem notes totaling ¥32,400 million.

13. Convertible Bonds

Convertible Bonds at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
0.5% Yen Mandatory Exchangeable Subordinated Notes due 2007	¥ —	¥ 70	\$ —

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.

During this fiscal year, all remaining convertible bonds have been converted in common stock of the Bank.

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, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Projected Benefit Obligation.....	¥ (198,046)	¥ (193,556)	\$ (1,845)
Plan Assets (market value).....	228,851	222,920	2,131
Unfunded Projected Benefit Obligations	30,805	29,363	287
Unrecognized Net Plan Assets.....	—	(29,444)	—
Unrecognized Net Transition Obligation	—	3,659	—
Unrecognized Net Actuarial Loss	32,354	62,725	301
Unrecognized Net Prior Service Cost.....	1,739	2,049	16
Net Amount Recognized in the Consolidated Balance Sheets	64,898	68,355	604
Prepaid Pension Cost (-) (Note 7).....	67,450	70,795	628
Reserve for Employee Retirement Benefits	(2,551)	(2,440)	(24)

Retirement benefits expenses which are included in the consolidated statements of income for the year ended March 31, 2005 and 2004 were comprised of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Service Costs-Benefits Earned during the Fiscal Period	¥ 4,570	¥ 4,114	\$ 43
Interest Cost on Projected Benefit Obligation	3,816	4,839	36
Expected Return on Plan Assets	(7,462)	(5,648)	(69)
Amortization of Prior Service Cost	310	310	3
Amortization of Net Actuarial Loss	4,826	8,106	45
Amortization of Net Transition Obligation (Note 22)	3,659	3,659	34
Others	774	1,491	7
Retirement Benefits Expenses	¥ 10,496	¥ 16,873	\$ 98

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, 2005 as same as those of previous year ended

March 31, 2004. 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, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Accrued Expenses	¥ 58,786	¥ 52,331	\$ 548
Unearned Income	11,030	9,732	103
Derivatives other than for Trading Account	290,779	447,158	2,708
Deferred Hedge Income	13,610	—	127
Payables for Securities Transactions	117,925	14,625	1,098
Others	23,544	52,542	219
Total	¥ 515,675	¥ 576,391	\$ 4,803

Others for 2004 include ¥18,053 million of payables 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 represents the Bank’s right of indemnity from customers.

Regarding Principal Guaranteed Trusts, the Bank guaranteed the principal amount of ¥1,001,548 million, ¥966,350 million for Jointly-Operated Money Trusts and ¥1,086,639 million, ¥1,434,515 million for Loan Trusts at March 31, 2005 and 2004, respectively.

18. Stockholders’ Equity

The numbers of authorized and issued preferred and common stock at the end of March 31, 2005 and 2004 were as follows:

	2005		2004	
	Authorized	Issued	Authorized	Issued
Preferred Stock	125,000,000	—	218,570,000	93,570,000
Common Stock	3,000,000,000	1,672,147,956	3,000,000,000	1,516,382,188
Treasury Stock		(6,075,544)		(6,019,471)

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 as of March 31, 2005.

Issued in	2003	2002	2001
Type of Stock	Common Stock	Common Stock	Common Stock
Maximum Number of Shares Granted	1,500,000	3,000,000	3,000,000
Number of Exercisable Shares	1,186,000	2,433,000	2,587,000
Number of Eligible Persons	441	426	374
Exercise Price	415	656	795
Exercise Period	Jul.1, 2005 to Jun.30, 2007	Jul.1, 2004 to Jun.30, 2006	Jul.1, 2003 to Jun.30, 2005

19. Other Interest Income and Expenses

(a) Other Interest Income for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Interest Income on Deposits with Banks	¥ 4,177	¥ 2,988	\$ 39
Interest Income on Interest Swaps	14,348	—	134
Other Interest Income	2,041	2,901	19
Total	¥ 20,567	¥ 5,889	\$ 192

(b) Other Interest Expenses for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Interest Expenses on Corporate Bonds	¥ 6,161	¥ 5,930	\$ 57
Interest Expenses on Convertible Bonds	0	0	0
Interest Expenses on Payables under Repurchase Agreements	20,034	11,966	187
Interest Expenses on Interest Swaps	—	2,678	—
Interest Expenses on Collateral for Lending Securities	3,100	6,227	29
Other Interest Expenses	23,403	33,045	218
Total	¥ 52,700	¥ 59,848	\$ 491

20. Trading Revenue and Expenses

(a) Trading Revenue for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Revenue from Trading Securities and Derivatives	¥ 226	¥ 426	\$ 2
Revenue from Securities Related to Trading Transactions	—	150	—
Revenue from Trading-Related Financial Derivatives Transactions	3,916	3,052	36
Other Trading Revenue	96	130	1
Total	¥ 4,239	¥ 3,760	\$ 39

(b) Trading Expenses for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Expenses on Securities Related to Trading Transactions	¥ 72	¥ —	\$ 1
Total	¥ 72	¥ —	\$ 1

21. Other Operating Income and Expenses

(a) Other Operating Income for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Net Gains on Foreign Exchange Transactions	¥ 2,246	¥ 3,536	\$ 21
Gains on Sale of Bonds	43,260	72,476	403
Others	1,354	215	13
Total	¥ 46,861	¥ 76,227	\$ 436

(b) Other Operating Expenses for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Losses on Sale of Bonds	¥ 33,491	¥ 43,272	\$ 312
Losses on Redemption of Bonds	—	159	—
Losses on Devaluation of Bonds	—	538	—
Expenses from Derivatives other than for Trading Account	17,488	5,034	163
Others	27	9	0
Total	¥ 51,008	¥ 49,015	\$ 475

22. Other Income and Expenses

(a) Other Income for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Gains on Sale of Shares and Other Securities	¥ 19,067	¥ 41,365	\$ 178
Gains on Stock Derivatives Transactions	21,782	6,588	203
Gains on Collections from Claims Write-Offs	5,087	1,569	47
Net Transfer from Reserve for Possible Loan Losses	17,849	1,157	166
Others	16,142	13,774	150
Total	¥ 79,930	¥ 64,455	\$ 744

For the year ended March 31, 2005, others include ¥5,617 million of gains on change of stock to consolidated subsidiaries, and for the year ended March 31, 2004, ¥5,285 million of extra ordinary prof-

its related to tax refund from the Tokyo Metropolitan Government.

(b) Other Expenses for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Losses on Write-Offs	¥ 9,682	¥ 16,840	\$ 90
Losses on Sale of Shares and Other Securities	828	12,625	8
Losses on Devaluation of Shares and Other Securities	4,273	3,016	40
Losses on Stock Derivatives Transactions	22,521	12,065	210
Provisions for Reserve for Losses on Investment Securities	14,930	4,774	139
Losses on Dispositions of Premises and Equipment	1,102	1,392	10
Losses on Impairment of Fixed Assets	106	—	1
Others	18,210	22,278	170
Total	¥ 71,657	¥ 72,993	\$ 667

For the years ended March 31, 2005 and 2004, 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, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Taxes other than Income Taxes	¥ 6,986	¥ 5,059	\$ 65
Personnel Expenses	63,634	65,087	593
Others	67,618	62,569	630
Total	¥ 138,239	¥ 132,716	\$ 1,288

24. Income Taxes

Income taxes, which consist of corporation, inhabitant and enterprise taxes, are calculated based on taxable income.

