

**Basis of Presenting Financial Statements**

The accompanying translated consolidated financial statements are compiled from the audited consolidated financial statements that are prepared for Japanese domestic purposes in accordance with the Financial Instruments and Exchange Act of Japan (hereinafter the “FIEA”), the Banking Act of Japan and accounting principles and practices generally accepted in Japan (hereinafter “Japanese GAAP”). Certain parts of Japanese GAAP are partly different from International Financial Reporting Standards in terms of application and disclosure requirements.

The accounts of overseas subsidiaries of the Sumitomo Trust and Banking Co., Ltd. (hereinafter “the Bank”) are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are restructured and translated into English (with some modifications and expanded descriptions 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 FIEA. Some supplementary information included in the statutory Japanese 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 are translated from yen-base financial statements for convenience, and only as a matter of arithmetical computation, at the rate of 90.22 yen to 1.00 U.S. dollar, the exchange rate prevailing at September 30, 2009. The 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.

In accordance with the FIEA, amounts of less than one million yen are 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 periods have been reclassified to the current presentation.

**Significant Accounting Policies and Principles****1. Trading Account Activities**

Trading account activities are conducted for short-term profit-taking by market-making and sales arbitrages. Trading assets and liabilities include securities, commercial paper and financial derivatives.

The mark-to-market accounting method is adopted for such financial instruments, all of which are stated at fair value as “Trading Assets” or “Trading Liabilities” in the consolidated balance sheets. Gain and losses on trading transactions are shown as “Trading Income” or “Trading Expenses” on a trade date basis.

Trading account securities and monetary claims are stated at the fair value of the balance sheet dates and financial derivatives for trading activities, such as swaps, futures and options, are valued on the assumption that they are settled at the balance sheet dates.

Gain and losses on trading transactions shown as “Trading Income” and “Trading Expenses” include interests, changes in fair value of securities and monetary claims in the current period, and changes in values of financial derivatives on the assumption that they are settled at the balance sheet dates.

**2. Evaluation for Securities**

(a) Under the accounting standard for financial instruments, the Bank is required to explicitly determine the objectives of holding each security and classify them into (i) securities held for trading purposes (hereinafter trading securities), (ii) debt securities intended to be held to maturity (hereinafter held-to-maturity debt securities), (iii) equity securities issued by subsidiaries and affiliated companies, or (iv) all other securities that are not classified in any of the above categories (hereinafter 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 that are neither consolidated nor accounted for using the equity method are stated at moving average cost. Japanese stocks classified as available-for-sale securities with fair value are revaluated at the average market price of the final month in the first half of the fiscal year. Available-for-sale securities other than Japanese stocks with fair value are revaluated at the balance sheet dates. Available-for-sale securities with no available fair value are carried at cost or amortized cost using the moving average method.

Valuation difference on available-for-sale securities is recorded as a separate component of “Net Assets” and reported in the consolidated balance sheets.

(b) Securities invested in money held in trust are revaluated as the same treatment as 1 or 2 (a) mentioned above.

**3. Financial Derivatives other than Trading Purposes**

Financial derivatives other than trading purposes are valued on the assumption that they are settled at the balance sheet dates (the mark-to-market accounting method).

**4. Depreciation Methods**

(a) Tangible Fixed Assets (except lease assets)

Tangible fixed assets except buildings acquired on and after April 1, 1998 are depreciated using the declining-balance method over the following estimated useful lives. Buildings acquired on and after April 1, 1998 are depreciated using the straight-line method over the following estimated useful lives.

Buildings:	3 to 60 years
Equipment:	2 to 20 years

Tangible fixed assets of subsidiaries are depreciated mainly using the declining-balance method over the estimated useful lives.

(b) Intangible Fixed Assets (except lease assets)

Intangible fixed assets are depreciated using the straight-line method. Expenses related to software for internal use are capitalized in “Intangible Fixed Assets” and amortized over the estimated useful lives, generally 5 years.

