



Masao Shibuya

Group President of Wholesale and Retail Client Services Group
Director, Senior Executive Officer



Tomoaki Ando

Division President
Director, Managing Executive Officer

Contents of Business

- Banking products (time deposits, foreign currency deposits, loans, etc.)
- Management products (mutual funds, annuities, etc.)
- Trust and property management services (will trusts and estate settlement services, etc.)

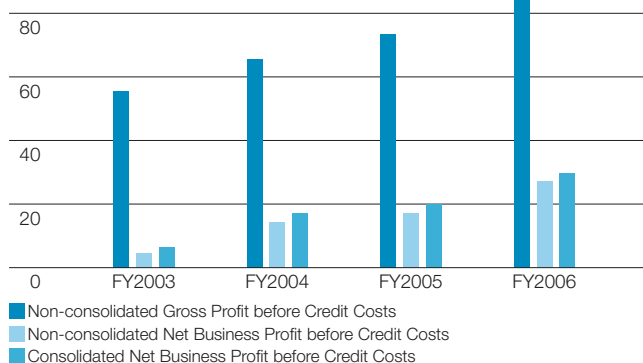
For details of businesses in this segment, please see pages 160–161

1. Overview of Business Results for Fiscal Year 2006

The Retail Financial Services Division saw accelerated growth due to an increase in the total volume of depositary assets. Gross profit before credit costs on a non-consolidated basis was 84.2 billion yen, a 14.7% year-on-year increase. Due to factors such as growth in fees related to mutual fund sales and the impact of improved retail deposit spreads, net business profit before credit costs on a consolidated basis was 29.6 billion yen, a 48.7% year-on-year increase, and on a non-consolidated basis was 27.3 billion yen, a 59.0% year-on-year increase.

• Gross Profit/Net Business Profit before Credit Costs

100 (Billions of yen)



2. Business Environment in Fiscal Year 2006

The Japanese economy continued its gradual expansion in the fiscal year 2006, amid a positive cycle in production, income and spending. In particular, the strong performance of the corporate sector, which has generated higher profits for five consecutive years since fiscal year 2002, produced a mod-

erate ripple effect on the household sector, with household income gradually improving.

At the same time, the flow of retail investor assets from savings to investment continued to occur in fiscal year 2006, driven by a number of factors. These factors included interest rates, which continued to hover at extremely low levels considering the strong economy, as well as the strong performance of stock markets and increased opportunities for shareholder returns from corporations. As a result, stocks and mutual funds continued to rise as a percentage of financial assets.

In the market, in anticipation of the mass retirement of Japan's baby boomer generation beginning in the spring of 2007, financial institutions including banks and securities brokers took steps to significantly increase the quality and range of services aimed at the wealthy client segment, and competition heated up.

Also, demand for housing loans was strong due to rising demand among individuals to purchase housing, starting with Japan's second baby boomer generation, as buyer demand was driven by the prospect of entering a serious phase of rising land prices and interest rates. However, competition in interest rates heated up as banks strengthened their housing loan activities in an effort to bolster their retail services and accommodate the forthcoming implementation of Basel II standards.

3. Basic Strategy and Business Performance in the Fiscal Year 2006

The Division focused its efforts on strengthening its consulting services in order to build long term win-win relationships with customers, looking beyond just short-term revenues.

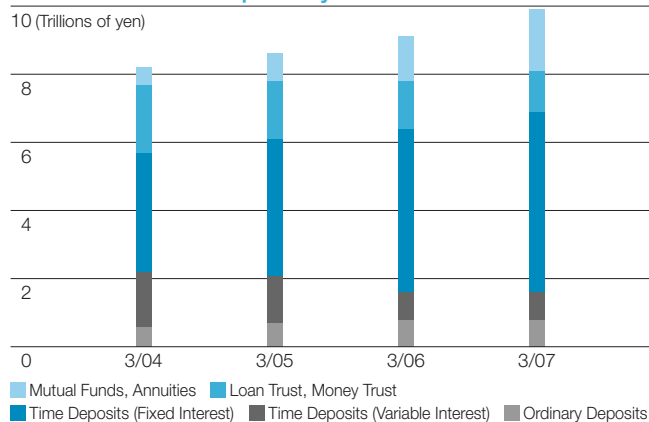
The basic strategy of the Retail Financial Services

