IR Day (September 9, 2025) Questions and Answers

Respondents: Sumitomo Mitsui Trust Group, Inc.	Managing Executive Officer	Masanori Watanabe
	Executive Officer	Kazuteru Wakao
	Executive Officer	Futoshi Itani
	Executive Officer	Nobuaki Yamaguchi

1. Corporate Business

Q.1	With reference to the client management operations utilizing comprehensive RAROC, introduced as a distinctive initiative for the Corporate Business on page 14 of the presentation materials, could you please clarify whether the comprehensive RAROC data and related information are being used not only for client management purposes but also in discussions with the Group's corporate management division and the CFO? Furthermore, we would appreciate it if you could elaborate on how resource allocation for the Corporate Business is being discussed.
A.1	(Wakao) We regularly engage in discussions with the CFO. As clients' funding needs grow and expectations for our Group increase, we ensure that our business operations are conducted based on the sharing of concrete and detailed information with the CFO. This includes presenting comprehensive profitability figures that include not only banking business, but also our real estate business, pension business, stock transfer agency services business, and other related business areas. We may decide not to proceed with lending if we cannot secure an appropriate margin. For instance, for lending transactions exceeding a ¥10 billion size, we typically arrange syndicated loans and limit our Group's participation to a certain portion. These initiatives, which emphasize returns on risk assets, have been thoroughly communicated to and understood by the CFO. (Watanabe) In the Corporate Business, operations centered around comprehensive RAROC have become firmly embedded, and we are now shifting our focus toward areas that offer higher profitability and stronger business synergies in the Group. At the same time, with our capital steadily accumulating, we are actively discussing with the CFO how to utilize risk assets effectively, while ensuring that profitability remains a key prerequisite. As such, the Corporate Business is being tasked with the challenging objective of striking a balance between pursuing profitability and optimizing capital utilization. From a funding perspective, we are also working to enhance our funding capabilities. In terms of corporate deposits, the Corporate Business is addressing the dual challenge of securing low funding costs while maintaining deposit volume. (Wakao) While the Corporate Business does not operate under a policy of applying excessive control over the balance sheet, a profit-oriented management approach has become well embedded at the front-line level. At the same time, deal flow—including the pipeline—remains robust, and we are seeing continued positive momentum in both lending and finance arrangement activities. This favorable trend has persisted since FY24. As disclosed this past May, Net business profit before credit costs for the Corporate Business in FY24 was ¥181.3 billion, representing an increase of ¥18.4 billion (approximately 10%) compared to FY23. Exchange rate fluctuations during this period were largely neutral. Excluding the impact of the increase in the number of managed shareholders in the stock transfer agency services business, the results demonstrate genuine growth in the Corporate Business's profitability and earnings capacity, as they were not driven by external factors such as gains in the market value of holding assets.

Q.2	With regard to the FY30 aspiration outlined on page 18 of the presentation material, we understand that there is no intention to significantly expand the loan and investment balance. Could you please share your outlook from the perspective of RWA?
A.2	(Wakao) As mentioned, our policy is to maintain a stable balance of loan and investment while securing funds for investor accounts. However, please note that our FY30 aspiration was not a precisely calculated figure based on detailed breakdowns, and the same applies from an RWA perspective.

Q.3	Why is Net business profit before credit costs for FY30 not disclosed for the Corporate Business or the Wealth Management Business? Is it correct to assume that the significant impact of BOJ policy rate movements on these businesses accounts for the difference with the Investor Services Business on page 31 of the material?
A.3	(Wakao) We are not disclosing specific forecasts at this time, as they could vary significantly depending on BOJ policy rate movements. We will set an ROE target for our corporate client businesses based on the overall ROE level we aim to achieve across the Group. Accordingly, as the Group grows, we expect the ROE for our corporate client businesses to increase from its current level. (Yamaguchi) Regarding the ROE for our individual client businesses, we are also not disclosing specific figures, as it is significantly influenced by BOJ policy rates. However, we remain confident in our ROE growth, supported by ongoing improvements in deposit spreads. The next Medium-Term Management Plan, which will begin in the next fiscal year, is currently under development. While we have not disclosed financial targets, as noted on page 41 of the materials, we aim to expand balances that generate social impact. We expect this expansion, combined with improved spreads, to contribute to higher profits. Furthermore, in the individual client businesses, rather than focusing on the use of credit risk capital, we intend to drive growth in Net business profit before credit costs primarily through investments in human capital and IT/digital capabilities.

