

Telephone conference on Financial Results for FY2021 (May 12, 2022)

Questions and Answers

(Respondent: Masaya Yamashiro, Executive Officer of SuMi TRUST Holdings)

Q.1	Regarding the net gains/losses on stocks for FY22. Gains on the sale of strategic shareholdings is expected to be offset by realized losses on bear fund, resulting in zero net gains/losses on stocks. Please advise when net gains/losses on stocks will become positive in the future.
A.1	<p>We were able to reduce the risk to net periodic profit/loss by realizing a considerable amount of unrealized losses on bear fund in FY21. Although the possibility has decreased due to the decline in stock prices, there are still a few funds that could have an impact on net income if stock prices rise again. We intend to realize unrealized losses on these funds in FY22. Since the expected sale of strategic shareholdings should also be increasing, we intend to use the sales gains from these stocks.</p> <p>We believe that we will be able to eliminate most of the risks in FY22. We would like you to understand that we are now on track to achieve our target of 190.0 billion yen for the final year of our Medium- Term Management Plan, even if net gains/losses on stocks are zero in FY22.</p>
Q.2	Regarding the FY22 forecast. Aside from net gains/losses on stocks, net business profit, credit costs, etc. also appear to be quite conservative. As in FY21, can we expect an upward revision of the forecast during the term? Also, should there be an upward swing, would that be reflected as an increase in shareholder return in accordance with your shareholder return policy?
A.2	The FY22 forecast incorporates the current uncertain situation, in addition to the absence of favorable market conditions in FY21. If the uncertainty becomes cleared up, it could be a positive factor for the performance. The positive impact of the yen's depreciation of 10 yen on our performance in FY21 was approximately 6 billion yen, but the yen has weakened further since the end of March. The potential positive impact has not been fully factored in the forecast. In addition, the number of real estate brokerage transactions have been steadily accumulating. If we can confirm that the performance is solid, we will consider revising our forecast based on these positive factors during FY22.
Q.3	On February 24, 2022, an announcement was released regarding the establishment of a 30 billion yen repurchase facility of its own shares, but no shares have been repurchased yet. What are the reasons why it has not been executed? Also, the repurchase period is set to expire on August 31, but is it correct to assume that the company will be able to repurchase 30 billion yen by then?
A.3	We cannot divulge the specific reason, but it is due to a technical factor. It is not due to changes in the environment, such as Russia-Ukraine situation. We also believe that the technical factor is unlikely to be a surprise to you. Once the situation is resolved, we intend to proceed with the repurchase as soon as possible.

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Q.4	If the repurchase of own shares is not completed by August 31, will you consider extending the repurchase period?
A.4	Although we cannot state this explicitly at this time because it is a matter of capital policy, the purpose of the repurchase is to improve capital efficiency in light of the capital situation. The CET1 ratio at the end of March shows that we have entered the capital utilization stage. If we are unable to repurchase the shares, we will make a decision based on such purpose and circumstances and appropriate disclosure shall be made.

Q.5	Regarding the special loan loss provision listed on page 21 of Summary of Financial Results for FY2021. The scope of coverage and amount have been reviewed, but has the scope of coverage been broadened or narrowed than in the past?
A.5	The amount of special loan loss provision is estimated by specifying industries and conducting certain simulations, such as internal rating transitions, based on the risk factors of those industries. There is no change in the fact that it is forward-looking provision based on scenarios. The scope of coverage of loan loss provision was limited to Covid-19 related only in the past but it has been expanded to reflect the current environment changes. We are well prepared for the risks.

Q.6	Regarding credit costs. Is it correct to say that even if credit risks of large corporate clients were to materialize again in the future, the provision of 41.0 billion yen (total of 20.0 billion yen in FY22 forecasted total credit costs and 21.0 billion yen in special loan loss provision) would be sufficient to handle the situation?
A.6	Yes, correct. This is double the 20.0 billion yen per year level of credit costs that would be incurred under normal circumstances, and although it will depend on future conditions given the uncertain environment, at this point, we believe we can adequately handle to the situation.

Forward-Looking Statements

This document includes notes on future earnings.

Such descriptions are not in any way guaranteeing future earnings and are inclusive of risks and uncertainties.

Please be mindful that future earnings may differ against targets due to changes in the business environment and others.

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