The approximate statutory effective income tax rate and actual effective income tax rate were 40.61% and 36.78% for the year ended March 31, 2005, respectively. A reconciliation to the approximate statutory effective income tax rate were caused by change of stock to consolidat-

ed subsidiaries, foreign income tax rate differential and others.

Due to the absence of taxable income resulting from tax loss carryforwards, current income taxes mainly consisted of income taxes of consolidated subsidiaries for the years ended March 31, 2005 and 2004.

Deferred Tax Assets and Liabilities at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Tax Loss Carryforwards	¥ 59,187	¥ 108,628	\$ 551
Devaluation of Securities	34,164	36,375	318
Reserve for Possible Loan Losses (including Direct Write-offs of Loans with Guarantees or Collateral)	29,522	35,956	275
Reserve for Employee Retirement Benefits	12,201	10,327	114
Unrealized Income	4,844	6,647	45
Other Addition	30,845	29,458	287
Valuation Allowance	(8,487)	(9,035)	(79)
Amount set off against Deferred Tax Liabilities on Net Unrealized Gains on Available-for-Sale Securities	(78,219)	(64,805)	(728)
Other Amount set off against Deferred Tax Liabilities	(3,731)	(3,505)	(35)
Deferred Tax Assets	¥ 80,327	¥ 150,047	\$ 748
Deferred Tax Liabilities	¥ 40	¥ 254	\$ 0
Deferred Tax Liabilities on Revaluation Reserve for Land	¥ 6,613	¥ 6,826	\$ 62

25. Lease Transactions

As lessor:

There was no reporting item as lessor at March 31, 2005 and 2004.

As lessee:

(a) Finance Leases

Acquisition Cost, Accumulative Depreciation, Accumulative Losses on Impairment and Net Book Value at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Acquisition Cost			
Equipment.....	¥ 729	¥ 790	\$ 7
Others	78	70	1
Total	807	861	8
Accumulated Depreciation			
Equipment.....	496	477	5
Others	28	32	0
Total	524	509	5
Accumulated Losses on Impairment			
Equipment.....	—	—	—
Others	—	—	—
Total	—	—	—
Net Book Value			
Equipment.....	233	313	2
Others	49	37	0
Total	283	351	3

The total of Future Lease Payments to be Paid at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Payable Fee (within one year).....	¥ 144	¥ 145	\$ 1
Payable Fee (more than one year).....	138	206	1
Total	¥ 283	¥ 351	\$ 3

Annual Lease Payments and Estimated Annual Depreciation Expenses for the years ended March 31, 2005 and 2004:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Lease Payments.....	¥ 156	¥ 313	\$ 1
Estimated Annual Depreciation Expenses	156	313	1

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, 2005

and 2004.

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, 2005 and 2004.

(b) Operating Leases

Total of Future Lease Payments to be Paid under non-cancelable operating leases at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Millions of U.S. Dollars (Note1)
	2005	2004	2005
Payable Fee (within one year).....	¥ 2,417	¥ 2,417	\$ 23
Payable Fee (more than one year).....	14,505	16,922	135
Total	¥ 16,922	¥ 19,340	\$ 158

26. Subsequent Event

On June 29, 2005, the stockholders of the Bank authorized the following appropriations of retained earnings as of March 31, 2005.

	Millions of Yen	Millions of U.S. Dollars (Note1)
Appropriations:		
Transfer to Legal Reserve.....	¥ —	\$ —
Cash Dividends for Common Stock (¥12.00 per share).....	19,992	186
Bonuses to Directors	70	1

27. Segment Information

The following tables present information attributable to domestic and overseas operations for the years ended March 31, 2005 and 2004, and identifiable assets of each operation at March 31, 2005 and 2004.

Year Ended March 31, 2005	Millions of Yen						Consolidated
	Japan	Americas	Europe	Asia and Oceania	Total	Elimination	
Income:							
Unaffiliated Customers	¥ 463,941	¥ 22,248	¥ 35,863	¥ 7,460	¥ 529,513	¥ —	¥ 529,513
Intersegment	2,076	7,746	1,269	432	11,525	11,525	—
Total Income	466,017	29,995	37,132	7,892	541,038	11,525	529,513
Total Expenses	317,878	28,734	30,812	4,888	382,314	10,655	371,658
Income before Income Taxes.....	¥ 148,139	¥ 1,260	¥ 6,320	¥ 3,004	¥ 158,724	¥ 869	¥ 157,854
March 31, 2005							
Total Assets.....	¥ 15,254,312	¥ 946,372	¥ 610,283	¥ 535,751	¥ 17,346,719	¥ 1,438,344	¥ 15,908,374

Year Ended March 31, 2004	Millions of Yen						Consolidated
	Japan	Americas	Europe	Asia and Oceania	Total	Elimination	
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 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, 2005	Millions of U.S. Dollars (Note 1)						Elimination	Consolidated
	Japan	Americas	Europe	Asia and Oceania	Total			
Income:								
Unaffiliated Customers	\$ 4,321	\$ 207	\$ 334	\$ 69	\$ 4,932	\$ —	\$ 4,932	
Intersegment	19	72	12	4	107	107	—	
Total Income	4,340	279	346	74	5,039	107	4,932	
Total Expenses	2,961	268	287	46	3,561	99	3,461	
Income before Income Taxes.....	\$ 1,380	\$ 12	\$ 59	\$ 28	\$ 1,478	\$ 8	\$ 1,470	
March 31, 2005								
Total Assets.....	\$ 142,072	\$ 8,814	\$ 5,684	\$ 4,990	\$ 161,560	\$ 13,396	\$ 148,164	

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, 2005	Millions of Yen	
	Book Value	Net Unrealized Gain (Loss) Reflected in the Statements of Operations
Trading Securities	¥ 235,181	¥ 49

March 31, 2004	Millions of Yen	
	Book Value	Net Unrealized Gain (Loss) Reflected in the Statements of Operations
Trading Securities	¥ 256,428	¥ (35)

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

March 31, 2005	Millions of Yen				
	Book Value	Market Value	Net	Unrealized Gain(Loss)	
				Gain	(Loss)
Japanese Government Bonds	¥ 427,552	¥ 431,004	¥ 3,452	¥ 3,452	¥ (0)
Japanese Local Government Bonds	—	—	—	—	—
Japanese Short-Term Corporate Bonds	—	—	—	—	—
Japanese Corporate Bonds	389,888	390,982	1,094	1,098	(4)
Foreign Government Bonds and Others	5,195	5,345	150	151	(1)
Total	¥ 822,635	¥ 827,333	¥ 4,697	¥ 4,702	¥ (5)

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)
Total	¥ 10,390	¥ 10,760	¥ 369	¥ 377	¥ (7)

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, 2005	Millions of Yen				
	Cost	Book Value	Net	Unrealized Gain(Loss)	
				Gain	(Loss)
Japanese Stocks	¥ 440,249	¥ 633,385	¥ 193,135	¥ 206,286	¥ (13,150)
Japanese Bonds	957,192	960,515	3,322	3,667	(345)
Government Bonds	609,039	610,900	1,860	1,977	(116)
Local Government Bonds	60,067	60,486	418	612	(194)
Short-Term Corporate Bonds	—	—	—	—	—
Corporate Bonds	288,085	289,128	1,043	1,078	(34)
Foreign Securities and Others	1,718,243	1,714,789	(3,453)	11,294	(14,748)
Total	¥ 3,115,685	¥ 3,308,690	¥ 193,005	¥ 221,249	¥ (28,244)

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)
Total	¥ 3,117,489	¥ 3,277,991	¥ 160,502	¥ 192,248	¥ (31,745)

1) Book value in the consolidated 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, 2005 and 2004.