2. Investor Services Business

Q.1	For FY30, you have set an aspiration of ¥24 trillion in AUM for private assets. Achieving this will require accelerating growth beyond your current pace. Could you elaborate on the competitive landscape in the private asset market, and explain your Group's competitive advantages in this area?
A.1	(Itani) The private asset market has grown significantly in Europe and the U.S., particularly in the U.S. In Japan, asset managers are also rapidly shifting from public to private assets. Currently, the proportion of private assets in the portfolios of Japanese institutional and individual investors remains relatively low, indicating substantial room for future growth. Our Group's strength lies in the fact that approximately ¥40 trillion of our ¥140 trillion in AUM consists of pension funds with ultra-long term investment needs. This provides a competitive advantage when allocating to illiquid private assets. In addition, the Group has one of Asia's leading gatekeeper functions, enabling us to efficiently connect private asset managers worldwide with investors. Beyond this gatekeeper role, we are also enhancing our in-house investment capabilities, which will become one of our important competitive advantages going forward, I believe.

Q.2	What capabilities are you currently lacking to scale the private assets business? Do you see scope for inorganic investments in the Investor Services Business?
A.2	(Itani) Our Group has established a Strategic Investment Facility of up to ¥500 billion through FY30 as part of its asset management strategy starting December 2023. The primary objectives are to acquire distinctive global investment capabilities and secure networks that strengthen distribution capabilities. This plan involves inorganic investments to supplement our currently lacking capabilities. Indeed, in the Investor Services Business, we entered a capital and business alliance with GCM Grosvenor this April. Furthermore, Amova Asset Management (Nikko Asset Management changed its trade name to Amova Asset Management on September 1, 2025), an asset management company within our Group, has previously partnered with firms like Osmosis (UK) and Tikehau Capital (France). Building on such precedents, we are receiving partnership proposals from various asset managers. Should any high-quality opportunities arise that contribute to the expansion of the Asset Management Business, we will continue to actively consider inorganic investments, backed by our solid capital base.

Q.3	From page 24 of the material, it appears that profitability for private assets is assumed to remain unchanged through FY30. However, given the macroeconomic environment and competitive landscape, I think profitability is likely to decline. Under such conditions, how does the Group plan to leverage its strengths and maintain profitability?
A.3	(Itani) For FY30, we aim to achieve a private asset ratio of approximately 10% within the Group's total AUM of ¥215 trillion, generating Gross business profit of ¥45 billion, or about 30% of the Group's gross business profit related asset management. While we plan to strengthen in-house investment capabilities to enhance profitability, our FY30 aspiration also reflects the impact of intensifying competition, and the relatively lower risk-return and earnings profile of private debt compared to private equity. As a result, profitability is expected to be slightly lower than current levels. Since FY22 when the aspiration was set, private assets have penetrated the market more rapidly than anticipated, with competition intensifying in both the U.S. and Japan. While current profitability has not declined significantly, factors such as competitive dynamics, target asset classes, and investor characteristics could lead to lower profitability than originally projected. The Group's strength lies in its ability to originate deals through collaboration with the other internal business lines, including the Corporate Business or the Real Estate Business. Most importantly, having primary access to assets that are not widely available in the market enables us to originate unique investment opportunities for investors—a key factor in sustaining profitability.

Q.4	Regarding Net business profit before credit costs for the Investor Services Business in the first quarter of FY25, progress appears somewhat slow. What are your views on this? Given that the market has recovered since the second quarter, could you also provide additional commentary on the full-year outlook?

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A.4	(Itani) In the first quarter, earnings were modest compared to the same period last year. This was primarily due to a decline in stock prices driven by U.S. tariff concerns, as well as the absence in FY25 of the one-off large exit gains from proprietary private equity investments booked in FY24. For the full year, as you mentioned, the market environment remains favorable, and we expect to achieve our full-year targets for the Investor Services Business. Leveraging this positive backdrop, we aim not only to meet our plan but also to capture additional upside opportunities.

