



INTERIM FINANCIAL REPORT 2018

(April 1~September 30, 2018)

TABLE OF CONTENTS

INTERIM BALANCE SHEET	2
INTERIM STATEMENT OF INCOME	3
INTERIM STATEMENT OF CHANGES IN NET ASSETS	4
DISCLOSURE ITEMS BASED ON PILLAR III OF BASEL III	15

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INTERIM BALANCE SHEET

(Millions of Yen)

	As of September 30, 2017	As of September 30, 2018	As of March 31, 2018
(Assets)			
Cash and due from banks	1,679,237	1,458,687	1,396,877
Call loans	232,843	238,024	241,891
Securities	288,920	297,604	295,418
Loans and bills discounted	727,974	1,108,041	1,002,388
Foreign exchanges	–	15,795	–
Other assets	27,623	49,593	36,660
Tangible fixed assets	5,528	9,290	6,170
Intangible fixed assets	70,942	71,998	73,231
Prepaid pension cost	241	1,525	850
Deferred tax assets	9,044	5,510	8,489
Customers' liabilities for acceptances and guarantees	–	4,004	4,005
Reserve for possible loan losses	(1,430)	(1,747)	(1,570)
Total assets	3,040,926	3,258,328	3,064,414
(Liabilities)			
Deposits	2,556,565	2,721,715	2,540,534
Payables under securities lending transactions	251,803	261,118	251,469
Borrowed money	–	28	–
Foreign exchanges	–	865	–
Due to trust accounts	18,862	54,237	51,364
Other liabilities	23,904	33,283	30,797
Income taxes payable	350	395	269
Lease obligations	9	5	7
Asset retirement obligations	1,259	2,655	1,714
Other	22,285	30,226	28,805
Reserve for employee bonuses	785	800	1,282
Reserve for executive bonuses	27	30	59
Reserve for retirement benefits	43	81	57
Reserve for executive retirement benefits	10	12	11
Reserve for reimbursement of deposits	484	548	458
Acceptances and guarantees	–	4,004	4,005
Total liabilities	2,852,488	3,076,726	2,880,041
(Net assets)			
Capital stock	87,550	87,550	87,550
Capital surplus	128,350	130,553	128,350
Legal capital surplus	83,350	83,350	83,350
Other capital surplus	45,000	47,203	45,000
Retained earnings	(26,155)	(31,648)	(27,602)
Legal retained earnings	80	80	80
Other retained earnings	(26,235)	(31,728)	(27,682)
Retained earnings brought forward	(26,235)	(31,728)	(27,682)
Total Shareholders' equity	189,744	186,454	188,297
Net unrealized gains (losses) on other securities	486	50	255
Net deferred gains (losses) on hedges	(1,792)	(4,903)	(4,179)
Total valuation and translation adjustments	(1,306)	(4,852)	(3,924)
Total net assets	188,437	181,602	184,373
Total liabilities and total net assets	3,040,926	3,258,328	3,064,414

INTERIM STATEMENT OF INCOME

(Millions of Yen)

	September 30, 2017	September 30, 2018	March 31, 2018
Ordinary income	21,878	29,850	50,688
Trust fees	792	1,103	1,730
Interest income	11,337	17,282	24,934
Interest on loans and discounts	5,761	11,723	13,626
Interest and dividends on securities	233	611	762
Fees and commissions	7,811	8,808	19,305
Other operating income	1,935	2,180	4,369
Other income	2	474	348
Ordinary expenses	27,416	32,380	57,878
Interest expenses	1,263	3,197	3,470
Interest on deposits	1,245	2,124	3,153
Fees and commissions payments	1,260	1,712	2,630
Other operating expenses	6	29	57
General and administrative expenses	24,742	27,113	50,764
Other expenses	144	326	955
Ordinary profit (loss)	(5,538)	(2,529)	(7,189)
Extraordinary gains	—	60	—
Extraordinary losses	44	1,945	448
Income (loss) before income taxes	(5,582)	(4,415)	(7,638)
Income taxes - current	(4,001)	(3,791)	(6,086)
Income taxes - deferred	2,766	3,316	4,241
Income taxes	(1,235)	(475)	(1,844)
Net income (loss)	(4,347)	(3,940)	(5,793)

