

1. Real estate business

(Takehiko Iwahara, General Manager of Real Estate Planning Dept, SuMi TRUST Bank)

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| Q | ✓ While commercial real estate prices seem to have plateaued at a high level, the October Bank of Japan financial system report mentioned that real estate related lending balances have reached the highest level ever recorded and that the Bank observes some excesses, how does your bank view this situation? |
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A ✓ All banks including ourselves are prudently managing real estate related loans including non-recourse loans under credit guidelines determined by each bank. Our marketing sections including brokerage services are tracking other banks' lending criteria, and as there are subtle differences between lenders regarding asset type, location and investor attributes, it would be highly unusual for an ordinary transaction to be ineligible for financing by all banks. We have not observed instances where loan ineligibility causes a transaction to fall through, so we believe the impact to the buy-sell market is limited.

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| Q | ✓ The current retail real estate market seems to be slowing down, but as actual demand is firm, do you think the slow-down is temporary? |
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A ✓ We have observed some cautiousness towards certain types of retail real estate related lending from some financial institutions including regionals. Among brokerage transactions handled by SuMi Trust Realty, we have seen cases where signing was extended due to delays obtaining credit approval, and buyers declining due to non-eligibility of loans. We might see some slow down in transactions such as zero equity loans, but we view the overall actual demand for residential and inheritance needs to be firm and forecast the market going forward to still be stable.

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| Q | ✓ What are the merits and demerits of having two separate entities, SuMi Trust Bank and SuMi Trust Realty? Is there possibility of merging the two in the future? |
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A ✓ SuMi Trust Bank handling commercial properties for corporate and investor clients and SuMi Trust Realty dealing in residential property primarily for retail clients have different levels in transaction size, due diligence and its detail. Also, there are differences in business and marketing practices so there are no disadvantages handling them from separate entities.

✓ However, there are instances where SuMi Trust Realty handles commercial property smaller than ¥1bn, in which case information is concentrated in our consultation center for commercial properties, and the information is shared with our real estate departments in SuMi Trust Bank to ensure a seamless and efficient operation.

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| Q | ✓ Regarding the transition of brokerage fees on P8, I understand that there are divestment needs from medium/small real estate companies for the second half. How about your prospects beyond the second half? |
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A ✓ During the Lehman-crisis, there was a rapid price adjustment and subsequent absence of buyers, but it is difficult to envisage such market changes under the current environment. We anticipate that the current high price levels will be sustained even after the 2020 Olympics for some time. There is firm demand for commercial real estate, and we expect to be able to grasp opportunities such as portfolio asset switching needs from our strategic proposals to our clients which should lead to brokerage deals including large size transactions. For residential properties, we are expecting the market to expand centered on inheritance related property needs.

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| Q | ✓ I believe the business of SuMi Trust Realty is growing fine, what would be a bottle-neck to its growth? |
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A ✓ For SuMi Trust Realty to grow further, expansion of branch network and personnel is required, and we shall endeavor to alleviate any bottle-necks through strengthening of marketing staff recruitment.

✓ Also, many top tier competitors have real estate developers within their group, giving them an edge by handling marketing information related to properties developed by these affiliates. We would like to strengthen our gathering of marketing material through expanded use of information obtained through the web.

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| Q | ✓ Please explain your plans regarding staff training for real estate business and coordination with other divisions. |
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A ✓ In SuMi Trust Bank, staff training including imparting of knowledge from veterans to the younger generation is an important management issue. As one initiative, we have assigned team leaders who are top in their respective fields for specific asset classes such as offices, hotels, logistics, commerce and residential. By assigning younger officers to these sections, we are promoting transfer of work knowledge and human relations specific to these assets through execution of actual transactions and also through various training.

✓ For SuMi Trust Realty, in comparison to commercial properties, residential properties are more standardized, so we are placing emphasis to train staff through use of manuals and versatile tools.

✓ Regarding coordination with other departments, for example, pension department has access to client's HR, and stock transfer agency department would have access to corporate secretariat and top management. It is possible to obtain client's real estate transaction needs from these different channels so we are strengthening our real estate business by hosting training to obtain property related information and by promoting joint- client visits.

2. Digital strategy

(Manatomo Yoneyama, General Manager of Digital Strategy Planning Dept.)

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| Q | ✓ Among your digitalization strategies, which is likely to contribute to your top line in the shortest timeframe? |
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- ✓ In terms of profit contribution, cost reduction would materialize before top line growth.
 - ✓ To be specific, measures such as implementation of RPA is gaining momentum and it should lead to re-assignment of staff to marketing roles, and also reduction of IT related expenditures from utilization of cloud technology should result in tangible contribution to our profit.
 - ✓ We are also contemplating business strategies to improve our top line growth, and these should gradually contribute to our top line over time.

