

12th Ordinary General Meeting of Shareholders — Q&A Summary

The following is a summary of our responses to the questions received from shareholders in advance, and on the day of, the 12th ordinary general meeting of shareholders.

- Date and time: Friday June 23, 2023; 10:00–11:30 (Duration: 1 hour 30 minutes)
- Venue: Meeting room on fifth floor of SuMi TRUST Bank's head office building
- Total shareholders in attendance: 90

Summary of questions received ahead of the meeting

(1)	Extraordinary loss associated with a system upgrade for global business operations at SuMi TRUST Bank
Question	<ul style="list-style-type: none"> • What reasons and factors led to the booking of the extraordinary loss associated with a system upgrade for global business operations at SuMi TRUST Bank?
Answer	<ul style="list-style-type: none"> • The system upgrade aimed to fix some issues and minimize maintenance risks in the current global accounting system and to install a package system already being used by financial institutions overseas. • Partly because the timing of the system installation and improvements in package functionality overlapped with the COVID-19 pandemic, the project was put on hold because it became clear that guaranteeing those functions and quality would take longer than expected. As a result, we booked an extraordinary loss of around ¥16 billion centering on personnel benefits and licensing fees. • We have switched to a new plan that ensures development feasibility and we are currently applying ourselves closely to this task.

(2)	SuMi TRUST Bank transaction fees when using a Japan Post Bank ATM
Question	<ul style="list-style-type: none"> • Do you have plans to dispense with the transaction fees incurred by SuMi TRUST Bank cash card holders when they use a Japan Post Bank ATM?
Answer	<ul style="list-style-type: none"> • In light of the trend in society towards fewer cash transactions owing to the greater uptake of cashless payments and online procedures, SuMi TRUST Bank conducted a review of the transaction fees incurred by the users of its cash cards at Japan Post Bank and other affiliated ATMs and from July 4, 2022, started offering up to five free transfers to other banks via highly convenient internet banking per month. • Even though we have no plans to remove affiliated ATM transaction fees, we will endeavor to realize a level of service that exceeds the expectations of our clients by providing products and services unique to SuMi TRUST Group. We will also continue to do everything we can to meet the expectations of all shareholders.

(3)	Future business strategy for Sumitomo Mitsui Trust Club Co., Ltd.
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Question	<ul style="list-style-type: none"> • What are the known issues concerning the Diners Club card business, considering the Group's purpose of acquiring it, its future business strategy, and past impairment losses?
Answer	<ul style="list-style-type: none"> • In December 2015, SuMi TRUST Bank acquired all of the shares of Sumitomo Mitsui Trust Club with the aim of incorporating its high-quality services and superior client base and enhancing the added value of the business as a whole. • However, the migration and development of systems in fiscal year 2018 required more costs and time than we expected, and then in fiscal year 2019 we reassessed the impacts of COVID-19 and our business plan. As a result, we booked a goodwill impairment in both of those years. This cleared away any significant financial risks and since fiscal year 2020 earnings have remained in the black. Results for this fiscal year as well are looking solid. • Continually keeping a lid on system operating costs is the main challenge for Sumitomo Mitsui Trust Club, but with the use of cloud-based solutions and the like, we are currently developing a system to ensure sustained growth. We are also making an effort to bolster its business management system with the use of SuMi TRUST Group employees and we are also endeavoring to strengthen Group governance. • We will aim to further enhance the Diners Club card brand, which has quite a long history in Japan, and continue to collaborate with SuMi TRUST Bank centering on businesses for high net-worth individuals.

(4)	Reasons for the decline in the balance of loans to individual clients at SuMi TRUST Bank and future strategy in view of the age of 100-year life
Question	<ul style="list-style-type: none"> • Why did the balance of mortgage loans and other loans to individual clients decline in fiscal year 2022 and what is your policy up ahead for the age of 100-year life?
Answer	<ul style="list-style-type: none"> • We are strategically focused on mortgage loans because they are really important as an entry point for new transactions with clients of the working generation in particular and for offering trust products and services after borrowing. • The balance of loans to individuals, primarily mortgage loans, decreased year on year in fiscal year 2022 partly because of the impact of tougher competition around interest rates, but at the same time, we have financed new mortgage loans worth around ¥800 billion, so the significance of mortgage loans in SuMi TRUST Group remains unchanged. • The so-called “age of 100-year life” is one of our key strategic areas in which we are encouraging a virtuous circulation of funds, assets, and capital. Our policy is to work on making loans for individuals more sophisticated and help solve issues in society and achieve stable growth in business to individual clients by providing consulting and on-point services according to their life stage.

Summary of questions received on the day of the meeting

(1)	Disclosure of greenhouse gas (GHG) emissions from biomass power generation based on the GHG Protocol and policy on financing biomass power generation
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Question	<ul style="list-style-type: none"> • Do you plan to publicly disclose GHG emissions from biomass power generation projects in anticipation of updates to the GHG Protocol? Also, what is your policy on financing biomass power generation?
Answer	<ul style="list-style-type: none"> • We are aware of the discussions pertaining to the GHG Protocol, the international standard for calculating and disclosing GHG emissions. We will be keeping a watchful eye on developments in various laws and regulations and respond thoroughly to revisions and the like. • SuMi TRUST Bank currently finances some biomass power generation projects from the standpoint of supporting the greater uptake of renewable energy in Japan. • Our decision to extend such loans is based on our lending policy that takes into account human rights and biodiversity at production sites overseas, in addition to Japanese government standards and the standards of governments in fuel-producing regions. We take stock of these factors during and after the lending process.