Division centers on expanding the total volume of depositary assets as a platform of growth for Sumitomo Trust. The Division sought to increase the volume of depositary assets by balancing deposits with performance-based products such as mutual funds. Efforts were made to expand the product lineup that supports our consulting strengths, by capitalizing on our strengths and know-how as a trust bank engaging in a wide range of operations including real estate and pension management. Strategies for the wealthy client segment, an area of interest as a growth market, include the provision of solutions for effective utilization of land and business succession, for which there are strong needs among wealthy clients. Other strategies aimed at this segment include the launch of discretionary investment management service “Sumishin SMA” for private banking customers started in January 2007, in an effort to expand the base of wealthy customers and encourage further transactions. In addition, a number of steps were taken to efficiently expand the base of customers. These steps included expanding direct channels to customers through attracting members and employees of companies that have alliance with Sumitomo Trust, as well as increasing the number of agencies.

In addition, the Division is taking steps to strengthen its loan business for individuals, beginning with housing loans, and is strengthening its sales activities for will trust and estate settlement services.

As a result of these strategies, the volume of depositary assets grew steadily for both deposit products and mutual funds, with the overall volume increasing to 9.9 trillion yen, an 8.8% year-on-year increase.

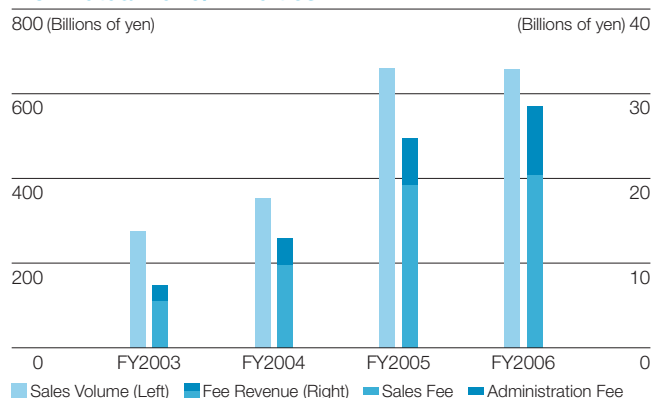
• Volume of Total Depositary Assets from Individuals



In addition, efforts to expand the product lineup and strengthen consulting based sales produced an increase in the deposit/mutual fund cross-sell ratio* for customers. The ratio was 19.3% as of the end of March 2007, an increase of nearly four percentage points in one year. Management fees also increased due to the buildup in volume of mutual funds, so that fee revenue for mutual funds in the fiscal year 2006 was 28.6 billion yen, a 15% year-on-year increase.

* Deposit/mutual fund cross-sell ratio: Number of customers with transactions in mutual funds and performance-based money trusts, divided by number of customers with transactions in time deposits and mutual funds.

• Sales Volume and Fee Revenue of Mutual Fund/Annuities





Masao Shibuya

Group President of Wholesale and Retail Client Services Group
Director, Senior Executive Officer



Kiyoshi Mukohara

Division President
Director, Managing Executive Officer

Contents of Business

- Corporate loans (including syndicated loans)
- Market-based loans (real estate non-recourse loans, asset-backed securities (ABS), etc.)
- Asset securitization arrangement
- M&A advisory, corporate consulting
- Stock transfer agency

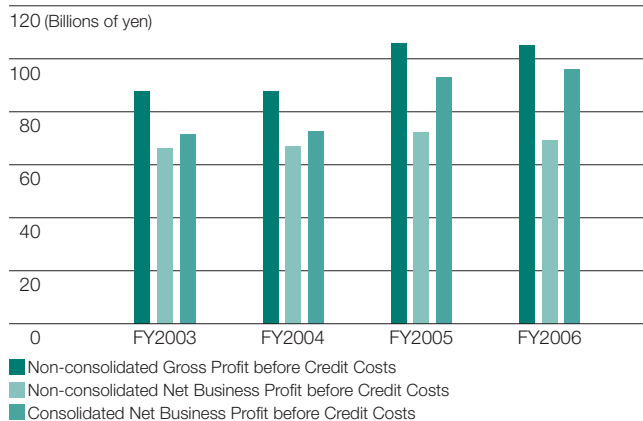
For details of businesses in this segment, please see pages 162–163

