

Telephone conference on Financial Results for 1HFY2023 (November 14, 2023)

Questions and Answers

(Respondent: Masaya Yamashiro, Executive Officer of SuMi TRUST Holdings)

Q.1	I would like to ask about capital. The CET1 ratio at the end of September shows different movements on the Basel III finalized basis and on the current regulatory basis. Has capital improved in real? What is your assessment of capital adequacy?
A.1	<p>In addition to profit accumulation, dividends, stock price and foreign exchange factors, there were some fluctuations, such as the transfer of unrealized losses to capital due to reduction of bear funds with low B/E, but overall, capital accumulation is progressing.</p> <p>The current capital level of 9.7% is still considered to be in the phase of capital utilization as before.</p> <p>The reason for the difference between the Basel III finalized basis and the current regulatory basis as of the end of September is that the risk-weighted assets (RWA) for the finalized basis decreased because of the refinement of the calculation of risk weight for the finalization.</p>

Q.2	How do you evaluate the performance of client-related businesses in the first half of the year? I would also like to ask about the outlook for the future of them.
A.2	<p>Retail business generally progressed as planned, with improvement in deposit spreads.</p> <p>There are three key points in our evaluation of the corporate business. First, we are benefiting from the steady progress we have made in the shift to product related credit. Second, the average spread of our credit portfolio is improving in addition to the increase in fees received due to the product shift. Third, the impact of the decrease in profits YoY due to the increase in foreign currency funding costs, which affect both the corporate and retail businesses, is expected to be reduced, as the rise in U.S. interest rates is expected to settle down. As a reference, since J-GAAP is applied to partnership investments in the corporate business, only realized income is reflected in the PL. Besides that, capital is increased by separately reflecting unrealized gains.</p> <p>In the investor services business, the custody subsidiary is benefiting from rising interest rates in U.S. The pension and asset administration business of SuMi Trust Bank is also benefiting from rising asset prices and is gradually accumulating positive results.</p> <p>In the real estate business, SuMi Trust Bank (brokerage for corporate clients) has been steadily accumulating small and medium-sized projects of 10 billion yen or less in size and will work firmly to achieve the target in the second half. SuMi TRUST Realty (brokerage for individuals) grew steadily, with an increase of 1.2 billion yen YoY.</p>

Q.3	I would like to ask about the specifics and impact of the refinement of the RWA calculation. Is there room for additional improvements through such refinement of the calculation in the future?
A.3	In response to the Basel III finalized basis, we have improved the accuracy of our measurement operations themselves, including system development and data preparation.

	While these have been addressed in the past, the calculation results have been somewhat conservative to date. The more refined calculation method resulted in a decrease in RWA, leading to an improvement in the CET1 ratio of just under 20 basis points. There is room for further refinement and the CET1 ratio could be improved additionally, but we do not consider this a given assumption at this time.
--	--

Q.4	I would like to know as much as possible about the current status and future direction of the Custody Bank of Japan, Ltd. (CBJ).
A.4	As the largest shareholder, we take the recent CBJ related issue very seriously as it could undermine trust of the market. Based on the investigation and verification by the third-party committee, we will firmly confirm the efforts to prevent recurrences at CBJ and provide guidance and work to further strengthen the governance structure. Please understand that we cannot comment further at this time.
Q.5	Do we have to wait for the results of the third-party committee's investigation?
A.5	After the investigation by the third-party committee, we recognize that CBJ will report its results and findings in a timely and appropriate manner, although the timing has not yet been determined, we assume.

Q.6	On a finalized Basel III basis, I would like to know the breakdown of RWA compared to the end of March 2023. Will it be ▲20bp due to yen depreciation, +20bp due to refinement of measurement and +20bp due to profit accumulation? I would also like to know the background behind the thought of not repurchasing your own shares at this timing. Are there any uncertainties that prevent implementation of share repurchase?
A.6	The main breakdown is: +15bp or so due to the refinement of measurement, +15bp or so due to profit accumulation, +25bp or so due to improved valuation of securities, while ▲25bp is due to foreign exchange impact and ▲15bp is due to interim dividend. I will explain our current thinking on share repurchases, which is basically unchanged from our disclosed capital policy. First, the current CET1 ratio level of 9.7% is in the capital utilization phase. As for shareholder returns, periodic gains or losses are returned in the form of dividends. Share repurchase will be implemented in a flexible manner, while balancing the use of capital for the medium- to long term, and the improvement of capital efficiency. In this regard, we will consider including implementation in the current fiscal year.

Q.7	Which profit items should I look at for your typical growth other than interest rate hike? With major themes such as NISA or “Asset management nation”, which segment or which profit item should increase to confirm your growth?
A.7	For our typical growth, please see Assets Under Fiduciary (AUF), which we disclosed as a KPI in May. We recognize that AUF disclosures need to be brushed up in the future, as there is still a lot of room for sophistication. Regarding AUF, our strategy is to expand AUF, especially in areas with high return

	<p>expectations for investors. We will continue to communicate with investors and analysts to improve our disclosure so that they can see our growth progress, including in other parts.</p> <p>Considering the tailwind of the macro environment, I will give a few specific examples about how AUF can lead to growth that is unique to our group.</p> <p>For example, the new NISA will contribute to an increase in the investment management consulting balance at the trust bank (Sumitomo Mitsui Trust Bank, “SuMiTB”), increase of asset management balance at Sumitomo Mitsui Trust Asset Management and Nikko Asset Management, as well as an increase in asset administration balance at SuMiTB and CBJ, and other business opportunities across the entire investment chain.</p> <p>Private assets will increase SuMiTB's own AUF and, in terms of business, lead to growth in the investor business. In the corporate business, we provide various consulting and other services through engagements aiming to increase our clients’ corporate value, driven by the TSE's initiatives to improve PBR and other measures. We will make sure that the progress and results of these initiatives are well understood by investors.</p>
--	--

Q.8	Regarding credit costs. Although the first half was lower than the full-year forecast, I would like to know your outlook for the future.
A.8	At this time, we do not have any specific credit names to be concerned. We are well prepared, including special loan loss provision. However, considering the uncertainty of macroeconomic conditions including interest rate trends, we maintain our existing credit cost.

Q.9	What are the results for the first half of the year and what is the outlook for private equity-related revenues?
A.9	In terms of PL increase/decrease, it is not a large impact at about ▲1 billion yen YoY. In addition, some of them are not subject to J-GAAP, and the total income is positive.

#### Forward-Looking Statements

This document includes notes on future earnings.

Such descriptions are not in any way guaranteeing future earnings and are inclusive of risks and uncertainties.

Please be mindful that future earnings may differ against targets due to changes in the business environment and others.

Further, information relating to companies etc. other than SuMi TRUST Holdings or the SuMi TRUST Group are citations from publicly available information etc. and have not undergone any verification on our part in its accuracy / appropriateness etc. and does not guarantee such factors.

Information carried in this material is solely for the purpose of providing information and is not for solicitation of securities