INTERIM STATEMENT OF CHANGES IN NET ASSETS

From April 1, 2017 through September 30, 2017

(Millions of Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at the beginning of the fiscal year	87,550	83,350	45,000	128,350	80	(21,888)	(21,808)	194,091
Changes in the fiscal year								
Net income (Loss)						(4,347)	(4,347)	(4,347)
Changes due to business succession								
Net changes in items other than shareholders' equity in the fiscal year								
Net changes in the fiscal year	–	–	–	–	–	(4,347)	(4,347)	(4,347)
Balance at the end of the fiscal year	87,550	83,350	45,000	128,350	80	(26,235)	(26,155)	189,744

(Millions of Yen)

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	231	(2,310)	(2,079)	192,012
Changes in the fiscal year				
Net income (Loss)				(4,347)
Changes due to business succession				
Net changes in items other than shareholders' equity in the fiscal year	255	517	772	772
Net changes in the fiscal year	255	517	772	(3,574)
Balance at the end of the fiscal year	486	(1,792)	(1,306)	188,437

From April 1, 2018 through September 30, 2018

(Millions of Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at the beginning of the fiscal year	87,550	83,350	45,000	128,350	80	(27,682)	(27,602)	188,297
Changes in the fiscal year								
Net income (Loss)						(3,940)	(3,940)	(3,940)
Changes due to business succession			2,203	2,203		(106)	(106)	2,096
Net changes in items other than shareholders' equity in the fiscal year								
Net changes in the fiscal year	–	–	2,203	2,203	–	(4,046)	(4,046)	(1,843)
Balance at the end of the fiscal year	87,550	83,350	47,203	130,553	80	(31,728)	(31,648)	186,454

(Millions of Yen)

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	255	(4,179)	(3,924)	184,373
Changes in the fiscal year				
Net income (Loss)				(3,940)
Changes due to business succession				2,096
Net changes in items other than shareholders' equity in the fiscal year	(204)	(723)	(928)	(928)
Net changes in the fiscal year	(204)	(723)	(928)	(2,771)
Balance at the end of the fiscal year	50	(4,903)	(4,852)	181,602

From April 1, 2017 through March 31, 2018

(Millions of Yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at the beginning of the fiscal year	87,550	83,350	45,000	128,350	80	(21,888)	(21,808)	194,091
Changes in the fiscal year								
Net income (Loss)						(5,793)	(5,793)	(5,793)
Changes due to business succession								
Net changes in items other than shareholders' equity in the fiscal year								
Net changes in the fiscal year	–	–	–	–	–	(5,793)	(5,793)	(5,793)
Balance at the end of the fiscal year	87,550	83,350	45,000	128,350	80	(27,682)	(27,602)	188,297

(Millions of Yen)

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on other securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	231	(2,310)	(2,079)	192,012
Changes in the fiscal year				
Net income (Loss)				(5,793)
Changes due to business succession				
Net changes in items other than shareholders' equity in the fiscal year	24	(1,869)	(1,845)	(1,845)
Net changes in the fiscal year	24	(1,869)	(1,845)	(7,638)
Balance at the end of the fiscal year	255	(4,179)	(3,924)	184,373

The amounts described herein are rounded down to the nearest million yen.

Significant accounting policies

1. Measurement standard and method of securities

Debt securities classified as held-to-maturity are carried at amortized cost (based on the straight-line method) using the moving-average method. Other securities with readily determinable fair value are carried at prevailing market price at the balance sheet date (cost of securities sold is calculated using the moving-average method). However, securities which are extremely difficult to determine fair value are carried at cost using the moving-average method.

Net unrealized gains (losses) on other securities, net of income taxes, are included in “Net assets”.

2. Measurement standard and method of derivatives transactions

Derivatives transactions are carried at fair value.

3. Depreciation of fixed assets

(1) Tangible fixed assets (excluding lease assets)

Tangible fixed assets are depreciated using the straight-line method. The estimated useful lives of major items are as follows:

Buildings:	5 to 20 years
Others:	3 to 20 years

(2) Intangible fixed assets

Intangible fixed assets are depreciated using the straight-line method. Capitalized software for internal use is depreciated over its estimated useful life (5 to 10 years).

(3) Lease assets

Lease assets with respect to non-transfer ownership finance leases, which are recorded in “Tangible fixed assets,” are depreciated using the straight-line method, assuming that the lease terms are their useful lives and residual values are zero.

