

Brief Message at Conference on February 25, 2022

(Explainer: Hitoshi Sato, Senior Managing Executive Officer)

The number of pages in the text refers to the presentation material (Revision of Full Year Forecast for FY2021 and Share repurchase). Please click on the link below to access the presentation.

<https://www.smth.jp/english/-/media/th/english/news2/2022/E220224-3.pdf>

Key points

1. Upward revision of earnings and dividend forecasts
2. Shares repurchase
3. Reinforcement of investment in human capital

Net business profit was revised upward by another ¥20 billion from the forecast announced in November to ¥330 billion. The breakdown by business is described on page 5. The revision was mainly due to strong performance of customer businesses. Non-recurring profit, such as investment partnership, would amount to approx. ¥20 billion at the end of FY2021 as expected (although the breakdown of ¥20 billion could change slightly).

The forecast of net gains on stocks (¥30 billion) is unchanged as we have a confidence to control a risk of hedging transactions of strategic shareholdings for the next fiscal year. In case Sumishin SBI Net Bank is listed as scheduled we plan to record it as a gain on stocks and we expect to utilize the gain to furthermore improve the soundness of hedging transactions, not to be a source of upside to net income.

Based on our shareholder returns policy which aims to raise a dividend payout ratio of around 40% in or around FY2022, we raised the dividend forecast for FY2021 by 10 yen to 170 yen per share. Please understand that we believe its "target of around 40%" could include a certain range of buffer which allows us to adjust when internal/external business uncertainty is increasing, such as the recent emergence of geopolitical risks.

We decided the repurchase of own shares and its cancelation to improve return on equity ratio (ROE) with a view to entering the practical phase of capital utilization. We also made decisions about maximum number of shares to be repurchased (9 million) and the total amount (¥30 billion) to achieve a balance between the finalized CET1 ratio target (10% or more) and ROE improvement. The amount itself could also clarify that we expect that the repurchase this time is different from the previous one which we conducted under our previous shareholder return policy with total payout ratio. In addition, there was also management's intention to complete the repurchase of the uncollected 6 million shares that were sold after the repayment of public funds in 2013.

Lastly, we also announced our initiative to reinforce investment in human capital as capital utilization and investment will be the keywords for the next medium-term management plan. In addition to reskilling diverse expertise and digital literacy, we are considering the introduction of a stock-based compensation system and expansion of employee stock ownership plan as a measure to reinforce employee engagement. Specific details will be disclosed in due course, but we hope to create incentive plans that will encourage employees to hold shares and work on value creation in the same direction as shareholders and investors.