Goodwill is amortized over the duration which is reasonably determined by each case within 20 years. However, immaterial goodwill is depreciated during each fiscal year.

(c) Lease Assets

Leased assets for finance leases without transfer of ownership in “Tangible Fixed Assets” are depreciated using the straight-line method over the lease term assuming no salvage value.

## 5. Allowance for Loan Losses

Allowance for loan losses is provided as detailed below, pursuant to the internal rules for self-assessment of assets quality (hereinafter “Self-Assessment Rules”) and the internal rules regarding allowance for loan losses.

For claims to debtors who are legally bankrupt (due to bankruptcy, subject to the Civil Rehabilitation Act of Japan, suspension of transactions with banks by the rules of clearinghouses, etc.) or virtually bankrupt, the specific allowance is provided based on the amount of claims, deducting 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 allowance is provided for the amount considered to be necessary based on an overall solvency assessment, deducting the amount expected to be collected through the disposal of collateral or execution of guarantees.

For claims to debtors with more than certain amount of the Bank’s claims to debtors, (i) who are likely to become bankrupt, (ii) to whom the Bank has Restructured loans, or (iii) 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, an allowance 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 into the categories other than above, the general allowance is provided based on the historical loan-loss-ratio.

All claims are assessed by branches and the Global Credit Supervision Department I and II based on the Self-Assessment Rules. The Corporate Risk Management Department, which is independent from the branches and the Global Credit Supervision Department I and II, subsequently conducts the audits of their assessments, and the allowance is adjusted to reflect the audit results.

As for the consolidated subsidiaries, allowance for loan losses is provided for general claims based on the historical loan-loss-ratio, and allowance for loan losses is provided individually for certain claims based on the amount expected to be uncollectible.

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 directly deducted out of the original amount of claims. The deducted amount was 67,891 million yen.

## 6. Provision for Bonuses

Provision for bonuses is provided for the estimated employees’ bonuses attributable to the six months ended September 30, 2009.

## 7. Provision for Retirement Benefits

Provision for retirement benefits is provided based on the projected benefit obligation and the fair value of the plan assets at the balance sheet dates. Prior service cost is recognized in income or expenses using the straight-line method over the average expected remaining service years (mainly 10 years).

Actuarial gain and losses are recognized in income or expenses using the straight-line method over the average expected remaining service years (mainly 10 years).

## 8. Provision for Reimbursement of Deposits

Provision for reimbursement of deposits is provided for the deposits which are no longer accounted as deposit under certain conditions against the estimated future reimbursement requested by customers calculated based on the past reimbursement record.

## 9. Provision for Contingent Loss

Provision for contingent loss is provided for possible contingent loss on trust transactions based on individually estimated expected losses.

## 10. Provision for Relocation Expenses

Provision for relocation expenses is provided for the reasonably estimated costs for integrating and jointly developing office buildings in the Tokyo metropolitan area.

## 11. Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are primarily translated into yen at the exchange rate at the balance sheet dates.

Assets and liabilities of consolidated overseas subsidiaries are translated into yen at the exchange rate of each balance sheet date.

## 12. Accounting for Leases

As for the Bank and its domestic consolidated subsidiaries, transactions of finance leases without transfer of ownerships started before April 1, 2008 have been accounted for according to the same accounting treatment used in operating leases.

Besides, as for the domestic consolidated subsidiaries, the income and expenses for transactions of finance leases without transfer of ownerships are accounted for by the sales revenue and costs of goods sold when lease payments are collected.

### 13. Hedge Accounting

#### (a) Interest Related Transactions

The Bank manages interest rate risk arising from various assets and liabilities, such as Loans, Bills discounted, Deposits, etc., by using financial derivative transactions and applies deferred hedge accounting regulated by “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry” (the JICPA Industry Auditing Committee Report No.24, hereinafter “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 volatility 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” (the 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 gain (losses) resulted from “Macro Hedge Accounting” are amortized over the remaining period for each hedging transaction.