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| Q | ✓ How is Sumishin SBI Net Bank placed in terms of your overall digitalization strategy? |
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- ✓ We have two opposing marketing channels where SuMi Trust Bank has strengths in face-to-face consulting unique to a trust bank, and Sumishin SBI Net Bank has strengths in non-contact retail client base.
 - ✓ We believe a half-way solution is the least desirable option, so the trust bank should endeavor to improve its comprehensive client-facing services and Sumishin SBI Net Bank should enhance its convenient, time saving services.
 - ✓ From the cooperation of the two entities, we believe that we can channel client base along generational lines and create complimentary services.

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| Q | ✓ How is SuMi Trust Club positioned in your digitalization strategy? |
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- ✓ Credit card business is an important piece in the retail total solution services division.
 - ✓ In today's presentation, we have listed areas where we are actively deploying resources in our overall digitalization strategy.
 - ✓ In this presentation, we have not listed settlement service related areas, but this field is deemed to be "passive" (market trend following) areas requiring our attention, and we intend to make steady progress working together with SuMi Trust Club.
 - ✓ On the other hand, regarding utilization of AI in areas I explained today, I believe we should make "active" progress to a level where we develop bespoke algorithms.

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| Q | ✓ What are your impediments towards utilization of Deep Data? |
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- ✓ Being a single legal entity with an ability to obtain a broad range of data from various services offered as a trust bank is a strong competitive advantage.
 - ✓ On the other hand, we need careful legal consideration for handling of personal data and purpose of use.
 - ✓ Especially, I believe defining what constitutes use of data for purposes other than the original intent obtained from our services would be an important discussion point going forward.
 - ✓ For example, if we were to utilize the data for machine learning, we need to follow steps to assure it constitutes fair use.

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| Q | ✓ How is deregulation of financial technology affecting your digitalization strategy? |
| A | ✓ Technology and know how to build a trust business platform and IT system orchestration are areas where we have to make progress, and we would like to enhance our cooperation with fintech venture companies and consider investment opportunities in them. |
| Q | ✓ Please give us your views on information gathering activity or device that could have synergies with your trust business. |
| A | ✓ For example, I think methods to gather reliable data regarding various corporate activity data pertaining to corporate governance and ESG investment would become important. |
| Q | ✓ Please inform us on your efforts and thinking to become an “information bank”. |
| A | <ul style="list-style-type: none"> ✓ We are currently conducting a feasibility study on the matter including a business plan. ✓ It is important to define our business model and what we would like to achieve. Also, just as we are spending vast sums on making deposit taking activity safer, we need to carefully define our business parameters by understanding what are the requirements and levels required to safely operate an information bank. ✓ The business model needs to be designed with monetization strategy and full understanding of the required information security and operation standard in mind. |
| Q | ✓ Please update us on your efforts to utilize blockchain for shareholder administration. |
| A | <ul style="list-style-type: none"> ✓ Due to the merger of Mizuho Group’s custody services bank and Japan Trustee Services Bank, the market share held by the merged entity has grown substantially. ✓ We believe that securities settlement and shareholder administration are business areas where blockchain technology is suited and we are continuing our research. ✓ We are conducting research in other areas where tamper-proof technology has possible application. |
| Q | ✓ Is your Proof of Concept experiment in real estate utilizing blockchain technology aiming to eliminate the middleman by enhancing information transparency making brokerage redundant? |
| A | <ul style="list-style-type: none"> ✓ Regarding our real estate platform, we are exploring various ideas, but our understanding is that we need to expand the market so increasing the number of market participants is our primary objective. ✓ This project aims to expand real estate transaction volume by proper storage and management of real estate related information, and its goal is not to eliminate brokerage business. |
| Q | ✓ What kind of scale are you envisaging for your inheritance and real estate platform where you have a competitive edge? |
| A | <ul style="list-style-type: none"> ✓ Our ideal platform is where competent service providers can offer their services safely to a limited number of clients. ✓ For example, we believe that the value of the platform could be enhanced through participation of other financial institutions. |
| Q | ✓ Do you have ideas to target the mass retail market utilizing digitalization technology? |
| A | <ul style="list-style-type: none"> ✓ Our strength is not offering services to the mass retail market, but offering face-to-face consultation expected of a trust bank. ✓ We believe it would be more effective to co-work with firms that have a competitive edge in offering mass retail client services. |

3. Governance

(Shinichi Saito, External Director)

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| Q | ✓ Does the Nominating Committee oversee the selection and term of office of external directors? Also, what kinds of discussions are held regarding the candidates and term of office? |
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- A ✓ Candidacy and term of office are discussed at the Nominating Committee. Regarding the term of office, we have started to discuss term limits after a certain number of terms served.
- ✓ Regarding the criteria for candidacy, the role and contribution of external directors are important, but I believe diversity is the most important issue for selection. Of course there are features unique to a financial institution, but it is important not to be constrained by internal tribal logic and accept outside views to enhance the management quality of the group.

