

Telephone conference on Financial Results for FY2024 (May 14, 2025)

Questions and Answers

(Respondent: Masanori Watanabe, Managing Executive Officer of Sumitomo Mitsui Trust Group, Inc.)

Q.1	Regarding the conservativeness of forecasts for FY2025, are the preparations sufficient to address potential changes in the external environment? Even if interest rates do not rise or the negative impact of additional U.S. tariffs intensifies, do you consider the current preparations sufficient? Please elaborate on senior management's commitment to achieving the forecasts.
A.1	<p>Our forecasts for FY2025 assume a single policy rate hike by the Bank of Japan around mid-fiscal year, bringing the rate to 75 basis points. A 25-basis point rate hike is projected to contribute approximately ¥15 billion annually to Net business profit before credit costs, and our current fiscal year forecast incorporates around ¥7 billion of this as a positive impact from an additional rate hike.</p> <p>Even in the absence of a rate hike, we believe the target for Net business profit before credit costs remains achievable through initiatives in other business segments.</p> <p>Market environment assumptions are also conservative from a profit perspective, with the Nikkei 225 at ¥35,000 and USD/JPY at ¥140. Should equity prices rise, or the yen weaken beyond our assumptions, there is potential for upside. If market conditions deteriorate, we are prepared to implement additional or revised measures during the fiscal year to ensure we remain on track to achieve our targets.</p>

Q.2	With expenses continuing to rise in FY2025, this trend appears to be a factor limiting the growth of Net business profit before credit costs compared to peers. When do you expect the growth of Net business profit before credit costs to begin outpacing the rate of expense increase?
A.2	<p>While the OHR for FY2024 remained flat year-on-year at 61.2%, we planned for a slight increase to 62% for FY2025. Internally, awareness around cost control has heightened significantly, and we are enhancing the effectiveness of cost management by clearly distinguishing between essential and non-essential operations. From an investment perspective—particularly in IT/systems and human capital—we are implementing governance mechanisms to ensure that expenditures remain disciplined and do not escalate beyond planned levels.</p> <p>Although it may be difficult to demonstrate tangible improvements in the short term, we believe it is essential to provide greater transparency through more sophisticated analysis of cost and profit drivers, as well as clearer visualization of investment returns.</p>

Q.3	How should investors interpret the CET1 ratio management range of 10–11%? Is there a possibility of further share repurchases in FY2025?
A.3	<p>The rationale behind setting the CET1 ratio management range at a 1% bandwidth reflects our intention to maintain flexibility for growth investments of meaningful scale, whether organic or inorganic. This range also accounts for potential fluctuations in market conditions, including equity prices and foreign exchange rates. Depending on our capital position, we may pursue larger-scale investments as the CET1 ratio approaches 11%, while adopting a more restrained stance as it nears 10%.</p> <p style="text-align: right;">(Continued to the next page)</p>

	<p>We have intentionally left our policy for the CET1 ratio above 11% undefined, signaling both internally and externally that we prioritize growth investments and intend to utilize capital in a way that avoids exceeding the upper bound. While temporary deviations from the range may occur due to sudden market volatility, we remain committed to managing within the range—utilizing capital for future growth, and conducting share repurchases when attractive investment opportunities are limited.</p> <p>Regarding share repurchases, our policy remains unchanged: we will continue to implement share repurchases flexibly, including the possibility of multiple share repurchases within a fiscal year, rather than limiting ourselves to a single annual execution.</p>
--	--

Q.4	What are the factors behind the decline in Net business profit before credit costs for the Wealth Management Business, Corporate Business, and Investor Services Business in FY2025?
A.4	<p>In the Wealth Management Business, intensified competition in investment trust sales and deposit acquisition has led to a situation where profit growth is not keeping pace with rising costs.</p> <p>The decline in the Corporate Business is primarily attributable to the divestment of Sumitomo Mitsui Trust Loan & Finance (current trade name: L&F Asset Finance) and the North American Railcar Leasing Business, which had a negative impact of slightly over ¥10 billion. Excluding this one-off factor, the segment is expected to show positive growth.</p> <p>In the Investor Services Business, the forecast reflects a decline in asset balances due to a yen depreciation and equity price decline, the absence of large-scale investment partnership profits that contributed significantly in FY2024, and lower custodial deposit income resulting from declining U.S. interest rates.</p> <p>Despite these headwinds, we aim to exceed FY2024 levels in overall Net business profit before credit costs, supported by growth in other areas such as the Global Markets Business.</p>

Q.5	If the anticipated interest rate hike does not occur, which sectors are expected to offset the resulting shortfall in earnings?
A.5	The estimated positive impact of an additional rate hike in FY2025—approximately ¥7 billion—is relatively modest in the context of our total Substantial gross business profit, which is projected to be around ¥1 trillion. Even in the absence of the rate hike, we believe the target for net business profit before credit costs remains achievable. This will be driven by our ability to identify profit opportunities across each business segment and steadily accumulate transactions on a group-wide basis throughout the fiscal year.

Q.6	What is the impact of recent divestments—such as the L&F joint venture and the share transfer of the North American Railcar Leasing Business—on the CET1 ratio?
A.6	The impact of the L&F transaction on the CET1 ratio is estimated to be approximately 10 basis points. Even when including other recent divestments, the overall effect is expected to remain moderate—on the order of several tens of basis points, rather than a significant shift of 50 to 100 basis points.

Q.7	What is the impact of divestment—such as Gains on sales of stocks of subsidiaries and affiliates—on the FY2025 earnings forecast?
A.7	The FY2025 forecast incorporates approximately ¥30 billion in extraordinary profit from divestment, reflected in the difference between ordinary profit and net income. While the impact from the North American Railcar Leasing Business has yet to be finalized due to the transaction not having closed, we currently assume this scale of contribution, including the L&F transaction.

Q.8	Given the recent market conditions, is there any possibility of changes to your hedging policy for strategic shareholdings?
A.8	At present, we maintain our hedging policy of reducing same amount of strategic shareholdings (market value) and hedge positions. If this approach continues as planned, we expect the hedge ratio to approach zero within a year. While we remain open to revisiting this policy should market conditions change significantly, there are no plans to revise it at this time.

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 the 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.