1. Overview of Business Results for Fiscal Year 2006

During fiscal year 2006, the Wholesale Financial Services Division operated in an environment with an unfavorable headwind as despite signs of a recovery of capital demand, loan competition increased, credit spreads shrank, and the interest rate spread between long and short-term interest rates narrowed. However, as a result of countermeasures such as the diversification of products, Sumitomo Trust maintained its performance at about the same level as in the previous fiscal year. On a non-consolidated basis, gross profit before credit costs for the fiscal year 2006 was 105.3 billion yen, a decrease of 0.7% year-on-year.

Net business profit before credit costs was 69.4 billion yen, representing a decline of 3.6% year-on-year on a non-consolidated basis. On a consolidated basis however, thanks to the expansion of the contribution from subsidiaries in the Sumitomo Trust Group, we secured a net business profit of 96.2 billion yen, a 3.3% rise year-on-year.

• Gross Profit/Net Business Profit before Credit Costs



2. Business Environment in Fiscal Year 2006

On the domestic front during fiscal year 2006, against a favorable background in which corporate profits rose for the fifth year in succession, companies intensified their capital investment and M&A activities aimed at strengthening their business. This led to signs of a recovery in capital demand. Moreover, due to improvement in balance sheets, the pressure to reduce interest-bearing debt also eased.

However, loan competition intensified as major banks led rates lower in the competitive environment and the major banks competed for business opportunities by making use of their banking, trust and securities functions. As a result, fees for syndicated loans and real estate non-recourse loans and other services fell and credit spreads tightened during the year. Furthermore, following the narrowing of the interest rate spread between long and short-term interest rates after the March 2006 end of the quantitative easing program, severe conditions have continued on the profit side.

Overseas, economies in North America saw steady progression, while European economies saw stable growth, and economies continued to boom throughout Asia. As such, spreads are tightening on a global basis.

On the other hand, taking a hard look at the increase in acquisitions by investment funds and at the elimination of restrictions against triangular mergers* in May 2007, interest in defensive measures against hostile takeovers is rising within companies.

Moreover, despite a year-on-year fall in the number of new listings (IPOs) on stock markets, with the introduction of electronic stock certificates, which is planned to begin in January 2009, all stock transfer agencies have begun serious sales efforts with the aim of obtaining new fiduciary business.

* Triangular mergers: M&A activities in Japan by overseas companies in which foreign company stock is used as transaction currency.

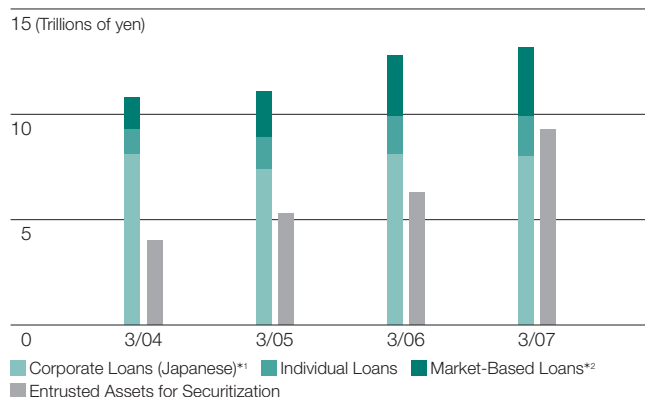
3. Basic Strategy and Business Performance in the Fiscal Year 2006

Despite sluggish growth in revenue and conventional loan balances, through our continuous focus on our rebalance strategy, the expansion of market-based loan products such as real estate non-recourse loans, ABS and overseas credit products, led to an end of fiscal year 2006 balance in market-based loans* of 3,360.4 billion yen, marking an increase of 12% year-on-year. With this as the main factor, the Wholesale Financial Services Division increased its overall credit portfolio on a non-consolidated basis by approximately 250 billion yen, (or 2% year-on-year).