4. Conversion rule for foreign currency assets and liabilities into Japanese Yen

Foreign currency assets and liabilities are converted into Japanese yen by the prevailing Foreign Exchange rate as of balance sheet date

5. Basis for recording reserves

(1) Reserve for possible loan losses

The reserve for possible loan losses is provided as detailed below in accordance with the internal standards for write-offs and provisions. For claims on borrowers that have entered into bankruptcy, special liquidation proceedings or similar legal proceedings or borrowers that are regarded as substantially in the same situation, a reserve is provided based on the amount of claims, net of the expected amount of recoveries from collateral and guarantees. For claims on borrowers that are not currently bankrupt but are perceived to be highly likely to fall into bankruptcy, a reserve is provided at the amount deemed necessary based on an overall solvency assessment of the borrowers, net of the expected amount of recoveries from collateral and guarantees.

For other claims, a reserve is provided based on the historical loan-loss ratio calculated using the historical loss experience over a certain period of time in the past and other factors.

The primary credit assessment departments, such as sales departments, assess all claims in accordance with the Standards for Self-Assessment of Asset Quality. The Credit Department, independent from these departments, reviews the assessment results, and the Asset Audit Department audits the assessment results.

(2) Reserve for employee bonuses

The reserve for employee bonuses is provided for payments of bonuses to employees, and recorded at the estimated amount of bonuses which are attributable to the current period.

(3) Reserve for executive bonuses

The reserve for executive bonuses is provided for payments of bonuses to directors, and recorded at the estimated amount of executive bonuses which are attributable to the current period.

(4) Reserve for retirement benefits

The reserve for retirement benefits is provided for payments of retirement benefits to employees, and recorded at the necessary amount estimated based on the projected benefit obligation and plan assets of pension funds at the end of the current period. In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit attributable to the respective fiscal year.

Unrecognized net actuarial gain (loss): Amortized on a straight-line basis over a certain period (mainly 12 years) within the employees' average remaining service period commencing from the following fiscal year in which unrecognized net actuarial gain (loss) occurred.

(5) Reserve for executive retirement benefits

The reserve for executive retirement benefits is provided for payments of retirement benefits to directors, and recorded at the amount deemed accrued at the end of the current period based on the amount of estimated retirement benefits.

(6) Reserve for reimbursement of deposits

The reserve for reimbursement of dormant deposits which were derecognized from liabilities is provided for the possible losses on the future claims of refunds, and recorded at the amount deemed necessary based on possible losses estimated according to the future claims of refunds.

6. Hedge accounting method

Interest rate risk hedge

As for the hedge accounting method applied to interest rate risk arising from financial assets and liabilities, SMBC Trust Bank Ltd. (SMBC Trust) applies deferred hedge accounting stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Statement No. 24). In this hedging, hedged items are identified through grouping on a basis of interest rate indices and certain repricing periods, and interest rate swaps are designated as a hedging instrument. With respect to the assessment of hedge effectiveness, hedge is deemed to be highly effective since it is designated in a way that the critical terms applied to the hedged items and the hedging instruments are mostly identical. The hedge effectiveness testing, therefore, relies on this result. With respect to the hedge for specific item, it has also been evaluated as effective. SMBC Trust applies special accounting treatment to interest rate swaps for a part of assets.

7. Method and period of Amortization of goodwill, etc.

Goodwill and intangible fixed assets identified as a result of business acquisition are amortized on a straight-line basis over 20 years.

8. Consumption taxes

National and local consumption taxes are accounted for using the tax-excluded method.

9. Application of consolidated tax payment system

SMBC Trust applies consolidated tax payment system with Sumitomo Mitsui Financial Group, Inc. for the parent company for tax consolidation.

Change in presentation method

On February 16, 2018, the ASBJ issued the Amendments to Accounting Standard for Tax-Effect Accounting (No. 28), so we adopted the amended standard in the current interim period. We now annotate our tax-effect accounting

according to the tax-effect accounting provisions in Paragraphs 3 through 5 of the amended standard—specifically, the provisions in Note 8 (other than the provision on accounting for valuation reserves) and Note 9.

Change in accounting estimate

In calculating retirement benefit obligations, unrecognized actuarial differences are recognized as expenses over a certain term within the average remaining service period of the employees to 12 years from this fiscal year. Although SMBC Trust amortized it proportionately over a specified number of years (15 years), the average remaining service period of the employees is less than it.

As a result, ordinary loss and net loss before income taxes in this mid-term business year have been increased by 27 million yen compared to the previous business year.