March 31, 2005	Millions of Yen
	Book Value
Unlisted Japanese Bonds	¥ 181,960
Unlisted Foreign Securities	168,219
Unlisted Japanese Stocks, excluding stocks sold in public market	95,767

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

(e) Available-for-Sale Securities sold during the years ended March 31, 2005 and 2004

Year ended March 31, 2005	Millions of Yen		
	Amount Sold	Gain	(Loss)
Available-for-Sale Securities	¥ 9,436,316	¥ 62,328	¥ (34,320)

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

(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, 2005 and 2004 are as follows:

March 31, 2005	Millions of Yen			
	Book Value			
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Japanese Bonds	¥ 273,958	¥ 1,090,331	¥ 569,224	¥ 26,401
Government Bonds	60,239	496,464	456,501	25,247
Local Government Bonds	1,168	29,677	29,640	—
Short-Term Corporate Bonds	—	—	—	—
Corporate Bonds	212,550	564,189	83,083	1,154
Foreign Securities and Others	103,737	598,709	740,255	337,636
Total	¥ 377,695	¥ 1,689,041	¥ 1,309,479	¥ 364,038

March 31, 2004	Millions of Yen			
	Book Value			
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Japanese Bonds	¥ 54,983	¥ 712,404	¥ 502,177	¥ 26,568
Government Bonds	5,990	457,963	435,414	25,150
Local Government Bonds	1,691	28,181	30,081	—
Short-Term Corporate Bonds	—	—	—	—
Corporate Bonds	47,300	226,259	36,682	1,418
Foreign Securities and Others	65,128	700,722	629,083	167,884
Total	¥ 120,112	¥ 1,413,126	¥ 1,131,261	¥ 194,453

(2) Financial Derivatives

(a) Interest Related Transactions

Interest Related Transactions at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen							
	2005				2004			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Listed								
Interest Futures								
Sold	¥15,647,579	¥ 3,271,222	¥ 1,504	¥ 1,504	¥26,176,879	¥ 5,571,431	¥ (63,839)	¥ (63,839)
Purchased	14,411,504	2,410,453	(12,568)	(12,568)	21,726,530	3,538,557	28,345	28,345
Interest Options								
Sold	1,213,479	—	(339)	(112)	1,277,742	9,645	(313)	(1)
Purchased	11,915,104	—	621	32	831,495	—	290	89
Over-the-Counter								
Forward Rate Agreements								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Interest Rate Swaps								
Fix Rcv-Flt Pay	22,835,928	17,884,897	367,389	367,389	21,164,611	17,736,622	641,194	641,194
Flt Rcv-Fix Pay	22,864,816	18,186,921	(343,147)	(343,147)	20,184,050	16,735,699	(585,331)	(585,331)
Flt Rcv-Flt Pay	4,345,643	1,681,343	232	232	4,125,158	3,549,658	(461)	(461)
Interest Options								
Sold	2,316,131	2,182,353	(5,933)	1,892	791,635	698,264	(3,384)	(1,383)
Purchased	1,398,141	1,338,666	12,361	(1,453)	1,226,826	1,212,261	13,812	2,374
Other Interest Related								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total			¥ 20,120	¥ 13,768			¥ 30,311	¥ 20,985

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 income.

Derivative transactions subject to hedge accounting treatments 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) are

excluded from the schedule above.

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

(b) Currency Related Transactions

Currency Related Transactions at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen							
	2005				2004			
	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.....	196,388	160,933	3,405	3,405	48,042	44,208	4,374	4,374
Forward								
Sold.....	1,184,186	131,095	(7,558)	(7,558)	2,109,758	97,740	64,390	64,390
Purchased.....	1,442,646	148,608	9,990	9,990	2,306,627	101,009	(63,605)	(63,605)
Currency Options								
Sold.....	522,760	154,614	(10,905)	1,879	1,331	171	(2,020)	(82)
Purchased.....	523,091	151,101	8,100	(785)	2,011	161	1,878	1
Other Currency Related								
Sold.....	—	—	—	—	—	—	—	—
Purchased.....	—	—	—	—	—	—	—	—
Total.....			¥ 3,033	¥ 6,931			¥ 5,017	¥ 5,077

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 income.

2) Derivative transactions subject to hedge accounting treatments 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) 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.

3) Market values of OTC transactions are calculated mainly using discounted present values and option pricing models.

(c) Stock Related Transactions

Stock Related Transactions at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen							
	2005				2004			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Listed								
Stock Index Futures								
Sold	¥ 40,785	¥ —	¥ 393	¥ 393	¥8,050	¥ —	¥(358)	¥(358)
Purchased	29,595	—	(137)	(137)	—	—	—	—
Stock Index Options								
Sold	70,833	—	(147)	100	—	—	—	—
Purchased	176,165	—	465	(318)	—	—	—	—
Over-the-Counter								
Stock Options								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Stock Index and Other Swaps								
Stock price index volatility receivable/ short-term floating interest rate payable	—	—	—	—	—	—	—	—
Short-term floating interest rate receivable/ Stock price index volatility payable	—	—	—	—	—	—	—	—
Others								
Sold	—	—	—	—	—	—	—	—
Purchased	—	—	—	—	—	—	—	—
Total			¥ 573	¥ 38			¥(358)	¥(358)

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 income.

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

2) Market values of listed transactions are calculated mainly using the closing prices on the Tokyo Stock Exchange and others.

(d) Bond Related Transactions

Bond Related Transactions at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen							
	2005				2004			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Listed								
Bond Futures								
Sold.....	¥1,156,618	¥ —	¥(1,717)	¥(1,717)	¥1,339,701	¥ —	¥(6,384)	¥(6,384)
Purchased.....	1,145,205	—	1,236	1,236	1,363,071	—	1,962	1,962
Bond Future Options								
Sold.....	693,099	—	(2,296)	329	160,726	—	(456)	12
Purchased.....	508,669	—	2,154	(491)	447,007	—	1,072	(243)
Over-the-Counter								
Bond Options								
Sold.....	22,651	—	(125)	(39)	—	—	—	—
Purchased.....	19,920	—	2	(10)	—	—	—	—
Others								
Sold.....	—	—	—	—	—	—	—	—
Purchased.....	—	—	—	—	—	—	—	—
Total.....			¥ (746)	¥ (693)			¥(3,805)	¥(4,653)

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 income.