Over the past three years, Sumitomo Trust has shifted towards market-based loans, which provides higher profitability. As a result, the ratio of market-based loans among our overall loan balance has expanded significantly to 30% at the end of fiscal year 2006 from 16% at the end of fiscal year 2003. Within the market-based loans field, domestically, against the backdrop of high real estate investment demand, the total volume of our real estate non-recourse loans reached 930.5 billion yen, marking a 26% increase year-on-year. As for overseas credit products, as we focused intensively on North American high-yield loans and European and American ABS, total volume reached 1,307.2 billion yen, representing a 10% increase year-on-year.

* Going forward, our asset classification will be slightly changed. Syndicated loans, which were previously classified as market-based loans, and loans purchased from other banks have been bundled together with conventional loans, and indicated as Corporate Loans (Japanese).

• Balance of Loan Portfolio (Non-consolidated)



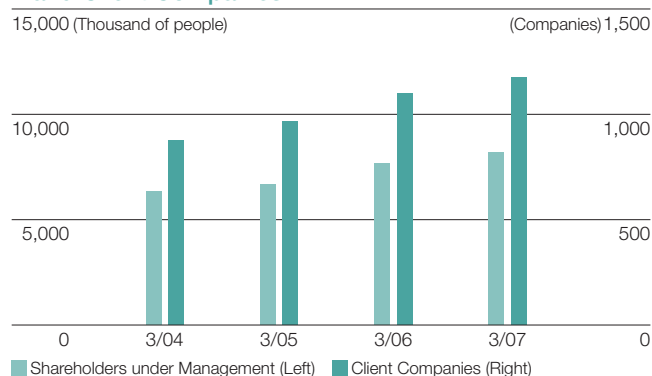
*1 Corporate loans (Japanese) include conventional loans, syndicated loans and loans purchased from other banks.

*2 Market-based loans include bonds such as ABS, CLO and corporate bonds.

In an effort to realize market-based loan portfolio diversification and profitability improvement on a consolidated basis, we have proceeded with the development of business in the small and medium-sized company market through our Group companies. By carrying out cross selling through our non-bank subsidiaries and affiliates, we are aiming at maximizing Group synergies. Three years ago (at the end of fiscal year 2004), Sumitomo Trust's position in this market was limited to a modest stake held by BUSINEXT CORPORATION. By the end of fiscal year 2006 however, with 2 group companies in this space, and with the addition of Life Housing Loan, Ltd. acquired in May 2007, our total portfolio has expanded to 900 billion yen.

In the stock transfer agency field, we are working towards the early realization of our goal of handling stock transfers for 600 listed companies and of constructing a next-generation stock transfer agency business for the era of electronic stock certificates. As of the end of fiscal year 2006, we performed stock transfer agency tasks for 1,176 companies (excluding foreign companies, 1,169), and handle related clerical work for 8,201 thousand shareholders (8,161 thousand shareholders excluding that for foreign companies). The number of companies we serve increased by 6.8% (6.9% excluding foreign companies) and the number of shareholders by 6.9% (7.2% excluding that for foreign companies) year-on-year.

• Number of Shareholders under Management and Client Companies





Masao Shibuya

Group President of Wholesale and Retail Client Services Group
Division President
Director, Senior Executive Officer

Contents of Business

- Real estate transaction services (including brokerage, securitization, consulting)
- Real estate investment management (including REIT and private real estate fund investment)
- Real estate infrastructure services (including real estate trusts, appraisal services)

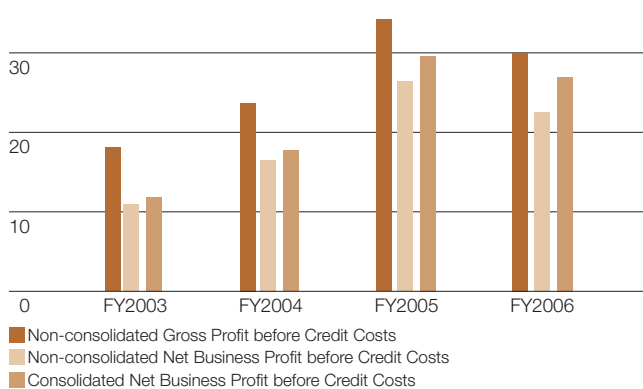
For details of businesses in this segment, please see pages 164–165