At the balance sheet dates, deferred hedge gain and losses (before net of taxes) resulted from “Macro Hedge Accounting” are 10,527 million yen and 11,078 million yen, respectively.

#### (b) Currency Related Transactions

The Bank manages foreign exchange risks arising from various assets and liabilities denominated in foreign currencies by using financial derivative transactions and applies deferred hedge accounting in accordance with “Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transactions in Banking Industry” (the JICPA Industry Auditing Committee Report No.25, hereinafter “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 liabilities and forward liabilities exist on a foreign currency basis that exceed acquisition costs of the foreign currency securities designated as hedged items.

#### (c) Internal Hedge Transactions and others

Gain and losses arisen from hedging instruments such as interest rate swaps and cross currency swaps between consolidated companies and between the trading account and other accounts are either accounted as gain, losses or deferred as asset, liability or net asset and are not eliminated. This treatment is allowed by Report No.24 and 25, under which the Bank operated strictly and non-arbitrarily in conformity with the standard equivalent to the third-party cover transactions that are required for hedge qualification.

The Bank also applies the individual deferred hedge accounting to specific assets and liabilities. Consolidated subsidiaries apply the individual deferred hedge accounting, the individual fair value hedge accounting and the accrual-basis hedge accounting on interest rate swaps.

### 14. National and Local Consumption Taxes

National and local consumption taxes of the Bank and consolidated subsidiaries are accounted for using the tax-exclusion method. However, consumption taxes not eligible for deduction such as those with purchasing properties are charged to expenses.

### Changes of Basic Significant Items in the Preparation of Consolidated Financial Statements

#### 1. Implementation Guidance on Determining a Subsidiary and an Affiliate

As “Implementation Guidance on Determining a Subsidiary and an Affiliate” (Accounting Standards Board of Japan Implementation Guidance No.22) was adopted from the fiscal year beginning on and after October 1, 2008, the Bank has started to adopt this implementation guidance from the first half of the fiscal year 2009.

This adoption did not affect the consolidated financial statements for the first half of the fiscal year 2009.

### Notes for the Balance Sheets

#### 1. Delinquent Loans

Loans in bankruptcy proceedings and other delinquent loans are 19,178 million yen and 286,398 million yen, respectively.

Loans in bankruptcy proceedings are non-accrual loans outstanding (not including direct write-off portion of loans) to borrowers who are legally bankrupt as defined in the Paragraph 1, Item 3 and 4 of Article 96 of “Enforcement Ordinance for the Corporation Tax Law” (Cabinet Order No.97, 1965).

Other delinquent loans are non-accrual loans other than (i) loans in bankruptcy proceedings and (ii) loans of which interest payments are rescheduled in order to assist the restructuring of borrowers.

#### 2. Loans more than Three Months Past Due

Loans more than three months past due amounted to 40 million yen.

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 delinquent loans.

### 3. Restructured Loans

Restructured loans amounted to 43,665 million yen.

Restructured loans are those loans whose terms have been relaxed to support borrowers who are in financial difficulties excluding delinquent loans and loans more than three months past due.

### 4. Total of Delinquent Loans, Loans more than Three Months Past Due and Restructured Loans

The total of loans in bankruptcy proceedings, other delinquent loans, loans more than three months past due and restructured loans amounted to 349,283 million yen. Those amounts described in 1 to 4 above are before deducting Reserve for possible loan losses.

### 5. Bills Discounted

The Bank treats bills discounted as financial transaction, which are regulated by Report No.24. The Bank holds the right to sell or pledge such bills discounted at its discretion and the total face value of these bills amounted to 3,252 million yen.