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

2) Market values of listed transactions are calculated mainly using the closing prices on the Tokyo Stock Exchange and others. Market values 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, 2005 and 2004.

(f) Credit Derivative Transactions

Credit Derivative Transactions at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen							
	2005				2004			
	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)	Contract Value	Over 1YR	Market Value	Unrealized Gain (Loss)
Over-the-Counter								
Credit Derivatives								
Sold.....	¥1,500	¥1,500	¥ 1	¥ 1	¥ 500	¥ 500	¥ 2	¥ 2
Purchased.....	—	—	—	—	1,000	1,000	(6)	(6)
Total.....			¥ 1	¥ 1			¥(4)	¥(4)

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 income.

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

2) Market values are calculated using discounted present value.

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

29. Net Income per Share

Net Income per Share and Net Income per Share (fully diluted) for the years ended March 31, 2005 and 2004:

Year Ended March 31, 2005	Net Income [Millions of Yen]	Average Common Stock Outstanding [Thousands of Shares]	Net Income per share [Yen]
	¥ 96,865		
Bonuses to Directors	(75)		
Dividends of Preferred Stock	—		
Before Adjustment of Dilution	¥ 96,790	1,616,816	¥ 59.86
Effect of Conversion from Preferred Stock	—	49,279	
Effect due to Exercises of Stock Options		548	
Effect of Conversion from Convertible Bonds	—	10	
After fully Dilution *1	¥ 96,790	1,666,655	¥ 58.07

Year Ended March 31, 2004	Net Income [Millions of Yen]	Average Common Stock Outstanding [Thousands of Shares]	Net Income per share [Yen]
	¥ 79,629		
Bonuses to Directors	(71)		
Dividends of Preferred Stock	(568)		
Before Adjustment of Dilution	¥ 78,989	1,463,144	¥ 53.98
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 *2	¥ 79,558	1,646,295	¥ 48.32

Note: Summary of excluded shares in calculating the number of the dilutive potential common stock due to no effects of dilution (see Note 18):

1. Stock Options: 5,418 thousand shares
2. Stock Options: 8,097 thousand shares

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, 2005 and 2004.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Cash and Due from Banks	¥ 432,183	¥ 747,328	\$ 4,025
Due from Banks (excluding due from Bank of Japan)	(280,050)	(231,076)	(2,608)
Cash and Cash Equivalents	¥ 152,132	¥ 516,251	\$ 1,417

Significant non-cash transactions for the years ended March 31, 2005 and 2004 are provided as follows.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Increase in Capital due to Conversion of Convertible Bonds	¥ 35	¥ 2	\$ 0
Increase in Capital Surplus due to Conversion of Convertible Bonds	35	2	0
Decrease in Convertible Bonds (See Note 13)	¥ 70	¥ 5	\$ 1

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, 2005 and 2004, and the related consolidated statements of income, 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, 2005 and 2004, 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 the following.

- (1) As discussed in Note 2(p) to the consolidated financial statements, effective April 1, 2004, the Bank changed the method of accounting for trust fees.
- (2) As discussed in Note 2(l) to the consolidated financial statements, from fiscal year 2004, the Bank implemented an early application of the accounting standards for employee retirement benefits revised on March 16, 2005.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 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.

KPMG AZSA & Co.

Tokyo, Japan
June 29, 2005

STATEMENTS OF TRUST ACCOUNT (UNAUDITED)

At March 31	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Assets:			
Loans and Bills Discounted (Note 1)	¥ 912,294	¥ 1,132,607	\$ 8,497
Investment Securities (Note 2).....	6,717,120	5,796,846	62,560
Money Held in Trust	36,376,779	37,804,184	338,798
Securities Held in Custody Accounts	642	875	6
Money Claims	4,126,756	3,375,654	38,435
Premises and Equipment	2,708,770	2,095,424	25,228
Other Claims.....	95,454	73,831	889
Call Loans.....	500	—	5
Loans to Banking Account (Note 3)	1,473,736	1,425,148	13,726
Cash and Due from Banks	233,455	184,590	2,174
Total Assets	¥ 52,645,509	¥ 51,889,165	\$ 490,319
Liabilities:			
Money Trusts (Note 4).....	¥ 17,256,145	¥ 18,475,916	\$ 160,717
Pension Trusts	4,980,875	6,017,425	46,390
Property Formation Benefit Trusts	10,806	11,256	101
Loan Trusts (Note 5).....	1,043,955	1,362,069	9,723
Securities Investment Trusts	8,547,273	7,210,767	79,606
Money Entrusted, other than Money Trusts	1,887,535	2,689,844	17,580
Securities Trusts.....	9,803,555	9,119,565	91,306
Money Claim Trusts.....	3,861,212	3,060,074	35,962
Equipment Trusts.....	2,299	4,123	21
Land and Fixtures Trusts	157,690	176,288	1,469
Composite Trusts	5,094,159	3,761,832	47,445
Total Liabilities	¥ 52,645,509	¥ 51,889,165	\$ 490,319

Note: U.S. dollar amounts are translated solely for convenience at the rate of ¥107.37 to U.S.\$1.00, at March 31, 2005.

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.

1. Loans and Bills Discounted

Loans and Bills Discounted at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Loans on Deeds	¥ 908,564	¥ 1,103,108	\$ 8,462
Loans on Bills	3,730	29,499	35
Total	¥ 912,294	¥ 1,132,607	\$ 8,497

The balances of Guaranteed Trust Account Loans as of March 31, 2005 and 2004 were ¥735,925 million and ¥1,029,541 million, respectively, which included the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Loans in Bankruptcy Proceedings	¥ 1,737	¥ 2,563	\$ 16
Other Delinquent Loans.....	4,745	11,561	44
Loans more than Three Months Past Due	—	—	—
Restructured Loans	10,571	25,738	98

Note: Refer to page 69 for the definition of each item.

2. Securities

Securities held at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Japanese Government Bonds	¥ 2,786,244	¥ 2,350,575	\$ 25,950
Japanese Local Government Bonds	198,952	195,227	1,853
Japanese Corporate Bonds and Debentures.....	995,339	983,981	9,270
Japanese Stocks	1,369,113	1,318,351	12,751
Foreign Securities	1,367,469	948,711	12,736
Total	¥ 6,717,120	¥ 5,796,846	\$ 62,560

3. 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.