Notes

(Notes to the balance sheet)

1. Bankrupt loans and non-accrual loans at September 30, 2018 were nil and 1,463 million yen, respectively.

“Bankrupt loans” are loans, after write-off, to legally bankrupt borrowers to which the events defined in Article 96-1-3 (a) to (d) or 96-1-4 of “Order for Enforcement of the Corporation Tax Act” (Cabinet Order No. 97 of 1965) have occurred and on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectability of either principal or interest because they are past due for a considerable period of time or for other reasons.

“Non-accrual loans” are loans on which accrued interest income is not recognized, excluding “Bankrupt loans” and loans on which interest payments are deferred in order to support the borrowers’ recovery from financial difficulties.

2. Past due loans (3 months or more) at September 30, 2018 were nil.

“Past due loans (3 months or more)” are loans on which the principal or interest payment is past due for 3 months or more, excluding “Bankrupt loans” and “Non-accrual loans.”

3. Restructured loans at September 30, 2018 were 4 million yen.

“Restructured loans” are loans on which terms and conditions have been amended in favor of the borrowers (e.g. reduction of the original interest rate, deferral of interest payments, extension of principal repayments or debt forgiveness) in order to support the borrowers’ recovery from financial difficulties, excluding “Bankrupt loans,” “Non-accrual loans” and “Past due loans (3 months or more).”

4. The total amount of bankrupt loans, non-accrual loans, past due loans (3 months or more) and restructured loans at September 30, 2018 were 1,468 million yen.

The amounts of loans presented in Notes 1 to 4 above are the amounts before deduction of reserve for possible loan losses.

5. The amount of principal in loan participation accounted for as loans to the original borrowers based on “Accounting Treatment and Presentation of Loan Participation (JICPA Accounting Practice Committee Statement No. 3)” recorded on the balance sheet were 429,390 million yen at September 30, 2018.

6. Assets offered for collateral are as follows;

Assets offered for collateral

Securities 260,325 million yen

Liabilities secured by the collateral

Payables under securities lending transactions 261,118 million yen

Loans and Cash and due from banks pledged as collateral for the settlement of foreign exchange transactions were 10,715 million yen and 10 million yen respectively at September 30, 2018. Other in Other assets includes cash collateral paid for financial instruments of 19,572 million yen and security deposits of 4,117 million yen.

7. Commitment line contracts on overdrafts and loans are agreements to lend to customers when requested to extend a loan, up to a prescribed amount, as long as there is no violation of any condition established in the contracts. The amount of unused commitments related to these agreements was 136,882 million yen at September 30, 2018. The outstanding of 124,029 million yen is for remaining contract term of such commitments within one year.

Since many of these commitments are expected to expire without being drawn down, the total amount of unused commitments does not necessarily affect future cash flow requirements. Many of these commitments include clauses under which SMBC Trust can reject an application from customers or reduce the contract amounts in the event that economic conditions change, SMBC Trust needs to secure claims, or other probable events occur. In addition, SMBC Trust may request its customers to pledge collateral such as premises and securities at the time of the contracts as necessary, and take necessary measures such as monitoring customers' financial positions, revising contracts when such need arises and securing claims after the contracts are entered into.

8. Accumulated depreciation on tangible fixed assets was 2,411 million yen.

(Notes to the statement of changes in shareholders' equity)

Type and the number of shares issued

(Shares in thousands)

Type of shares	Number of shares				Note
	At the beginning of the period	Increase	Decrease	At the end of the period	
Common stock	3,418	—	—	3,418	
Non-voting stock	900	—	—	900	
Total	4,318	—	—	4,318	

(Notes to financial instruments)

Fair value of financial instruments

The balance sheet amount, fair value and net unrealized gains (losses) of financial instruments as of September 30, 2018 are as follows. This sheet does not contain financial instruments as it is considered extremely difficult to determine their fair value. (of. note 2)

(Millions of yen)

	balance sheet amount	Fair value	Net unrealized gains (losses)
(1) Cash and due from banks (*1)	1,458,663	1,458,598	(64)
(2) Call loans	238,024	238,024	—
(3) Securities			
Bonds classified as held-to-maturity	260,325	261,092	766
Other securities	37,077	37,077	—
(4) Loans and bills discounted	1,108,041		
Reserve for possible loan losses (*1)	(1,644)		
	1,106,397	1,105,536	(860)
(5) Foreign exchanges (*1)	15,795	15,795	—
Total assets	3,116,283	3,116,125	(158)
(1) Deposits	2,721,715	2,721,280	(435)
(2) Payables under securities lending transactions	261,118	261,118	—
(3) Borrowed money	28	28	—
(4) Foreign exchanges	865	865	—
(5) Due to trust accounts	54,237	54,237	—
Total liabilities	3,037,965	3,037,530	(435)

	balance sheet amount	Fair value	Net unrealized gains (losses)
Derivatives transactions (*2)			
Hedge accounting not applied	{ 1,968 }	{ 1,968 }	–
Hedge accounting applied	{ 6,580 }	{ 6,580 }	–
Total	{ 8,548 }	{ 8,548 }	–