1. Overview of Business Results for Fiscal Year 2006

Gross profit before credit costs from the real estate business was 30.0 billion yen on a non-consolidated basis, a 12.3% year-on-year decrease. The results were down by 4.2 billion yen mainly due to a decrease in large brokerage transactions, compared with the rapid expansion of operations in the previous fiscal year. As a result, net business profit before credit costs on a non-consolidated basis was down 3.7 billion yen year-on-year, a 14.0% decrease. In comparison, net business profit before credit costs on a consolidated basis was down by a comparatively smaller amount of 2.6 billion yen, an 8.8% year-on-year decrease. The smaller decrease was due to steady growth in the brokerage of small and medium-sized properties by consolidated subsidiary Sumishin Realty Company, Limited, and steady growth in the real estate investment management.

• Gross Profit/Net Business Profit before Credit Costs

40 (Billions of yen)



2. Business Environment in Fiscal Year 2006

• Real Estate Market

In the commercial real estate market, asset disposal by companies centering on large corporations showed signs of saturation, while there was an increase in properties sold due to reasons such as the shuffling of assets by investors. Amid continued low interest rates, institutional investors, who continued to face tough asset management conditions, showed strong continuing needs for acquisition of profitable real estate. In addition, the needs of retail real estate investors starting with the wealthy client segment began to emerge, while competition to acquire blue chip properties heated up in response to trends such as an increase in fund of funds incorporating REITs.

The retail real estate market was also marked by strong needs for housing acquisition, fueled by continued low interest rates and expectations that land prices will rise moving forward.

• Real Estate Securitization Market

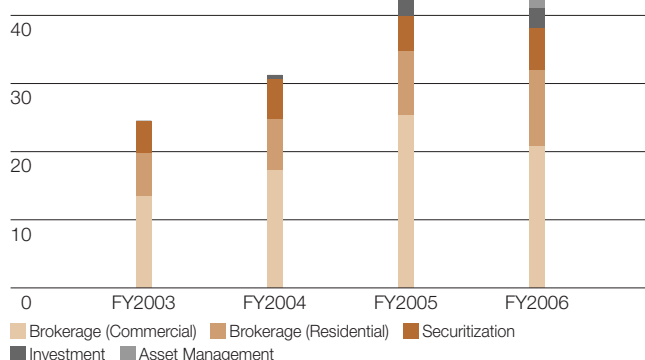
Needs for securitization of real estate remained strong, as it is a method to address the challenge of improving financial position and diversifying the means of funding. The amount of securitized real estate assets in fiscal year 2006 grew to around 7.8 trillion yen, an increase of approximately 13% year-on-year. These and other factors continued to drive an active market for real estate securitization, continuing the trend from fiscal year 2005.

3. Basic Strategies and Business Performance in the Fiscal Year 2006

Overall, gross profit before credit costs from the real estate business was down year-on-year due to a decrease in large brokerage transactions, falling short of the all-time high set in the previous fiscal year. However, under the strategies of achieving diversification of business and revenue sources, Sumitomo Trust pursued initiatives such as: strengthening ties with investors and developers as well as with other business groups and divisions within our company, expanding and energizing the customer base, and shifting the real estate investment management business into high gear. As a result of implementing these initiatives, Sumitomo Trust produced steady results overall in all areas except in the large commercial brokerage segment.

• Consolidated Gross Profit for Real Estate Business

50 (Billions of yen)



• Real Estate Transaction Services

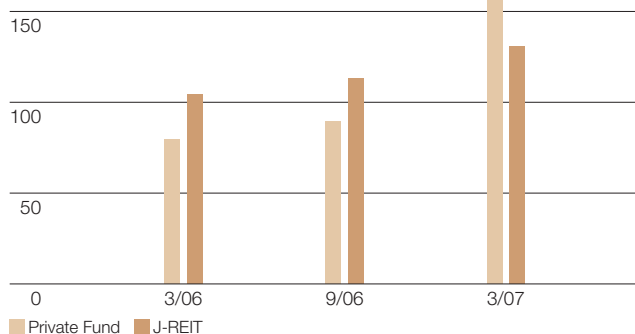
Gross profit before credit costs (non-consolidated) was 23.2 billion yen, a 3.9 billion yen year-on-year decrease. In addition to brokerage services for companies, Sumitomo Trust focused its energies on accommodating needs for real estate acquisition by investment funds. However, results were down year-on-year, falling short of the all-time high set in the previous fiscal year.