3. Wealth Management Business

Q.1	Regarding the interest rates offered in the summer deposit campaign, the levels appear relatively high from a funding perspective. How much did the deposit balance increase as a result of this campaign? In addition to its contribution to Net interest income, could you also explain what future Net fees and commissions or services this initiative is expected to generate?
A.1	(Yamaguchi) We believe the interest rates offered in our summer deposit campaign were not excessively high compared to the internal base rates set within the Group. Our fundamental policy is to secure long-term, stable funding for investment purposes. Accordingly, the funds entrusted to us by clients are intended to be managed from a long-term perspective. We view the interest rates as a form of promotional cost, and our overall assessment is that the current level is reasonable. After accepting time deposits, we have established a framework to deliver long-term value to clients by regularly reviewing their asset portfolios and proposing new investment opportunities. Out of the approximately ¥18 trillion in deposits held by the Wealth Management Business, the funds gathered through campaigns amounted to only a few hundred billion yen. Therefore, this does not represent an excessive burden relative to the overall deposit base, and we are managing it appropriately from a management accounting perspective.

Q.2	Regarding your future relationship with Sumishin SBI Net Bank and NTT Docomo, could you share any information as long as you are able to disclose at this time?
A.2	(Yamaguchi) We are currently in discussions with NTT DOCOMO. Sumishin SBI Net Bank is scheduled to transition to a joint management structure with NTT DOCOMO, and we anticipate an even closer relationship following its delisting. By leveraging our strengths—such as face-to-face consulting expertise and accumulated unstructured data—and combining them with the data held by Sumishin SBI Net Bank and NTT DOCOMO, we believe we can acquire clients through channels distinct from our Bank's traditional campaigns or Diners Club cards. Furthermore, we have high expectations for future app integration with Smart Life Designer, which aims to seamlessly connect clients' everyday spending needs with their asset management requirements.

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4. Overall

Q.1	I would like to inquire about ROE by client for each business. The Investor Services Business targets an ROE by client of over 30% by FY30. Why is the level so high? Meanwhile, the Corporate Business and Wealth Management Business each has an ROE by client of approximately 10% for FY24, which is comparable to the ROE levels of commercial banks' corporate and retail businesses. Given that trust banks typically generate more Net fees and commissions than commercial banks, why is the ROE level similar?
A.1	(Itani) The Investor Services Business primarily serves clients such as financial institutions, public and corporate pension funds, local governments, religious organizations, and educational institutions. As these clients generally have limited investment and financing needs, our revenue is mainly fees and commissions and largely derived from asset custody or trust-related services. This capital-light business model enables us to generate high-quality service revenue, resulting in a high ROE by client. ROE by client is projected to decline slightly by FY30, as this reflects our strategy to incorporate investment and financing activities within the Investor Services Business to strengthen our asset management capabilities and distribution reach. (Wakao) The client base of the Corporate Business is primarily skewed to large corporations. Given the market characteristics of transactions with major Japanese corporations, securing sufficient interest margins on full recourse working capital and equipment financing is quite challenging. To address this, we are working to improve credit spreads, increase the proportion of client-centric product-related loans, and simultaneously enhance the effective accumulation of risk assets and overall profitability. This includes strengthening Net fees and commissions through businesses such as the stock transfer agency services, pensions, and wealth management, including real estate. We view these initiatives as key drivers for improving ROE in the Corporate Business. Currently, ROE by client for the Corporate Business remains at a relatively low level; however, we achieved an improvement of approximately 2 percentage points over the two years starting in FY22. Progress this fiscal year has also been steady, and we expect this positive trend to accelerate further going forward. (Yamaguchi) The Wealth Management Business differs from commercial banks that focus on daily settlement services, as our funding structure is centered on time deposits, resulting in relatively higher funding costs. In addition, from an RWA perspective, we bear the capital burden of approximately ¥10 trillion in residential mortgages. On the revenue side, we prioritize transactions that address clients' consultation needs and are advancing initiatives to enhance lifetime value by leveraging both physical branches and digital channels, such as our online consultation plaza. On the expense side, we are actively investing in human resources and IT/digital capabilities, which creates a greater upfront cost burden compared to other businesses. While ROE by client currently stands at 11%, we expect profitability to improve as these investments begin to generate returns and our business strategy progresses steadily.

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