(*1) The amounts do not include general reserve for possible loan losses and specific reserve for possible loan losses. The reserve against cash and due from banks and foreign exchanges are deducted directly from the balance sheet amount due to insignificance.

(*2) The amounts collectively represent the derivative transactions which are recorded in “Other assets” and “Other liabilities.” Receivables and payables arising from derivatives transactions are presented on a net basis, and net payable is shown as { }.

(Note 1) Fair value calculation methodology for financial instruments

Assets

(1) Cash and due from banks

For cash and due from banks with no maturity, the carrying amount is used as fair value as it is considered to approximate their fair value. For due from banks with maturity, the present value discounted by market rates based on maturity is calculated to determine fair value. With respect to some due from banks embedded with derivatives, when it shall designate the entire hybrid contract as fair value, the fair value is calculated based on the amount of fair value measured and provided by financial institutions to which such deposits are made.

(2) Call loans and (5) Foreign exchanges

The carrying amount is used as fair value as their contract period is short and their carrying amount is considered to approximate their fair value.

(3) Securities

For securities, the value calculated based on prevailing market prices as at the balance sheet date is used as their fair value. With respect to the securities unavailable market price, the fair value is calculated based on the present value of estimated future cash flow to discount by the non-risk rate associated with credit risk etc .

(4) Loans and bills discounted

For loans and bills discounted based on the floating rate, the carrying amount is used as fair value as it is considered to approximate their fair value. For loans and bills discounted based on the fixed rate, the present value is used as the fair value, discounted by the rate applied for such new loans and bills discounted. For claims on bankrupt borrowers, effectively bankrupt borrowers and potentially bankrupt borrowers, expected losses on such claims are calculated based on either the expected recoverable amount from disposal of collateral or guarantees. Since the balance sheet amounts of these claims minus the reserve for possible loan losses approximate are their fair value, such amounts are considered to be their fair value. As to the loan hedged by interest rate swap for special accounting, it is treated as a unit with the interest rate swap and the fair value is calculated according to the fair value calculation method of loans.

Liabilities

(1) Deposits

For demand deposits, given characteristics of this type of transaction, the amount of payment (i.e. the carrying amount) demanded on the balance sheet date is deemed as the fair value. With respect to time deposits, the present value discounted by market rates, etc. based on the maturity is calculated to determine fair value. For some deposits which are structured deposits embedded with derivatives, when it shall designate the entire hybrid contract as fair value, their fair value is calculated based on the amount of fair value measured and provided by financial institutions which are the counterparty to the covered transaction of the structured deposit.

(2) Payables under securities lending transactions, (3) borrowed money and (4) Foreign exchanges

The carrying amount is used as fair value as their contract period is short and fair value is considered to approximate carrying amount.

(5) Due from trust accounts

For due from trust accounts, the amount of payment (i.e. the carrying amount) demanded on the balance sheet date is deemed as their fair value.

Derivatives transactions

Derivatives transactions are comprised of interest rate derivatives (interest rate swaps) and currency derivatives (forward foreign exchange, foreign exchange swaps, and currency options) and their fair value is based on the value calculated using the discounted present value and option valuation models, etc.

(Note 2) The balance sheet amount of financial instruments where it is extremely difficult to determine the fair value is as follows, and those amounts are not included in the fair value of financial instruments “(3) other securities”.