4. 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 pre-

vent duplication. The figures in the accompanying statements of trust account at March 31, 2005 and 2004 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)
	2005	2004	2005
Assets:			
Loans and Bills Discounted.....	¥ 182,401	¥ 194,423	\$ 1,699
Securities	43,573	76,013	406
Others	777,094	697,522	7,238
Total	¥ 1,003,068	¥ 967,959	\$ 9,342
Liabilities:			
Principal	¥ 1,001,548	¥ 966,350	\$ 9,328
Reserve for Possible Impairment of Principal	552	585	5
Others	968	1,022	9
Total	¥ 1,003,068	¥ 967,959	\$ 9,342

5. Balance of Loan Trusts

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, 2005 and 2004 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)
	2005	2004	2005
Assets:			
Loans and Bills Discounted.....	¥ 553,524	¥ 835,117	\$ 5,155
Securities	40,124	71,569	374
Others	504,761	543,628	4,701
Total	¥ 1,098,410	¥ 1,450,315	\$ 10,230
Liabilities:			
Principal	¥ 1,086,639	¥ 1,434,515	\$ 10,121
Reserve for Possible Impairment of Principal	5,781	8,275	54
Others	5,989	7,524	56
Total	¥ 1,098,410	¥ 1,450,315	\$ 10,230

NON-CONSOLIDATED BALANCE SHEETS — The Sumitomo Trust & Banking Company, Limited at March 31, 2005 and 2004

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Assets:			
Cash and Due from Banks	¥ 429,308	¥ 751,656	\$ 3,998
Call Loans.....	45,557	114,789	424
Bills Bought	—	62,600	—
Commercial Paper and Other Debt Purchased	219,282	102,428	2,042
Trading Assets	283,426	301,896	2,640
Money Held in Trust.....	2,000	686	19
Investment Securities	4,587,448	3,636,250	42,726
Loans and Bills Discounted	9,035,826	8,887,978	84,156
Foreign Exchanges	7,397	13,339	69
Other Assets.....	775,194	1,001,024	7,220
Premises and Equipment	96,126	97,932	895
Deferred Tax Assets	72,544	141,371	676
Customers' Liabilities for Acceptances and Guarantees	561,253	474,756	5,227
Reserve for Possible Loan Losses	(77,076)	(109,091)	(718)
Reserve for Losses on Investment Securities	(19,704)	(4,774)	(184)
Total Assets.....	¥ 16,018,584	¥ 15,472,846	\$ 149,191
Liabilities:			
Deposits.....	¥ 9,095,353	¥ 8,758,651	\$ 84,710
Negotiable Certificates of Deposit.....	1,495,995	1,387,329	13,933
Call Money.....	10,737	90,000	100
Payables under Repurchase Agreements	936,658	1,024,599	8,724
Collateral for Lending Securities	53,507	239,138	498
Bills Sold.....	291,200	60,700	2,712
Trading Liabilities.....	52,431	47,933	488
Borrowed Money.....	468,108	445,567	4,360
Foreign Exchanges	1,003	12,664	9
Corporate Bonds.....	162,700	122,700	1,515
Convertible Bonds	—	70	—
Borrowed Money from Trust Account.....	1,473,736	1,425,148	13,726
Other Liabilities.....	502,390	564,547	4,679
Reserve for Employee Bonuses	3,546	3,476	33
Reserve for Employee Retirement Benefits	335	305	3
Deferred Tax Liabilities on Revaluation Reserve for Land.....	6,613	6,826	62
Acceptances and Guarantees	561,253	474,756	5,227
Total Liabilities.....	15,115,571	14,664,414	140,780
Stockholders' Equity:			
Preferred Stock	—	37,428	—
Authorized-125,000,000 shares			
Issued- 0 share			
Common Stock	287,053	249,590	2,673
Authorized-3,000,000,000 shares			
Issued- 1,672,147,956 shares			
Capital Surplus	240,472	240,437	2,240
Additional Paid-in Capital	240,472	240,437	2,240
Retained Earnings.....	269,167	193,861	2,507
Legal Retained Earnings.....	46,580	45,603	434
Voluntary Reserves	131,872	68,872	1,228
Unappropriated Profit at End of Year	90,715	79,385	845
Revaluation Reserve for Land, Net of Tax.....	(3,551)	(3,235)	(33)
Net Unrealized Gains on Available-for-Sale Securities, Net of Tax.....	114,337	94,783	1,065
Treasury Stock.....	(4,466)	(4,433)	(42)
Total Stockholders' Equity.....	903,013	808,432	8,410
Total Liabilities and Stockholders' Equity.....	¥ 16,018,584	¥ 15,472,846	\$ 149,191
Net Assets per Share.....			
	¥ 541.95	¥ 485.27	\$ 5.05

See accompanying notes.

NON-CONSOLIDATED STATEMENTS OF INCOME

— The Sumitomo Trust & Banking Company, Limited for the years ended March 31, 2005 and 2004

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Income:			
Trust Fees	¥ 71,316	¥ 76,401	\$ 664
Interest Income:			
Interest on Loans and Discounts	120,543	121,005	1,123
Interest and Dividends on Securities	97,012	85,749	904
Other Interest Income	20,920	5,674	195
	238,477	212,429	2,221
Fees and Commissions	72,405	57,984	674
Trading Revenue	4,239	3,760	39
Other Operating Income	46,858	76,201	436
Other Income	69,389	60,799	646
Total Income	502,687	487,577	4,682
Expenses:			
Interest Expenses:			
Interest on Deposits	33,169	29,981	309
Interest on Borrowings and Rediscounts	9,257	9,261	86
Other Interest Expenses	49,120	55,738	457
	91,547	94,981	853
Fees and Commissions	34,236	30,453	319
Trading Expenses	72	—	1
Other Operating Expenses	50,972	49,015	475
General and Administrative Expenses	115,260	113,467	1,073
Other Expenses	70,597	73,660	658
Total Expenses	362,686	361,578	3,378
Income before Income Taxes	140,000	125,998	1,304
Income Taxes:			
Current	85	104	1
Deferred	55,214	51,965	514
Net Income	¥ 84,700	¥ 73,928	\$ 789

	Yen		U.S. Dollars (Note 1)
Net Income per Share	¥ 52.34	¥ 50.09	\$ 0.49
Net Income per Share (fully diluted)	50.77	44.86	0.47
Cash Dividends per Share (Preferred Stock)	—	6.08	—
Cash Dividends per Share (Common Stock)	12.00	6.00	0.11

See accompanying notes.

NON-CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

— The Sumitomo Trust & Banking Company, Limited for the years ended March 31, 2005 and 2004

	Number of Shares		Millions of Yen						
	Preferred Stock (Thousands)	Common Stock (Thousands)	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Revaluation Reserve for Land	Net Unrealized Gains (Losses) on Available-for-Sale Securities	Treasury Stock
Balance at March 31, 2003	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)
Balance at March 31, 2004	93,570	1,516,382	¥ 37,428	¥249,590	¥240,437	¥193,861	¥(3,235)	¥ 94,783	¥(4,433)
Net Income.....						84,700			
Cash Dividends Paid.....						(9,631)			
Shares Issued upon Conversion of Preferred Stock.....	(93,570)	155,625	(37,428)	37,428					
Shares Issued upon Conversion of Convertible Bonds.....		140		35	35				
Net Change.....								19,554	(33)
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property.....						314	(315)		
Loss on Disposal of Treasury Stock.....									(7)
Bonuses to Directors.....									(70)
Balance at March 31, 2005	—	1,672,147	¥ —	¥287,053	¥240,472	¥269,167	¥(3,551)	¥114,337	¥(4,466)

	Millions of U.S. Dollars (Note 1)							
	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Revaluation Reserve for Land	Net Unrealized Gains (Losses) on Available-for-Sale Securities	Treasury Stock	
Balance at March 31, 2004	\$349	\$2,325	\$2,239	\$1,806	\$(30)	\$ 883	\$(41)	
Net Income.....				789				
Cash Dividends Paid.....				(90)				
Shares Issued upon Conversion of Preferred Stock.....	(349)	349						
Shares Issued upon Conversion of Convertible Bonds.....		0	0					
Net Change.....						182	(0)	
Adjustment due to Change in Effective Tax Rate and Sale of Revalued Property.....				3	(3)			
Loss on Disposal of Treasury Stock.....							(0)	
Bonuses to Directors.....							(1)	
Balance at March 31, 2005	\$ —	\$2,673	\$2,240	\$2,507	\$(33)	\$1,065	\$(42)	

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 ¥107.37 to U.S.\$1.00, the exchange rate prevailing at March 31, 2005. 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 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, 2005 and 2004, and the related non-consolidated statements of income 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, 2005 and 2004, 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 the following.

