

Brief Message at Investor Meeting

Our key message is summarized in page 3 of the presentation material.

There are three main points.

The number of pages in the text refers to the presentation materials (Summary of Financial Results for 3QFY2021). Please click on the link below to access the presentation.

<https://www.smth.jp/english/-/media/th/english/investors/presentation/E220127.pdf>

- First, as for Net business profit before credit costs, we achieved 81% of full year forecast of ¥311bn which was revised in November 2021.
- Increase in Effective interest related earnings and Net fees and commissions contributed to the performance.
- We maintained strong performance in client related business and asset management business.

- Second, regarding Net income, we achieved 92% of full year forecast of ¥155bn.
- We shall consider potential revision of full year forecast following progress of Net business profit, taking into account the impact on Net gains on stocks from the stock market. We may announce the revision if it becomes appropriate.
- As for Net gains on stocks, the key factors which may affect the item are the valuation of hedging positions and the extent of gains on sales from strategic shareholdings. The uncertainty from those factors will decrease from here to the end of the fiscal year. We may also reconsider our dividends and share buybacks, if and when our forecast is revised.

- Third, we made steady progress in strategic shareholdings reduction.
- We sold or obtained the approval of sale of approx. ¥55bn from our clients against the two-year reduction target of ¥100bn.

I will make a few comments on the 3Q financial performance which is shown on page 4.

- Good performance of Net business profit was driven by mainly fee related businesses. Each business line performed well except for global markets.
- We accelerated the reduction of hedging transactions in advance and posted realized loss of ¥38.9bn in 3Q against the full year forecast of ¥30bn, counting on expected realized gains from the sales of strategic shareholdings in 4Q.
- As for credit cost in the 4Q, we anticipate the potential realization of a certain amount of credit risk from some borrowers due to the industrial structure shift which we mentioned in 2Q. However, we do not see this will be a major factor on our financial forecast considering both loan loss provisions and conservative forecast for this fiscal year.