• Real Estate Investment Management

Gross profit before credit costs (non-consolidated) came to 3.1 billion yen, a 400 million yen year-on-year decrease. Although results were down year-on-year due to a decrease in profit on equity in real estate investments, the volume of assets under management of STB Real Estate Investment Management Co., Ltd., which was established in November 2005 as an investment advisory company specializing in real estate securitization, were in excess of 150 billion yen. This was an indication of strong interest in real estate securitization investment centering on institutional investors in Japan and abroad.

• Asset under Management

200 (Billions of yen)



• Real Estate Infrastructure Services

Gross profit before credit costs (non-consolidated) totaled 3.5 billion yen, remaining level with results year-on-year. In an effort to secure stable revenues, Sumitomo Trust implemented initiatives such as building up entrusted assets, and increasing the number of real estate appraisals as part of an effort to accommodate the Corporate Real Estate (CRE) strategies* of corporations. As a result, performance were level year-on-year.

Sumishin Realty set an all-time high with gross profit before credit costs totaling 11.3 billion yen, a 1.9 billion yen year-on-year increase, as a result of focusing its energies on brokerage of small and medium-sized properties, in addition to the housing segment.

* CRE strategies are aimed at improving corporate value through utilization of the real estate assets of corporations.



Takaaki Hatabe
Group President of Fiduciary Services Group
Deputy President Executive Officer

Contents of Business

- Pension trust (pension system planning and support for system introduction, asset management and operation, pension subscriber/beneficiary management, etc.)
- Investment management (development and provision of managed products, investment advisory services, discretionary investment management services, etc.)
- Securities processing (custody including trade settlement, interest & dividend collection and other processing of securities, securities lending, etc.)

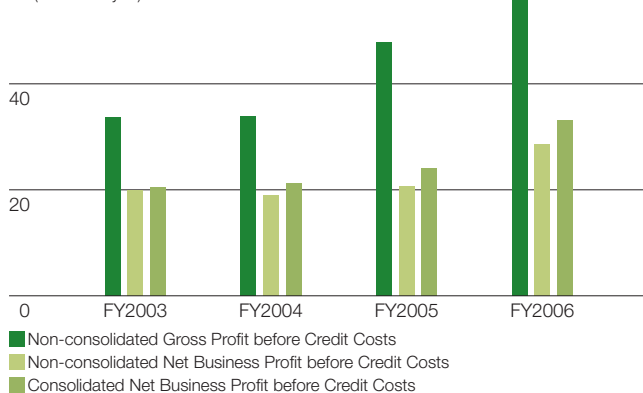
For details of businesses in this segment, please see pages 166–167

1. Overview of Business Results for Fiscal Year 2006

The Fiduciary Services Group produced accelerated growth of business results due to an increase in entrusted assets. Gross profit before credit costs on a non-consolidated basis was at an all-time high of 55.9 billion yen, a 16.7% year-on-year increase. Due to the increase in entrusted assets and improvement in the ratio of highly profitable active management products, net business profit before credit costs was 33.1 billion yen on a consolidated basis, a 37.5% year-on-year increase, and 28.5 billion yen on a non-consolidated basis, a 37.8% year-on-year increase.

• Gross Profit/Net Business Profit before Credit Costs

60 (Billions of yen)



2. Business Environment in Fiscal Year 2006

The corporate pension market produced steady growth as Daiko Henjo (returning to the government the public pension portion of corporate pension funds) peaked out, as well as due to widespread adoption of defined benefit corporate pension

plans and defined contribution pension plans. In addition, there were signs of an increase in corporations either adopting or revising pension plans, in anticipation of the elimination of qualified pensions set to take effect in 2012. Consequently, the corporate pension market is anticipated to produce continued growth moving forward.

In the area of asset management, the major shift from savings to investments continued, driven by low interest rates and the solid performance of the stock market, as well as the expansion of defined benefit pension plans. The flow of funds into Japan emerged as a pronounced trend, as the sentiment of overseas institutional investors turned toward management of Japanese stocks.