- (1) As discussed in Note 2(p) to the consolidated financial statements, effective April 1, 2004, the Bank changed the method of accounting for trust fees.
- (2) As discussed in Note 2(l) to the consolidated financial statements, from fiscal year 2004, the Bank implemented an early application of the accounting standards for employee retirement benefits revised on March 16, 2005.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2005 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.

KPMG, AZSA & Co.

Tokyo, Japan
June 29, 2005

SUPPLEMENTARY FINANCIAL INFORMATION

Loans by Industry (Consolidated basis)

(i) Banking Account

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Domestic Offices (Excluding Offshore Loans):			
Manufacturing.....	¥ 1,191,109	¥ 1,214,626	\$ 11,093
Agriculture, Forestry, Fishing, and Mining.....	9,928	7,962	92
Construction	150,797	138,220	1,404
Energy	116,995	103,822	1,090
Communication	178,060	201,804	1,658
Transportation	545,789	476,523	5,083
Wholesale and Retail	764,458	836,630	7,120
Finance and Insurance.....	1,788,666	2,223,830	16,659
Real Estate.....	1,165,308	787,620	10,853
Various Services.....	1,205,259	1,239,515	11,225
Local Governments	10,356	42,930	96
Individuals and Others	1,249,428	1,069,325	11,637
Subtotal.....	8,376,158	8,342,813	78,012
Overseas Offices (Including Offshore Loans of Domestic Offices):			
Governments and Official Institutions	2,612	5,197	24
Banks and Other Financial Institutions	279	465	3
Others	634,869	513,582	5,913
Subtotal.....	637,761	519,246	5,940
Total	¥ 9,013,920	¥ 8,862,059	\$ 83,952

Note: For the year ended March 31, 2005, industry registrations of some loans were revised for "Manufacturing", "Finance and Insurance" and "Real Estate." Without this revision for the previous year ended March 31, 2004, "Manufacturing" and "Finance and Insurance" are amounted less by ¥1,931 million and ¥274,787 million, respectively, "Real Estate" is amounted more by ¥276,718 million.

(ii) Trust Account

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2005	2004	2005
Domestic Offices (Excluding Offshore Loans):			
Manufacturing.....	¥ 37,288	¥ 55,924	\$ 347
Agriculture, Forestry, Fishing, and Mining.....	205	291	2
Construction	26,038	44,591	243
Energy	77,064	103,580	718
Communication	13,589	14,609	127
Transportation	157,080	195,465	1,463
Wholesale and Retail	25,639	37,583	239
Finance and Insurance.....	135,981	218,415	1,266
Real Estate.....	81,357	139,707	758
Various Services.....	33,563	53,671	313
Local Governments	37,050	39,596	345
Individuals and Others	287,434	229,170	2,677
Total	¥ 912,294	¥ 1,132,607	\$ 8,497

Note: For the year ended March 31, 2005, industry registrations of some loans were revised for "Finance and Insurance" and "Real Estate." Without this revision for the previous year ended March 31, 2004, "Finance and Insurance" and "Real Estate" are amounted less and more by ¥3,600 million, respectively.

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

CONSOLIDATED STATEMENTS OF BANKING ACCOUNT	Millions of Yen				
	2005	2004	2003	2002	2001
AT YEAR-END					
Assets:					
Cash and Due from Banks.....	¥ 432,183	¥ 747,328	¥ 673,327	¥ 835,193	¥ 685,323
Investment Securities.....	4,587,489	3,636,779	3,458,250	5,069,838	6,566,313
Loans and Bills Discounted	9,013,920	8,862,059	9,143,155	8,922,465	8,193,779
Premises and Equipment	106,826	108,861	116,026	121,158	155,717
Customers' Liabilities for					
Acceptances and Guarantees	399,099	340,283	319,217	364,550	379,695
Others	1,467,620	1,790,879	2,208,847	1,612,377	2,068,240
Reserve for Possible Loan Losses	(80,806)	(111,785)	(139,060)	(221,562)	(188,057)
Reserve for Losses on Investment Securities	(17,958)	(3,027)	—	—	(7)
Total Assets.....	¥ 15,908,374	¥ 15,371,378	¥ 15,779,764	¥ 16,704,021	¥ 17,861,005
Liabilities:					
Deposits and Negotiable Certificates of Deposit	¥ 10,617,221	¥ 10,167,535	¥ 10,257,451	¥ 9,774,054	¥ 8,692,805
Acceptances and Guarantees	399,099	340,283	319,217	364,550	379,695
Others	3,897,076	3,971,173	4,486,172	5,817,477	7,935,759
Total Liabilities.....	14,913,397	14,478,992	15,062,840	15,956,082	17,008,260
Minority Interest	85,250	90,356	89,093	88,290	91,076
Total Stockholders' Equity	909,726	802,029	627,830	659,647	761,668
Total Liabilities, Minority Interest and Stockholders' Equity	¥ 15,908,374	¥ 15,371,378	¥ 15,779,764	¥ 16,704,021	¥ 17,861,005
FOR THE YEAR					
Income:					
Trust Fees.....	¥ 71,316	¥ 76,401	¥ 71,382	¥ 80,421	¥ 95,807
Interest Income	238,698	213,292	270,666	329,927	346,568
Fees and Commissions	88,466	72,137	59,445	61,041	49,767
Trading Revenue	4,239	3,760	8,094	5,354	10,569
Other Operating Income	46,861	76,227	123,267	192,192	218,280
Other Income	79,930	64,455	32,560	55,364	175,695
Total Income	¥ 529,513	¥ 506,274	¥ 565,416	¥ 724,301	¥ 896,688
Expenses:					
Interest Expenses	¥ 89,684	¥ 93,583	¥ 119,054	¥ 225,083	¥ 275,270
Fees and Commissions	20,996	19,309	23,353	24,668	17,881
Trading Expenses	72	—	478	655	34
Other Operating Expenses.....	51,008	49,015	118,963	151,112	175,256
General and Administrative Expenses	138,239	132,716	135,147	134,857	138,088
Other Expenses.....	71,657	72,993	294,912	244,394	200,236
Total Expenses.....	¥ 371,658	¥ 367,618	¥ 691,909	¥ 780,772	¥ 806,766
Income (Loss) before Income Taxes.....	¥ 157,854	¥ 138,656	¥ (126,493)	¥ (56,470)	¥ 89,922
Net Income (Loss)	96,865	79,629	(72,967)	(42,480)	41,017
PER SHARE (Common Stock)					
Net Income (Loss) per Share (Yen).....	¥ 59.86	¥ 53.98	¥ (50.80)	¥ (29.87)	¥ 27.88
Net Income per Share (fully diluted) (Yen).....	58.07	48.32	—	—	27.54
Net Assets per Share (Yen).....	545.98	481.03	361.44	386.86	456.65

