

August 14, 2007

The Sumitomo Trust & Banking Co., Ltd.

## Exposure to the U.S. residential mortgage loan related investment

In response to the increasing concern with regards to the potential impact on financial institutions from their exposure to the investments related to the U.S. subprime mortgage loan<sup>1</sup>, The Sumitomo Trust & Banking Co., Ltd. ("Sumitomo Trust") hereby reports its exposure to the U.S. residential mortgage loan related investment and the status of its international credit business.

### 1. Exposure to the U.S. residential mortgage loan related investments

As of the end of July 2007<sup>2</sup>, Sumitomo Trust had following exposures in relation to U.S. residential mortgage loan (numbers in parentheses as of the end of June 2007<sup>3</sup>).

#### (1) Investments in ABS mainly backed by U.S. subprime mortgage loan

Investment amount	JPY 13.5 billions	(JPY 11.8 billions)
Unrealized gain/loss	-JPY 0.2 billions	(-JPY 0.0 billions)

All securities have been keeping, and not being under review for downgrade from, AAA rating by major rating agencies.

#### (2) Investments in funds that have ABS, backed by U.S. residential mortgage loan related assets, as one of their main investment/hedging alternatives

Investment amount	JPY 12.3 billions	(JPY 12.8 billions)
Unrealized gain/loss	+JPY 0.4 billions	(+JPY 0.5 billions)

### 2. Status of international credit business

As of the end of July 2007, Sumitomo Trust had following portfolio in its international credit business (international lending excluding to Japanese entities and international securities investments excluding sovereign bonds).

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<sup>1</sup> Type of mortgage loan which is offered at a rate above prime to individuals who do not qualify for prime rate loans

<sup>2</sup> Conversion rate (Sumitomo Trust's TTM) as of the end of July 2007: 1USD=JPY118.92, 1EUR=JPY163.02, 1GBP=JPY241.56

<sup>3</sup> Conversion rate (Sumitomo Trust's TTM) as of the end of June 2007: 1USD=JPY123.28

(1) Securities (market price available)

In JPY billions

	Market value	Unrealized gain/loss		
		North America	Europe	
ABS (underlying assets)	569.2	189.9	377.0	-3.1
Residential properties	234.0	13.5	220.4	-0.6
Corporate loans	151.7	93.0	58.7	-0.8
Credit card receivables	82.2	67.0	14.0	-0.3
Corporate Bonds *	312.5	14.6	126.0	-0.4(-5.8)**

\*: Rating distribution    A or above: 55%, BBB: 36%, BB or B: 9%

\*\* : Sumitomo Trust executed matching Interest Rate Swaps that account JPY 5.4 billions unrealized gain, resulting in net unrealized loss of -JPY0.4 billions arising from the corporate bond investment

(2) Loans and other securities (market price not available)

In JPY billions

	Book value		
		North America	Europe
Corporate loans *	479.0	328.9	85.5
Other securities	94.9	86.5 **	2.4

\*: Rating distribution    BBB equivalent: 8%, BB-B equivalent: 92%; All loans are secured; Large number of transaction (approximately 1,160) contributes to diversify the portfolio

\*\* : STB Omega Investment Ltd., Sumitomo Trust's 75% subsidiary, holds JPY 20.9 billion of U.S. CLO.

3. Effect to financial results

At this point, there are no effects on the earnings forecast for the fiscal year ending March 31, 2008.

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