(2)	Risk management during times of interest rate movements
Question	<ul style="list-style-type: none"> • US interest rates are rising and the Bank of Japan is discussing changes to its monetary policy. How do you manage risk during times of interest rate movements?
Answer	<ul style="list-style-type: none"> • In terms of how we manage market risk, we have established criteria for reviewing transactions when valuation losses balloon to a certain level. By strictly monitoring compliance with these rules, we can prevent any further losses. We also have an accurate understanding of the Group's overall risk profile and we implement appropriate risk management according to the size and attributes of each Group company. • SuMi TRUST Bank's Risk Management Department, which is independent of the business execution departments and back office departments, measures risk levels and profitability on a daily basis and employs a monitoring system based on plans established by the Board of Directors. The results are periodically reported to the management team, thereby ensuring an appropriate risk management framework. • Whilst the Bank of Japan is discussing changes to monetary policy at its Monetary Policy Meetings, we will carefully watch those developments and make every effort to engage in appropriate risk management.

(3)	Factors behind the low PBRs of bank stocks
Question	<ul style="list-style-type: none"> • What do you think are the factors behind the low PBRs of bank stocks?
Answer	<ul style="list-style-type: none"> • We are aware that the share prices of bank stocks have weakened across the board since the adoption of negative interest rates due to deteriorating profitability in mainly lending operations in connection with lower interest rates. • PBR (price-to-book ratio) can be broken down as the multiplication of ROE (return on equity) and PER (price-to-earnings ratio) and can also represent the multiplication of return on equity and future growth expectations. • In fiscal year 2022 we posted record-high profit by achieving our net income target of ¥190

	<p>billion, which suggests our earnings power is steadily growing. As outlined in our new Medium-Term Management Plan, we aim to achieve an ROE of at least 10% by expanding asset management, asset administration, and other businesses unique to a trust bank group with strong profitability and high capital efficiency. We also want to achieve a PBR of above 1.0x at the earliest possible time by addressing such social issues as the age of 100-year life, ESG, and sustainability and realizing growth in a way that differs from the normal commercial banks.</p>
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(4)	Measures for improving brand image
Question	<ul style="list-style-type: none"> • As you approach your 100th anniversary, what measures are you taking to improve your brand image and convey the attractiveness of the Group to all stakeholders, not just shareholders?
Answer	<ul style="list-style-type: none"> • We are endeavoring to strengthen and improve our branding strategy and corporate communications in general, which is why last fiscal year we established a special department to take charge of these operations. • Whilst we recognize that we are a unique financial group that provides client-oriented services based on various trust functions, there are issues we still need to address in terms of how we promote ourselves externally. Our management team is currently leveraging the insights of external experts, reassessing the Group's brand value, and discussing ways to effectively communicate it. • As we approach the 100th anniversary of our founding next fiscal year, we hope to use this opportunity to undertake activities that enhance the Group's brand value.

(5)	Eligibility criteria when electing external director candidates
Question	<ul style="list-style-type: none"> • Given that there are often external director candidates holding multiple concurrent positions, how do you determine their eligibility during the election process?
Answer	<ul style="list-style-type: none"> • We select director candidates who satisfy the qualifications from among those that possess the necessary skills to address our priority issues. • In addition to satisfying our independence standards and being deemed unlikely to give rise to conflicts of interest with general shareholders, the external director candidates we put forward for nomination fully understand our management disciplines and our social responsibilities and roles as a trust bank group, and can oversee our management and provide adequate opinions and advice.

(6)	Impact of fluctuations in the USD/JPY exchange rate on Group earnings
Question	<ul style="list-style-type: none"> • How do fluctuations in the USD/JPY currency pair affect the Group's earnings? Are earnings boosted by yen appreciation or yen depreciation?
Answer	<ul style="list-style-type: none"> • Our accounts are settled in Japanese yen, so depreciation in the yen tends to inflate overseas earnings when converted to yen. On the other hand, when the yen weakens, the value of our foreign currency-denominated assets held overseas increases, which has a negative impact in

	<p>terms of our capital adequacy ratio and other measures of asset efficiency. As such, we cannot categorically say whether a strong yen or a weak yen is advantageous.</p> <ul style="list-style-type: none"> • Please understand that our earnings are impacted by not only the forex market, but the way interest rates and foreign exchange rates are intertwined with each other.
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(7)	Disclosure of GHG emissions from biomass power generation
Question	<ul style="list-style-type: none"> • The GHG Protocol requires that GHG emissions from biomass power generation is disclosed as supplementary information. How are you disclosing this information?
Answer	<ul style="list-style-type: none"> • SuMi TRUST Bank is financing biomass power generation projects based on the thinking that a plant does not contribute to a net increase in CO₂ in the atmosphere over the course of its lifetime. • At the same time, we are aware that the GHG Protocol calls for the separate reporting of CO₂ emitted as a result of biomass fuel combustion. • At this point in time we do not disclose GHG emissions from biomass power generation, but we are considering the possibility of disclosing this supplementary information.

(8)	Measures to empower women within the organization, including director appointments
Question	<ul style="list-style-type: none"> • What measures are you currently taking to improve the ratio of women in management positions and to nurture human resources with a view to appointing female directors from within the organization?
Answer	<ul style="list-style-type: none"> • Approximately 54% of employees at SuMi TRUST Bank are women. We continue to actively appoint women to mainly our branch offices in the Retail Business and roughly half of the heads of consulting and sales section at these branches are women. Also, as part of our action plan based on Japan's <i>Act of Promotion of Women's Participation and Advancement in the Workplace</i>, we have set a numerical target for the percentage of female managers, and we also hold training sessions for women in leadership positions, along with other initiatives designed to increase the appointment of women within the organization. • In fact, two female executive officers are present at today's ordinary general meeting of shareholders.