(Millions of yen)

Classification	Balance sheet amount
Securities	
Partners' subscription certificate, etc	201
Total	201

(Notes to securities)

1. Bonds classified as held-to-maturity (as of September 30, 2018)

(Millions of yen)

	Type	balance sheet amount	Fair value	Net unrealized gains (losses)
Bonds with unrealized gains	Japanese government bonds	260,325	261,092	766
	Subtotal	260,325	261,092	766
Bonds with unrealized losses	Japanese government bonds	—	—	—
	Subtotal	—	—	—
Total		260,325	261,092	766

2. Other securities (as of September 30, 2018)

(Millions of yen)

	Type	balance sheet amount	acquisition cost or depreciable cost	Net unrealized gains (losses)
The carrying amount is beyond the acquisition cost or depreciable cost	Bonds	10,177	10,000	177
	Government bond	—	—	—
	Corporate bond	10,177	10,000	177
	Others	11,527	11,319	207
	Foreign bonds	11,527	11,319	207
	Subtotal	21,705	21,319	385
The carrying amount is below the acquisition cost or depreciable cost	Bonds	2,000	2,000	(0)
	Government bond	2,000	2,000	(0)
	Corporate bond	—	—	—
	Others	13,371	13,677	(305)
	Foreign bonds	13,371	13,677	(305)
	Subtotal	15,372	15,677	(305)
Total		37,077	36,997	80

(Note) other securities recognized that it is extremely difficult to determine the fair value

(Millions of yen)

	Balance sheet amount
Other Securities	201
Total	201

These are other securities considered extremely difficult to determine the fair value, hence they are not included in the other bonds in the above list.

(Notes to deferred tax assets and liabilities)

Significant components of deferred tax assets and liabilities are as follows:

Deferred tax assets

Loss brought forward from the previous term (Note 1)	2,481 million yen
Fair value earnings from consolidated tax payment	12,348
Asset adjustment account	3,737
Fair value hedge profit loss	2,014
Other	2,714
Subtotal	23,296
Valuation allowance for tax loss brought forward	(2,481)
Valuation allowance for total future tax consequence of temporally differences	(4,612)
Valuation allowance subtotal	(7,094)
Total deferred tax assets	16,202
Deferred tax liabilities	
Intangible fixed assets	(9,626)
Other	(1,065)
Total deferred tax liabilities	(10,691)
Net deferred tax asset	5,510

(Note 1) Loss brought forward from the previous term and its deferred tax assets by term

as of September 30, 2018

(Millions of yen)

	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years	Total
Loss brought forward from the previous term (*1)	—	—	—	—	—	2,481	2,481
Valuation allowance	—	—	—	—	—	(2,481)	(2,481)
Deferred tax assets	—	—	—	—	—	—	—

(*1) Tax loss carried forward is multiplied by the legally effective tax rate.

(Per share data)

Net assets per share	42,056.97 yen
Net loss per share	912.49 yen

(Business combination)

Business combination between entities under common control

SMBC Trust combined foreign currency exchange business for individual customer operated at the foreign currency exchange corner by Sumitomo Mitsui Banking Cooperation and foreign currency exchange business for individual customer operated at the foreign currency exchange corner by SMBC International Business Cooperation to receive

consignment from Sumitomo Mitsui Banking Cooperation, with the effective date of April 1, 2018 by absorption-type split with our company as succeeding company

1. Outline of transaction

(1) Name of the company related to business combination and contents of the business concerned

① Name of the company related to business combination : Sumitomo Mitsui Banking Cooperation

The contents of the business concerned : Foreign currency exchange business for individual customer operated at the foreign currency exchange corner

② Name of the company related to business combination : SMBC International Business Cooperation (On April 1, 2018, SMBC Delivery Service Co. Ltd. merged SMBC International Business Cooperation, and changed its name to SMBC Operation Service Co., Ltd.)

The contents of the business concerned : Foreign currency exchange business for individual customer operated at the foreign currency exchange corner to receive consignment from Sumitomo Mitsui Banking Cooperation

(2) Date of business combination : April 1, 2018

(3) Legal structure of business combination : absorption-type split with our company as succeeding company

(4) The name of the combined company : SMBC Trust Bank Ltd.

2. Outline of applied accounting principal

Accounting Standard for Business Combinations (Accounting Standards Board of Japan (“ASBJ”) Statement No.21, September 13, 2013) and the revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestures (Accounting Standards Board of Japan (“ASBJ”) Guidance No.10, September 13, 2013)

Disclosure Items Based on Pillar III of Basel III

Disclosure items based on the “items separately stipulated by the Commissioner of the Japanese Financial Services Agency concerning capital adequacy pursuant to Article 19-2, Paragraph 1, item 5, Subsection 2, of the Ordinance for Enforcement of the Banking Act” (Notification No.7 issued by the Japanese Financial Services Agency in 2014).