3. Basic Strategy and Business Performance in the Fiscal Year 2006

Overall Business Results

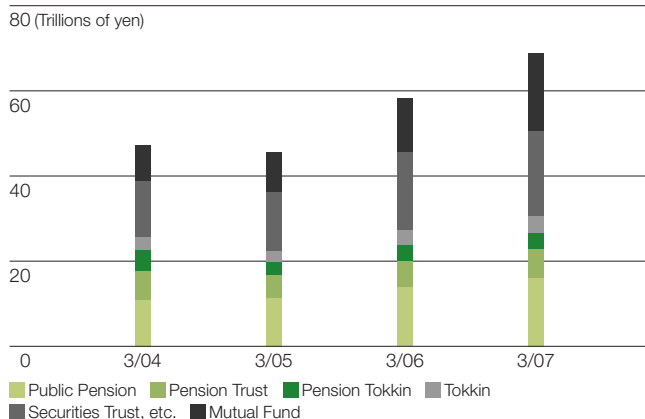
The volume of entrusted assets as of the end of March 2007 was 69.3 trillion yen, an 18.5% year-on-year increase. Notably, there was a steady increase in market share for the three product segments of mutual funds, pension trusts and designated money trusts, which support profits for the Fiduciary Services Group.

• Pension Trust

The volume of assets entrusted in pension trusts increased steadily to 6.7 trillion yen, an 8.1% year-on-year increase, on the strength of aggressive sales activities capitalizing on our consulting capabilities, as well as our multi-product strategy. In the area of systems, the driving forces were our support strengths both for traditionally adopted defined benefit corporate pension plans and defined contribution pension plans, in response to increased interest in defined contribution pension plans in recent years. In the area of management, the expansion

sion of entrusted assets was driven by our high-added-value managed products, such as actively managed products and alternative investment products, in response to diversification of needs for asset management.

• Volume of Entrusted Assets



• Investment Management Business

The volume of outstanding assets under management of the Sumitomo Trust Group was 26.6 trillion yen, a 23% year-on-year increase. The volume of assets under management increased sharply in all product segments, with growth being driven by three areas of strength: management of core products such as Japanese stocks and bonds, strength in due diligence related to products from external financial institutions, and strength in consulting. We steadily improved our market share in both the corporate and public pension markets. Furthermore, subsidiary STB Asset Management Co., Ltd., which focuses on mutual funds for retail customers and financial institutions, produced an increase in total net assets under management.

We also continue to see signs of an increase in results from fiduciary services for customers abroad, which we launched three years ago, particularly centering on European customers with strong needs for management of Japanese stocks. From a profitability perspective, we also increased average commission fees for entrusted assets overall, with the ratio of assets under active management, which produces comparatively high fees, rising to an industry-leading ratio of 53%.

• Assets under Sumitomo Trust Group Management



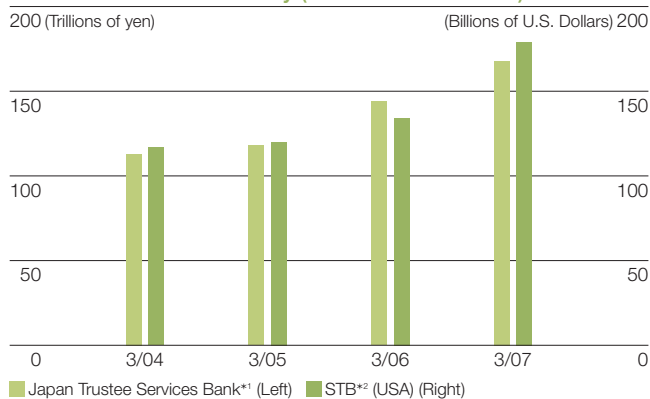
• Securities Processing Business

With an eye on the mutual fund market, which has produced significant growth in recent years as a result of the shift from savings to investment, we focused our efforts on strengthening sales to increase mutual funds. As a result of these efforts, the market share by volume of stock investment trusts was 19%* among Japanese trust banks as of the end of March 2007, a 3.6% year-on-year increase.

Global custody services, which are mainly implemented by our overseas subsidiary in the US, also produced steady growth with the volume of entrusted assets at \$167 billion, a 33.6% year-on-year increase, leading to a rise in contribution to consolidated profits.