### 6. Assets Pledged as Collateral

Following parts of the assets are pledged as collateral:

Trading Assets	391,879 million yen
Securities	1,478,771 million yen
Loans and Bills Discounted	721,102 million yen
Lease Receivables and	
Investment Assets	1,592 million yen
Other Assets	14,086 million yen
Corresponding Liabilities of the Assets Pledged as Collateral:	
Deposits	33,012 million yen
Call Money	31,577 million yen
Payables under	
Repurchase Agreements	972,446 million yen
Borrowed Money	67,397 million yen

In addition to the items outlined above, "Securities" of 706,257 million yen and "Other Assets" of 172 million yen are pledged mainly as collateral in substitution for settlement of cash or margin of future markets. "Other Assets" includes margin of future markets of 1,381 million yen, security deposits of 16,588 million yen and cash collateral for derivative transactions of 25,863 million yen.

### 7. Commitment Line Contracts on Overdrafts and Loans

Commitment line contracts on overdrafts and loans are agreements to loan up to committed limit as long as there have been no breach of contracts upon the customers' request. The balance of unused commitment line contracts is 8,566,538 million yen, including 7,135,622 million yen of those either maturing within 1 year or unconditionally cancelable.

Because most of these contracts expire without being drawn down, the balance of unused commitment line contracts itself does not necessarily represent future cash flows of the Bank and its subsidiaries. In addition, most of these contracts contain clauses allowing the Bank and its subsidiaries to reject requests or reduce committed limits, when there are reasonable reasons such as changes in financial condition, needs to protect claims and other similar necessities. The Bank and its subsidiaries may request the customer to provide collateral such as real estate or securities at the time of the contract, and may ask customers to amend clauses or take measures to secure soundness of the credit thereafter through periodical internal monitoring procedures that have already been in place.

### 8. Revaluation Reserve for Land

In accordance with "Act on Revaluation of Land" (Law No.34, promulgated on March 31, 1998, hereinafter the Act), the Bank revaluated land used for business operations. Net unrealized losses on revaluation deducted by "Deferred Tax Liabilities for Land Revaluations" are recorded as "Revaluation Reserve for Land" in "Net Assets."

Revaluation Date: March 31, 1999

Revaluation method as stipulated in

the Paragraph 3, Article 3 of the Act:

Revaluations are based on land prices of standardized premises as specified by the Paragraph 1, Article 2 of the "Enforcement Order on Act on Revaluation of Land," and the land prices specified in the Article 4 of the Act after relevant adjustments.

### 9. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of "Tangible Fixed Assets" is 99,408 million yen.

### 10. Borrowed Money

"Borrowed Money" includes subordinate debt of 145,000 million yen.

### 11. Bonds Payable

"Bonds Payable" includes subordinate bonds of 516,776 million yen.

### 12. Principal of Guaranteed Trust Account

Principals of Jointly-operated Money Trusts (hereinafter "JOMTs") and Loan trust, whose repayment of the principal is guaranteed by the Bank, are 602,992 million yen and 122,038 million yen, respectively.

### 13. Guarantee Liabilities for Privately-offered Corporate Bonds

The Bank guaranteed 87,970 million yen of corporate bonds in "Securities" which were privately offered (subject to the Paragraph 3, Article 2 of the FIEA).

## Notes for the Statements of Income

### 1. Other Income

“Other Income” includes gain on sales of stocks and other securities of 7,892 million yen, and the dividend income from STB Finance Cayman Ltd., (a financial subsidiary of the Bank) of 9,469 million yen, that resulted from gain on partial retirement of pound basis perpetual subordinated bonds on May 29, 2009.

### 2. Other Expenses

“Other Expenses” includes provision for reserve for possible loan losses of 27,794 million yen, and losses on devaluation of stocks and other securities of 12,869 million yen.

## Notes for the Statement of Changes in Net Assets

### 1. Issued Shares and Treasury Stock

Issued shares and Treasury stock are as follows:

	Thousands of Shares			
	At the End of Previous Period	Increase	Decrease	At the End of Current Period
September 30, 2009				
Number of Issued Shares:				
Common Share .....	1,675,128	—	—	1,675,128
The First Series of Class 2 Preferred Shares .....	—	109,000	—	109,000
Total .....	1,675,128	109,000	—	1,784,128
Treasury Stock:				
Common Share .....	525	21	6	541

Notes: 1. The First Series of Class 2 Preferred Shares increased by 109,000 thousand due to issuance by way of a third-party allotment.