The non-consolidated capital adequacy ratio is calculated using the method stipulated in “standards for the bank to examine the adequacy of its capital based on assets held by it pursuant to Article 14-2 of the Banking Act” (Notification No.19 issued by the Japanese Financial Services Agency in 2006).

In addition to the method stipulated in the Notification No. 19 to calculate the non-consolidated capital adequacy ratio (referred to as “Domestic Standard” in the Notification), SMBCTB has adopted the Standardized approach for calculating credit risk-weighted assets and the Basic Indicator approach for calculating operational risk.

Composition of Capital Disclosure

(Millions of Yen)

Items	As of September 30, 2017		As of September 30, 2018	
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
Core Capital Basic Components (1)				
Directly issued qualifying common share or mandatory convertible preference share plus related capital surplus and retained earnings	189,744		186,454	
of which : capital and capital surplus	215,900		218,103	
of which : retained earnings	(26,155)		(31,648)	
of which : treasury stock (-)	-		-	
of which : cash dividends to be paid (-)	-		-	
of which : other than the above	-		-	
Stock acquisition rights to common shares or mandatory convertible preference shares	-		-	
Total of general reserve for possible loan losses and eligible provisions included in Core Capital Basic Components	850		1,108	
of which : general reserve for possible loan losses	850		1,108	
of which : eligible provisions	-		-	
Qualifying non-cumulative perpetual preferred stock subject to phase-out arrangements included in Core Capital Basic Components	-		-	
Eligible capital instruments subject to phase-out arrangements included in Core Capital Basic Components	-		-	
Capital instruments issued by public agency under capital enhancement action included in Core Capital Basic Components	-		-	
45% equivalent of the difference between the revaluated amount of the land and the book value immediately prior to revaluation included in Core Capital Basic Components	-		-	

(Millions of Yen)

Items	As of September 30, 2017		As of September 30, 2018	
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
Amount of Core Capital Basic Components (A)	190,594		187,563	
Core Capital Adjustments (2)				
Total intangible assets (excluding those relating to mortgage servicing rights)	40,131	18,028	47,828	8,865
of which : goodwill (including those equivalent)	13,088	—	12,365	—
of which : other intangible assets other than goodwill and mortgage servicing rights (net of related tax liability)	27,043	18,028	35,463	8,865
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—	—	—
Shortfall of eligible provisions to expected losses	—	—	—	—
Gain on sale on securitization transactions	—	—	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	—	—
Prepaid pension cost	100	66	846	211
Investments in own shares (excluding those reported in the Net assets section)	—	—	—	—
Reciprocal cross-holdings in common equity	—	—	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	—	—	—	—
Amount exceeding the 10% threshold on specified items	7,394	4,929	10,058	2,514
of which : significant investments in the common stock of financials	—	—	—	—
of which : mortgage servicing rights	—	—	—	—
of which : deferred tax assets arising from temporary differences (net of related tax liability)	7,394	4,929	10,058	2,514
Amount exceeding the 15% threshold on specified items	—	—	—	—
of which : significant investments in the common stock of financials	—	—	—	—
of which : mortgage servicing rights	—	—	—	—
of which : deferred tax assets arising from temporary differences (net of related tax liability)	—	—	—	—
Amount of Core Capital Adjustments (B)	47,626		58,733	

(Millions of Yen)

Items	As of September 30, 2017		As of September 30, 2018	
		Amounts excluded under transitional arrangements		Amounts excluded under transitional arrangements
Capital				
Capital amount ((A) - (B))	(C)	142,967	128,830	
Risk weighted assets (3)				
Credit risk weighted assets		697,780	884,305	
of which : total of items in risk weighted assets subject to transitional arrangements		23,025	11,592	
of which : intangible assets (excluding those relating to mortgage servicing rights)		18,028	8,865	
of which : deferred tax assets		—	—	
of which : prepaid pension cost		66	211	
of which : investments in the capital of banking, financial and insurance entities		—	—	
of which : other than the above		4,929	2,514	
Total amount of Market Risk equivalent divided by 8%		—	—	
Total amount of Operational Risk equivalent divided by 8%		67,300	74,765	
Credit risk weighted assets adjustments		—	—	
Operational risk weighted assets adjustments		—	—	
Total amount of Risk weighted assets	(D)	765,080	959,070	
Capital Adequacy Ratio				
Total Capital Adequacy Ratio ((C) / (D))		18.68%	13.43%	



SMBC TRUST BANK