Corporate Information

Financial Review

Terms with an asterisk are explained in "Glossary" on page 117.

In the consolidated financial results for fiscal year 2019, net business profit before credit costs increased by ¥6.7 billion year on year to ¥289.0 billion, basically in line with our forecasts. The rise was mainly due to an increase in effective interest related earnings, an expansion of non-interest revenues in corporate-related business, and an increase in market-related revenues in SuMi TRUST Bank.

In the meantime, net income attributable to owners of the parent decreased by ¥10.8 billion year on year to ¥163.0 billion, due mainly to a special loan loss provision of approximately ¥25 billion recorded in preparation for future total credit costs in light of the impact of the COVID-19 pandemic.

■ Overview of the Financial Results in FY2019

<Consolidated> SuMi TRUST Holdings (Consolidated)

Billions of Yen (Unless specified otherwise)

	FY2019 (A)	FY2018 (B)	Change (A)–(B)	Rate of change
Net Business Profit before Credit Costs*	289.0	282.2	6.7	2.4%
Ordinary Profit	257.6	256.4	1.2	0.5%
Net Income Attributable to Owners of the Parent	163.0	173.8	(10.8)	(6.2%)
Total Credit Costs*	(43.8)	(2.9)	(40.8)	—
Return on shareholders' equity*	7.12%	7.95%	(0.83%)	—
Return on equity*	6.25%	6.58%	(0.33%)	—
Net Income per Common Shares (EPS) (Yen)	434	458	(24)	(5.4%)
Net Assets per Common Shares (BPS) (Yen)	6,822.48	7,008.67	(186)	(2.7%)

* [Net Income Attributable to Owners of the Parent / (FY-start total shareholders' equity (equity) + FY-end total shareholders' equity (equity)) / 2] × 100

<Non-consolidated> SuMi TRUST Bank (Non-consolidated)

Billions of Yen (Unless specified otherwise)

	FY2019 (A)	FY2018 (B)	Change (A)–(B)	Rate of change
Net Business Profit before Credit Costs*	206.8	231.4	(24.6)	(10.7%)
Net Interest Income and Related Profit*	134.1	172.7	(38.5)	(22.3%)
Net Fees and Commissions and Related Profit*	174.3	186.3	(12.0)	(6.5%)
Net Trading Profit	102.1	27.9	74.2	265.9%
Net Other Operating Profit	42.5	80.3	(37.7)	(47.0%)
General and Administrative Expenses	(246.4)	(235.8)	(10.5)	4.5%
Total Credit Costs*	(34.7)	1.9	(36.7)	—
Net Non-recurring Profit, etc.	4.4	(24.3)	28.7	—
Ordinary Profit	176.4	209.0	(32.6)	(15.6%)
Extraordinary Profit	1.0	(4.2)	5.3	—
Net Income	124.7	148.6	(23.9)	(16.1%)

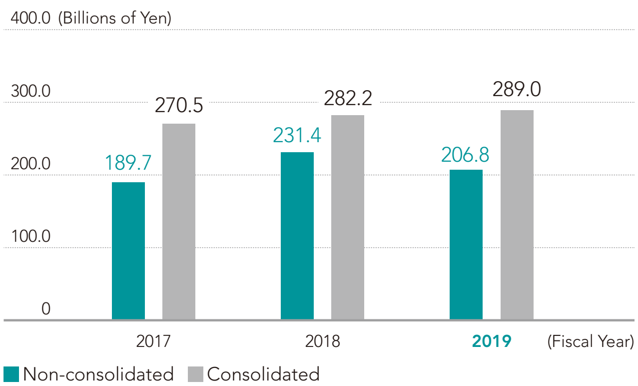
(Note) Amounts less than ¥100 million are rounded down.

<Dividends>

	FY2019 (A)	FY2018 (B)	Change (A)–(B)
Dividend per Share on Common Share (Yen)	150.00	140.00	10.00