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| Q | ✓ Activities as Audit Committee member seems to be quite burdensome, do you think the work volume is adequate for an external director? If the workload is too cumbersome, there may be issues in finding external directors in the future, what is your view on this? |
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- A ✓ Activity as an Audit Committee member is definitely busier than before (as statutory auditor when the bank was a company with a statutory audit committee), and there are times when I come to office two days a week. There are other meetings such as meeting of external directors in addition to Audit Committee meetings.
- ✓ In our case it has been merely two years since transition to a company with three committees, so information sharing, understanding the business and learning who does what takes time.
- ✓ Corporate governance does not simply function by establishing a framework and various “software” is required to make it work. For coordination between first line, second line and third line of defense to become hands on, the effort requires dialogue between various executive officers and internal risk management departments to function. This effort is not a “burden” but “duty” and I believe this level of activity is required to fulfil the duties of Audit Committee member and its chairman.

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| Q | ✓ When comparing governance of a bank and ordinary corporations, I believe the biggest difference is the relationship with supervisory government agencies. From the viewpoint of audit of top management, has there been any change in relationship with the relevant authorities such as FSA and BoJ since transitioning to a company with three committees? Also, are there opportunities for external directors to have direct communication with these agencies? |
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A ✓ I was a statutory auditor when the bank was a company with a statutory audit committee and since the bank became a company with three committees in 2017, I have been an Audit Committee member. When I was a statutory auditor, several external auditors had a chance to discuss issues with FSA officers and directors on several occasions. I understood the meetings to be FSA's opportunity to convey the importance of external auditors in bank management and also to send a message that it is important to understand financial policy to us. Since the Lehman-crisis, reflecting on its policy shortfalls, FSA also might have had an intention to improve dialogue with banks under its supervision. In conclusion, there has not been any discernable change since the transition to a company with three committees, as the level of communication has increased for the banking sector as a whole, not just unique to SuMi Trust.

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| Q | ✓ Since your transition to a company with three committees in June 2017, what has changed in 1) your asset profitability management and 2) group company management? |
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A ✓ In terms of asset profitability management, asset quality is the most important factor and we are having various discussions on profitability and risk-return. In actual terms, the Audit Committee believes strategic shareholdings, credit portfolio and impairment risk of goodwill from acquisitions to be very important and we have been discussing these issues with care.

✓ How to improve profitability is an important management issue that encompasses discussions on ROA and using RAF (Risk Appetite Framework) to allocate capital strategically. While highlighting top level risk and jump risk including foreign currency liquidity risk, the fact that we are comprehensively reviewing asset quality issues and other potential risk issues facing bank management, and also discussing how to improve segment ROE while taking note of asset quality are some of the visible changes we have noted.

✓ Regarding group company management, I believe that we need to implement a horizontal group-wide, cross-company risk management framework taking each company's IT vulnerability, compliance issues and operational incidents into consideration. Also, we have been discussing capital adequacy and financial discipline of the group companies.

✓ As we are facing a hefty merger of our asset management and administration functions, group management is gaining further significance, and considering the fact that profit contribution from group companies other than the core SuMi Trust Bank is increasing, I believe group company management is the most important management issue for the group.

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| Q | ✓ The committees' role is to oversee management structure and management members, but who oversees the committees themselves? How does self-assessment or oversight work, or who decides its future direction? |
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| A | ✓ The Board of Directors evaluate the committees and as a next level, the committees themselves. Also, each committee has an opportunity to report to the Board periodically. ✓ Currently, the Audit Committee's evaluation is self-assessment, but we have been discussing the possibility of introducing the evaluation from other directors, or if necessary, from the executive side. |
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| Q | ✓ As a shareholder, the efforts of external directors are difficult to see in times of calm. Rather, in times of extreme market stress, we would like to have an outsider's view on what was discussed at the Board, how governance actually functioned, and what factors were taken into consideration for management decision making. What is your view on disclosing these? |
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| A | ✓ In answering how the Audit Committee should react in times of extreme stress, the most important action is the response to risks that materialized. Especially, the initial response at the outset is very important. ✓ First action should be to grasp the facts, and subsequently, evaluation of losses, countermeasures and actions to prevent recurrence. But as materialization of risks are unavoidable, I think the important issue is to make sure that the problem does not persist over the long term, and I believe the functions of three lines of defense and the role of the board and audit committee to be very important. ✓ Information disclosure is also an important duty of the committee, that should be disclosed subjectively in a manner that is easy to understand by third parties. |
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| Q | ✓ In recent equity financing cases (of other firms), there may be instances that the financing is not in the best interests of the shareholders, though the financing itself might be difficult to say whether it is good or bad. In these cases, I would like the external directors to make efforts to protect the interests of shareholders. I would like to confirm the discussion process on how the equity financing was ultimately decided, but these details are regrettably difficult to obtain from the outside. How do you think the committee would most likely respond to these cases in SuMi Trust? |
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| A | ✓ We have not had the opportunity to discuss that kind of a scenario in the bank, so I would like to abstain from making a comment as Audit Committee chairman. ✓ Under normal circumstances, equity financing has an element of existing shareholder dilution, which has to be taken into consideration while the decision is reached in discussion with relevant parties and the stock exchange. |
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