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				
	2005	2004	2003	2002	2001
AT YEAR-END					
Assets:					
Cash and Due from Banks.....	¥ 429,308	¥ 751,656	¥ 670,518	¥ 822,915	¥ 654,527
Investment Securities.....	4,587,448	3,636,250	3,468,066	5,069,781	6,563,542
Loans and Bills Discounted	9,035,826	8,887,978	9,168,024	8,918,757	8,292,615
Premises and Equipment	96,126	97,932	105,000	109,882	148,691
Customers' Liabilities for					
Acceptances and Guarantees	561,253	474,756	432,641	501,254	511,434
Others	1,405,403	1,738,137	2,162,103	1,573,916	1,620,586
Reserve for Possible Loan Losses.....	(77,076)	(109,091)	(136,094)	(217,066)	(207,330)
Reserve for Losses on Investment Securities.....	(19,704)	(4,774)	(719)	(1,129)	(1,983)
Total Assets.....	¥ 16,018,584	¥ 15,472,846	¥ 15,869,541	¥ 16,778,313	¥ 17,582,082
Liabilities:					
Deposits and Negotiable Certificates of Deposit	¥ 10,591,348	¥ 10,145,980	¥ 10,248,045	¥ 9,748,964	¥ 8,680,056
Acceptances and Guarantees	561,253	474,756	432,641	501,254	511,434
Others	3,962,969	4,043,677	4,550,351	5,876,096	7,629,698
Total Liabilities.....	15,115,571	14,664,414	15,231,038	16,126,315	16,821,190
Stockholders' Equity:					
Capital Stock.....	287,053	287,018	287,015	284,053	283,985
Reserves and Surplus	615,960	521,414	351,487	367,944	476,906
Total Stockholders' Equity	903,013	808,432	638,503	651,997	760,892
Total Liabilities and Stockholders' Equity.....	¥ 16,018,584	¥ 15,472,846	¥ 15,869,541	¥ 16,778,313	¥ 17,582,082
FOR THE YEAR					
Income:					
Trust Fees.....	¥ 71,316	¥ 76,401	¥ 71,382	¥ 80,421	¥ 95,807
Interest Income	238,477	212,429	273,533	329,532	347,484
Fees and Commissions	72,405	57,984	45,748	45,346	35,672
Trading Revenue	4,239	3,760	8,094	5,354	7,215
Other Operating Income.....	46,858	76,201	123,259	73,771	91,927
Other Income.....	69,389	60,799	51,360	51,951	173,823
Total Income	¥ 502,687	¥ 487,577	¥ 573,379	¥ 586,377	¥ 751,931
Expenses:					
Interest Expenses	¥ 91,547	¥ 94,981	¥ 120,718	¥ 221,874	¥ 269,509
Fees and Commissions	34,236	30,453	27,309	23,121	14,130
Trading Expenses	72	—	478	655	54
Other Operating Expenses.....	50,972	49,015	118,901	41,374	56,259
General and Administrative Expenses	115,260	113,467	119,010	123,249	128,551
Other Expenses.....	70,597	73,660	291,726	241,136	199,159
Total Expenses.....	¥ 362,686	¥ 361,578	¥ 678,145	¥ 651,411	¥ 667,664
Income (Loss) before Income Taxes.....	¥ 140,000	¥ 125,998	¥ (104,766)	¥ (65,034)	¥ 84,266
Net Income (Loss)	84,700	73,928	(56,565)	(42,207)	42,642
Cash Dividends	19,992	9,631	5,134	7,993	10,877
PER SHARE (Common Stock)					
Net Income (Loss) per Share (Yen).....	¥ 52.34	¥ 50.09	¥ (39.49)	¥ (29.68)	¥ 28.96
Net Income per Share (fully diluted) (Yen).....	50.77	44.86	—	—	28.61
Cash Dividends per Share (Yen)	12.00	6.00	3.00	5.00	7.00
Net Assets per Share (Yen).....	541.95	485.27	368.76	381.57	455.16

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

STATEMENTS OF TRUST ACCOUNT	Millions of Yen				
	2005	2004	2003	2002	2001
AT YEAR-END					
Assets:					
Loans and Bills Discounted	¥ 912,294	¥ 1,132,607	¥ 1,761,904	¥ 1,972,582	¥ 2,607,797
Investment Securities	6,717,120	5,796,846	4,476,065	3,433,949	2,927,611
Other Assets	45,016,095	44,959,710	46,378,161	44,485,044	44,649,862
Total Assets	¥ 52,645,509	¥ 51,889,165	¥ 52,616,131	¥ 49,891,577	¥ 50,185,272
Liabilities:					
Money Trusts	¥ 17,256,145	¥ 18,475,916	¥ 20,108,266	¥ 17,939,003	¥ 16,704,918
Pension Trusts	4,980,875	6,017,425	5,477,868	5,551,957	5,398,553
Property Formation Benefit Trusts	10,806	11,256	11,515	11,694	12,580
Loan Trusts	1,043,955	1,362,069	1,963,838	2,986,125	4,274,930
Other Trusts	29,353,727	26,022,497	25,054,641	23,402,795	23,794,289
Total Liabilities	¥ 52,645,509	¥ 51,889,165	¥ 52,616,131	¥ 49,891,577	¥ 50,185,272

TOTAL EMPLOYABLE FUNDS	Millions of Yen				
	2005	2004	2003	2002	2001
AT YEAR-END					
Deposits	¥ 10,591,348	¥ 10,145,980	¥ 10,248,045	¥ 9,748,964	¥ 8,680,056
Money Trusts	17,256,145	18,475,916	20,108,266	17,939,003	16,704,918
Pension Trusts	4,980,875	6,017,425	5,477,868	5,551,957	5,398,553
Property Formation Benefit Trusts	10,806	11,256	11,515	11,694	12,580
Loan Trusts	1,043,955	1,362,069	1,963,838	2,986,125	4,274,930
Total Employable Funds*	¥ 33,883,131	¥ 36,012,648	¥ 37,809,535	¥ 36,237,746	¥ 35,071,038

* 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.