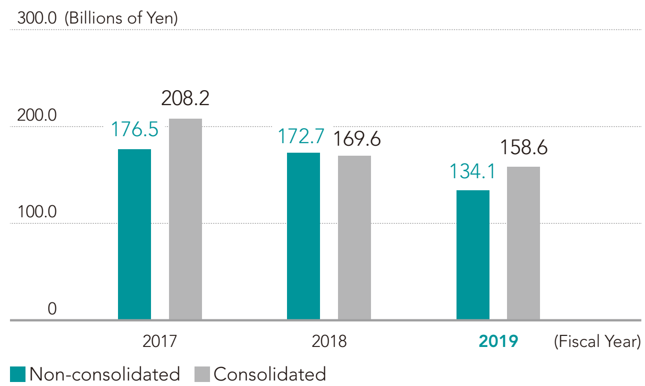
Status of Profit and Loss

Net Business Profit before Credit Costs*



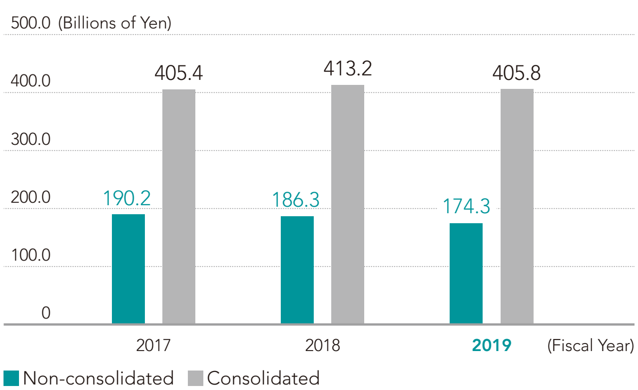
Despite a decline in net fees and commissions and related profit, there was an increase in effective interest related earnings, as well as non-interest earnings in corporate-related business, bringing the profit to ¥289 billion, increased by ¥6.7 billion from the previous fiscal year.

Net Interest Income and Related Profit*



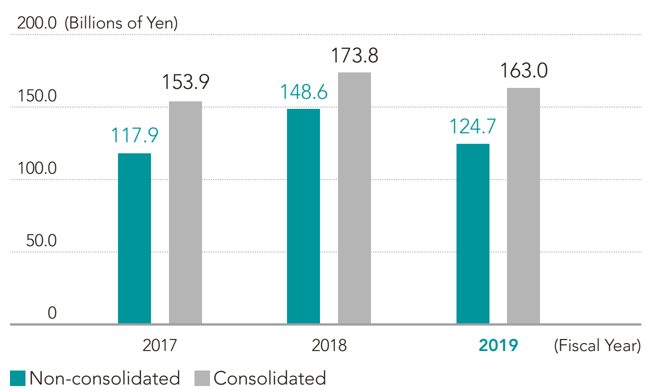
Nominal net interest income and related profit decreased by ¥10.9 billion compared to the previous fiscal year. On the other hand, profits increased in the international business divisions including profit attributable to deployment of foreign currency surplus funds, thereby securing an effective increase in net interest income on the whole.

Net Fees and Commissions and Related Profit*



Real estate brokerage fees (including those from subsidiary) secured gains, but declines in revenue related to investment management consulting services and revenue from asset management and administration resulted in a decrease of ¥7.3 billion from the previous fiscal year to ¥405.8 billion.

Net Income Attributable to Owners of the Parent



Although there was a rise in net business profit before credit costs, we are making adjustments to alleviate future financial burdens, including impairment of goodwill at subsidiaries and a special loan loss provision based on the impact of the COVID-19 pandemic. This resulted in a decline of ¥10.8 billion from the previous fiscal year to ¥163.0 billion.

Glossary

Net Business Profit before Credit Costs
Substantial profit of a bank's core businesses, calculated by eliminating the effects of non-recurring factors, such as total credit costs and net gains on stock from ordinary profit.

Total Credit Costs
Costs incurred in posting allowances for losses on loans and writing off loans.

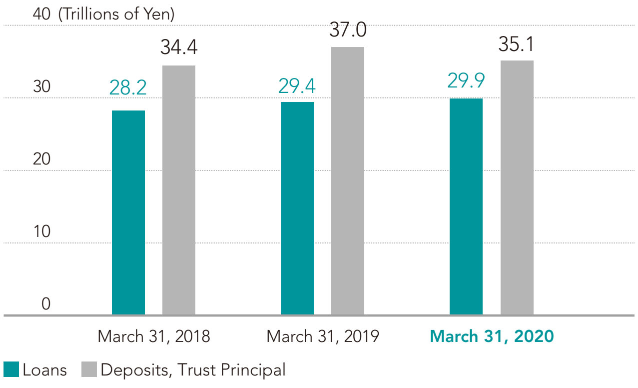
Net Interest Income and Related Profit
Net revenues after subtracting interest paid on deposits, etc., from revenues on loans and securities investment.

Net Fees and Commissions and Related Profit
Net profit of the sales fees of investment trusts, real estate brokerage fees, and trust fees for assets under management, etc.

Financial Status

Terms with an asterisk are explained in "Glossary" on page 118.

Loans and Deposits (Non-consolidated)

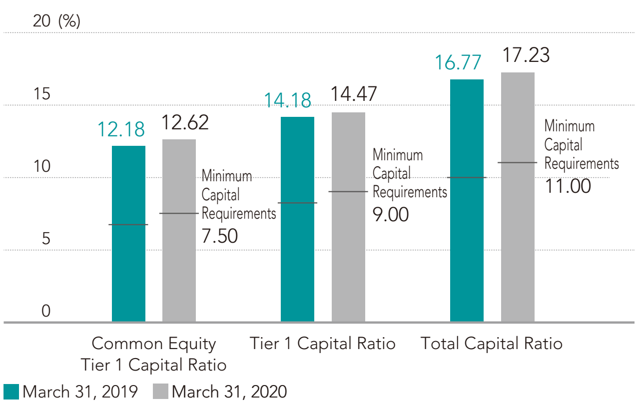


Loans increased while deposits decreased

Loans and bills discounted increased by ¥0.5 trillion from the end of the previous fiscal year to ¥29.9 trillion, due to rises in both mortgage loans and loans to corporations. Deposits, etc. decreased by ¥1.8 trillion to ¥35.1 trillion, mainly due to a decline in liquid deposits.