* Sumitomo Trust estimate.

• Volume of Entrusted Assets with Japan Trustee Services Bank
Volume of Global Custody (Sumitomo Trust USA)



*1 Cost Basis
*2 Mark-to-Market Basis



Sumikazu Tsutsui
Group President of Global Markets Group
Director, Managing Executive Officer

Contents of Business

- Marketing functions
(1. Loans, deposits and market-making of interest rate and foreign exchange related products, 2. composition and sales of market-oriented financial instruments)
- Investment operations (pursuing absolute profit through investment activities on Sumitomo Trust's own account)
- Financial operations (market operations focused on managing market risk* which is shown on Sumitomo Trust's balance sheet)

* Interest rate risk of deposits, share price risk, etc.
For details of businesses in this segment, please see page 168

Overview of Business Results for Fiscal Year 2006

During fiscal year 2006, while domestic short-term interest rates remained at low levels, they continued on an underlying upward trend, and the interest rate spread between long and short-term interest rates narrowed. Also, the rise in U.S. dollar interest rates halted, although the inverted yield curve remained, and European interest rates continued rising accompanied by a narrowing of the spread between long and short-term rates.

Given this situation, it was difficult to secure stable revenues from loan deposit and bond positions. Moreover, the environment made it harder to target capital gains in view of the continuing decline in market volatility.

Even in an environment dominated by such an unfavorable wind, our Global Markets Group secured almost the same level of profit as in the previous fiscal year due to the increase in profit related to marketing functions and effective diversified investments in investment operations.

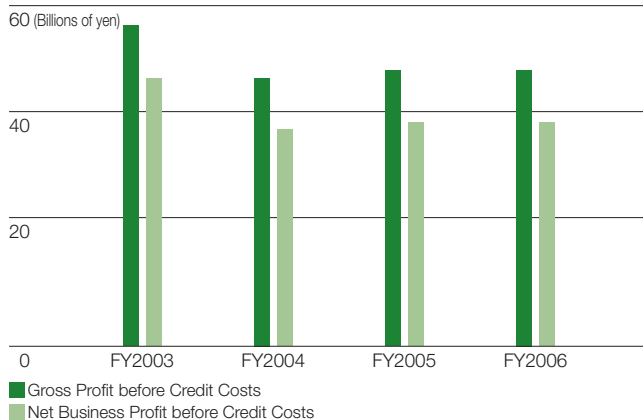
Gross profit before credit costs for the fiscal year 2006 was 48.7 billion yen, and net business profit before credit costs was 39.4 billion yen.

With regard to marketing functions, our profit from market-making linked to foreign exchange and interest rates increased and we also recorded an expansion of interest rate swaps and foreign exchange transactions for corporate customers.

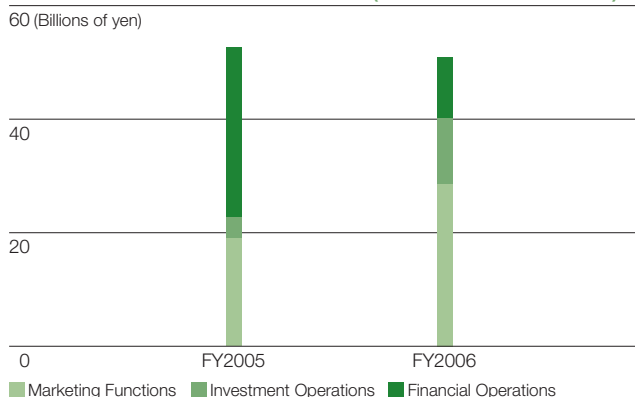
Meanwhile, financial operations centered on bond investments exhibited a decline in profit, mainly as a result of the narrowing of spreads between domestic and overseas long and short-term interest rates. However, bond positions showed an increased profit thanks to our bond operations based on an accurate grasping of interest rate declines during the first half of the year.

In investment operations, the diversification of investment strategies was successful, leading to a substantial increase in profit year-on-year.

• Gross Profit/Net Business Profit before Credit Costs*



• Breakdown of Business Profit (Realized Profit Basis)



* This segment does not contain operations outside of the parent operation, thus figures here are not presented as consolidated/non-consolidated data.