2. Treasury stock increased by 21 thousand due to requests for redemption of odd-lot stocks.

3. Treasury stock decreased by 6 thousand due to requests for additional purchase of odd-lot stocks.

### 2. Dividends

Dividends are as follows:

Resolution	Type of Shares	Millions of Yen	Yen	Record Date	Effective Date
		Cash Dividends Declared	Cash Dividends per Share		
June 26, 2009 Ordinary General Meeting of Shareholders	Common Share	¥ 2,511	¥ 1.50	March 31, 2009	June 29, 2009

Dividends, which record date is during the first half of the fiscal year and effective date of distribution is after the first half of the fiscal year, are as follows:

Resolution	Type of Shares	Millions of Yen	Resources Allotted for the Distribution	Yen	Record Date	Effective Date
		Cash Dividends Declared		Cash Dividends per Share		
November 13, 2009 Board of Directors' meeting	Common Share	¥ 8,372	Retained Earnings	¥ 5.00	September 30, 2009	December 4, 2009
	The First Series of Class 2 Preferred Shares	¥ 341	Retained Earnings	¥ 3.13	September 30, 2009	December 4, 2009

**Notes for the Statements of Cash Flows**

**1. Cash and Cash Equivalents**

In preparing the consolidated statement of cash flows, “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 “Cash and Cash Equivalents.”

**2. Reconciliation of Cash and Cash Equivalents**

	Millions of Yen	Millions of U.S. Dollars
Cash and Due from Banks .....	¥ 1,220,329	\$ 13,526
Due from Banks (excluding due from Bank of Japan) .....	(266,454)	(2,953)
Cash and Cash Equivalents .....	¥ 953,875	\$ 10,573

**Subsequent Events**

**1. Acquisition of Nikko Asset Management Co., Ltd.**

On October 1 2009, the Bank has acquired 98.55% shares of Nikko Asset Management Co., Ltd. held by Citigroup Japan Holdings Corp. and other shareholders.

- (1) Number of shares 194,152,500 common shares
- (2) Acquisition price 112.4 billion yen (needs adjustment)
- (3) Date of acquisition October 1, 2009
- (4) Shareholding ratio 98.55% of all outstanding shares (except shares held by Nikko Asset Management’s Employee Share Ownership Plan)

**2. Management Integration of the Bank and Chuo Mitsui Trust Holdings, Inc.**

On November 6 2009, the Bank and Chuo Mitsui Trust Holdings, Inc. (hereinafter “CMTH”) reached a basic agreement on the management integration of two groups by share exchange and the merger of the Chuo Mitsui Trust and Banking Company, Limited.(hereinafter “CMTB”) and Chuo Mitsui Asset Trust and Banking Company, Limited.(hereinafter “CMATB”) by the Bank.

(1) Objective of the management integration

The objective is to form “The Trust Bank,” a new trust bank group that, with the combination of their expertise and comprehensive capability, can provide its clients with better and swifter comprehensive solutions than ever before. To create the new trust bank group, the Bank and CMTH plan to combine their personnel, know-how and other managerial resources and to fuse both groups’ strengths such as CMTH Group’s agility and the Bank Group’s diversity.

(2) Way of the share exchange between the Bank and CMTH

CMTH will be a new holding company and the Bank will be a complete subsidiary of the new holding company.

(3) Target date for the management integration

April 1, 2011, subject to the approval of both groups’ shareholders and relevant authorities

(4) Way of the merger of the three trust banks

The Bank will be a surviving company, merging CMTB and CMATB.

(5) Target date for the merger of the three trust banks

April 1, 2012, subject to the approval of both groups’ shareholders and relevant authorities