*Deposits, etc. include the principal guaranteed trust account (loan trusts and jointly operated money trusts), but exclude negotiable certificates of deposit.

Capital Adequacy Ratio, etc.* (Consolidated)



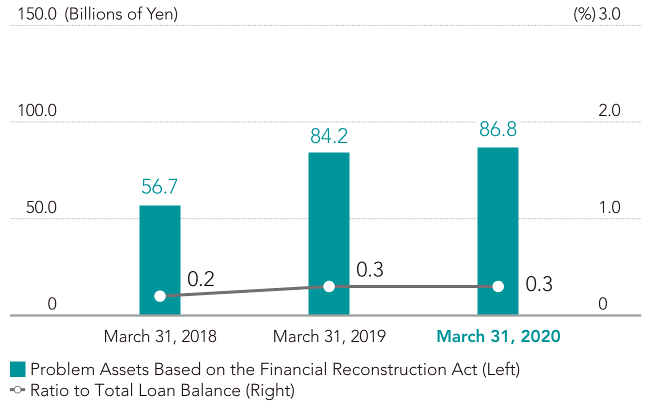
Levels remain well above regulatory standards

The Common Equity Tier 1 capital ratio increased by 0.44 percentage points from the end of the previous fiscal year to 12.62%. The rise was due to an increase in Common Equity Tier 1 capital resulting from the accumulation of net income attributable to owners of the parent, along with a decrease in risk-weighted assets. Total capital ratio also rose by 0.46 percentage points from the end of the previous fiscal year to 17.23%. The Common Equity Tier 1 capital ratio as well as the total capital ratio remain well above the corresponding regulatorily required levels of 7.5% and 11.00%, respectively.

Basel Ⅲ:

Basel Ⅲ is a new capital regulatory standard that was announced by the Basel Committee on Banking Supervision in December 2010. Basel Ⅲ, intended to enhance the soundness of internationally active banks, has been adopted in Japan as of the end of March 2013 in a phased manner. Basel Ⅲ newly defines "Common Equity Tier 1," which is comprised of capital components that can be used to cover unexpected losses and do not need to be repaid, such as common equity and retained earnings, and requires that the ratio of those capital components to risk-weighted assets, such as investments and loans, ("Common Equity Tier 1 ratio") must be kept higher than a prescribed level.

Problem Assets Based on the Financial Reconstruction Act* (Non-consolidated)



Ratio to total loan balance remains low at 0.3%

A decline in doubtful loans and an increase in substandard loans left the total balance of problem assets based on the Financial Reconstruction Act roughly flat at ¥86.8 billion compared to the end of the previous fiscal year, with the ratio to total loan balance remaining contained at a low level of 0.3%. As for the ratio of problem assets covered by collateral and the allowance for loan losses, the ratio was 94% for doubtful loans and 41% for substandard loans, both of which are deemed sufficiently high.

Glossary

Problem Assets Based on the Financial Reconstruction Act
Assets for which disclosure is required by the Financial Reconstruction Act, and which are classified as follows. These are generally used in referring to "non-performing loans."

Bankrupt and Practically Bankrupt
Assets to debtors who are legally bankrupt (due to bankruptcy, corporate reorganization or rehabilitation proceedings, etc.), or virtually bankrupt.

Doubtful
Assets to debtors who are not legally bankrupt, but whose financial conditions and business results have deteriorated, with a high likelihood that the lender will not be able to collect the principal or receive interest in accordance with the contract.

Substandard
Assets more than three months past due and assets whose terms have been modified to support debtors through such means as interest reductions or exemptions.

Capital Adequacy Ratio, etc.
Basel Ⅲ defines the composition of capital in three steps: Common Equity Tier 1 capital, Tier 1 capital and total capital. The ratios obtained by dividing them by risk-weighted assets refer to Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio, respectively.

Common Equity Tier 1 Capital
Common Equity Tier 1 capital is composed of core capital, consisting primarily of the capital stock, capital surplus and retained earnings.

Tier 1 Capital
Tier 1 capital is composed of Common Equity Tier 1 plus Additional Tier 1 capital, which includes preferred shares, etc.

Total Capital
Total capital is the total amount of capital, composed of Tier 1 capital and Tier 2 capital, which includes debt capital such as subordinated debt and subordinated loans.