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SUBSIDIARIES AND AFFILIATED COMPANIES* as of July 1, 2005

Japan

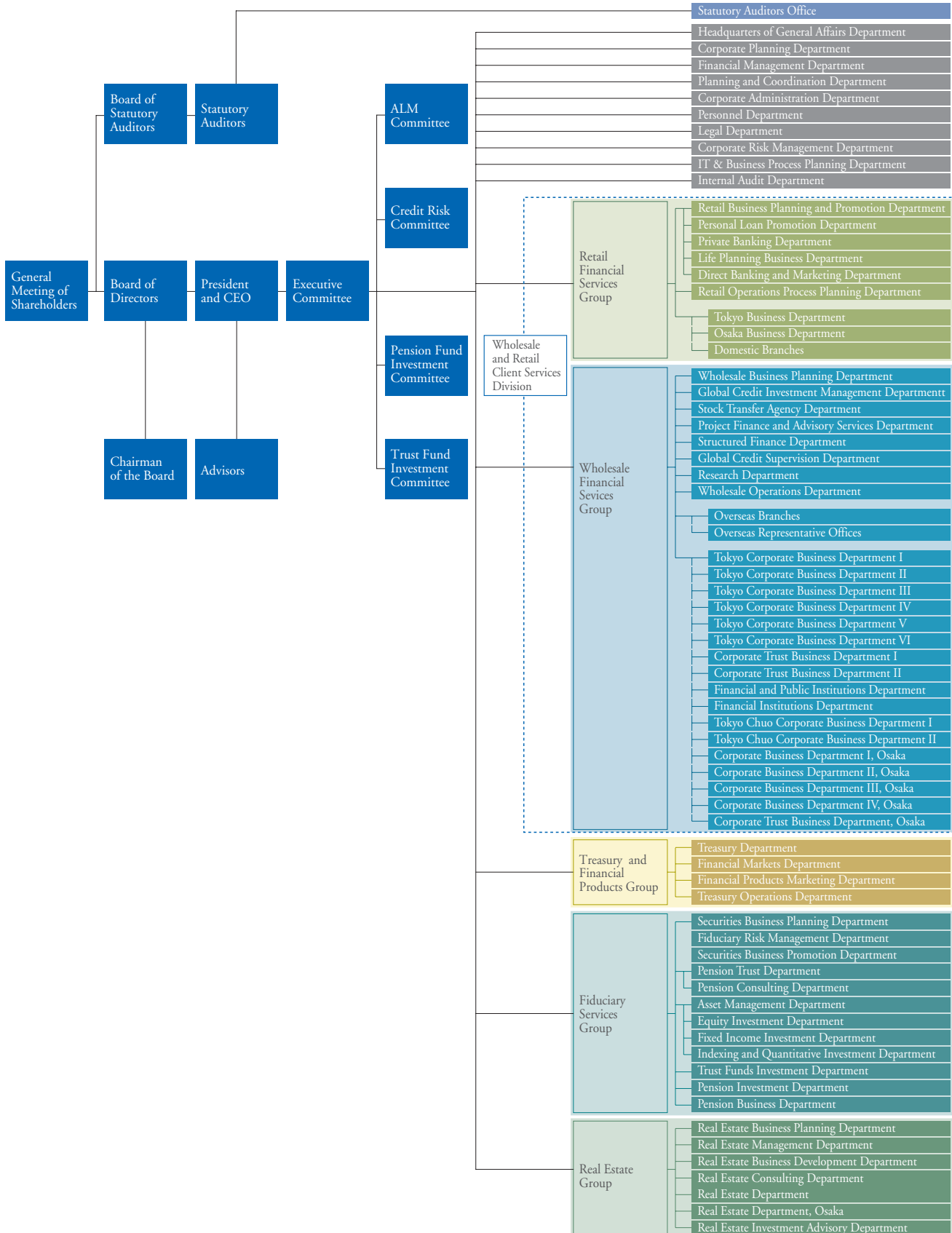
Name	Paid-in Capital (Millions)	Ownership (%)	Group Ownership (%)	Established
The Sumishin Shinko Company Limited	¥ 50	100.0	0.0	June 1948
Sumishin Guaranty Company Limited	¥ 100	100.0	0.0	August 1977
STB Wealth Partners Co., Limited	¥ 155	100.0	0.0	November 1989
Sumishin Business Service Company, Limited	¥ 80	100.0	0.0	July 1995
STB Investment Corporation	¥ 35	100.0	0.0	March 2000
Japan TA Solution, Ltd.	¥ 2,005	80.0	0.0	July 1998
Sumishin Matsushita Financial Services Co., Ltd.	¥ 20,520	66.0	0.0	February 1967
Sumishin Life Card Company, Limited	¥ 200	51.0	0.0	October 2004
Sumishin Card Company, Limited	¥ 50	50.0	45.0	June 1983
Sumishin Information Service Company Limited	¥ 100	35.0	65.0	February 1973
STB Asset Management Co., Ltd.	¥ 300	30.0	70.0	November 1986
STB Research Institute Co., Ltd.	¥ 300	29.8	70.1	July 1988
Sumishin Realty Company, Limited	¥ 300	5.0	95.0	January 1986
Japan Pension Operation Service, Ltd.	¥ 1,500	50.0	0.0	December 2004
BUSINEXT CORPORATION	¥ 4,000	40.0	0.0	January 2001
Human Resource Management Service & Consulting Co., Ltd. ..	¥ 519	38.9	0.0	May 2002
Top REIT Asset Management Co., Ltd.	¥ 300	38.0	0.0	October 2004
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
STB Leasing Co., Ltd.	¥ 5,064	4.9	25.0	July 1985

Overseas

Name	Paid-in Capital (Millions)	Ownership (%)	Group Ownership (%)	Established
The Sumitomo Trust Finance (H.K.) Limited	\$ 45	100.0	0.0	July 1978
STB Consulting (China) Co., Ltd.	¥ 50	100.0	0.0	October 2004
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 Limited	\$ 0.01	100.0	0.0	January 1993
STB Preferred Capital (Cayman) Limited	¥ 85,000	100.0	0.0	February 1999

* As defined by the accounting principles accepted in Japan.

ORGANIZATION as of July 1, 2005



CORPORATE DATA as of March 31, 2005**Head Office**

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Tokyo Office

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Chiyoda-ku, Tokyo 100-8233, Japan
Telephone: 81-3-3286-1111

Date of Establishment

July 1925

Paid-in Capital

¥287,053 million

Number of Employees

4,991

Independent Public Accountants

KPMG AZSA & Co.

Authorized Stock (Thousands)

Common Stock: 3,000,000
Preferred Stock: 125,000

Issued Stock (Thousands)

Common Stock: 1,672,147

Number of Stockholders

Common Stock: 25,368

Principal Stockholders

The 10 principal stockholders of the Bank and their respective holdings of shares at March 31, 2005, 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
The Master Trust Bank of Japan, Ltd. (Trust Accounts)	105,411	6.30%
Japan Trustee Services Bank, Ltd. (Trust Accounts)	96,572	5.77
STATE STREET BANK AND TRUST COMPANY (Standing Agent : Mizuho Corporate Bank, Ltd.)	46,916	2.80
STATE STREET BANK AND TRUST COMPANY 505103 (Standing Agent : Mizuho Corporate Bank, Ltd.)	37,994	2.27
Sumitomo Realty & Development Co., Ltd.	24,041	1.43
KUBOTA Corporation	23,984	1.43
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION (Standing Agent: The Hongkong and Shanghai Banking Corporation Limited)	21,724	1.29
SUMITOMO LIFE INSURANCE COMPANY	21,388	1.27
STATE STREET BANK AND TRUST COMPANY 505041 (Standing Agent : Mizuho Corporate Bank, Ltd.)	19,889	1.18
The Sumitomo Warehouse Co., Ltd.	18,200	1.08
Total	416,112	24.88%

For further information, please contact:

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